

**TOWN OF LANCASTER,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Other
Information for the Year Ended December 31, 2017 and
Independent Auditors' Reports*

TOWN OF LANCASTER, NEW YORK
Table of Contents
Year Ended December 31, 2017

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet—Governmental Funds	15
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and changes in Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities	18
Statement of Net Position—Proprietary Fund	19
Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund	20
Statement of Cash Flows—Proprietary Fund.....	21
Statement of Net Position—Agency Fund.....	22
Notes to the Financial Statements.....	23
Required Supplementary Information:	
Schedule of Funding Progress—Other Postemployment Benefits Plan	51
Schedule of the Town's Proportionate Share of the Net Pension Liability—Police and Fire Retirement System	52
Schedule of the Town's Contributions—Police and Fire Retirement System.....	53
Schedule of the Town's Proportionate Share of the Net Pension Liability—Employees' Retirement System	54
Schedule of the Town's Contributions—Employees' Retirement System.....	55
Schedule of Changes in the Town's Total Pension Liability—LOSAP	56

(continued)

TOWN OF LANCASTER, NEW YORK
Table of Contents
Year Ended December 31, 2017

(concluded)

Page

Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund.....	57
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Police Fund.....	58
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Highway Fund - Town Outside Village	59
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Fire Protection District Fund.....	60
Notes to the Required Supplementary Information	61
Supplementary Information:	
Combining Balance Sheet—Nonmajor Governmental Funds.....	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	63
Other Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund - Town Outside Village.....	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Highway Fund - Townwide	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Refuse District Fund.....	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Lighting District Fund.....	67
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Consolidated Water District Fund.....	68
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Miscellaneous Special Revenue Fund.....	69
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 <i>Government Auditing Standards</i>	70
Schedule of Findings.....	72

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable 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, 2017, 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, 2017, 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, 2017 the Town implemented Governmental Accounting Standards Board (“GASB”) Statement 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*. 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, 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, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents is 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 June 19, 2018 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 black ink that reads "Duescher & Maleki LLP".

June 19, 2018

TOWN OF LANCASTER, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2017

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, 2017. 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 \$50,583,426 (*net position*). This consists of \$52,469,491 net investment in capital assets, \$1,564,451 restricted for specific purposes, and an unrestricted net position of \$(3,450,416).
- The Town's primary government net position decreased \$106,438 during the year ended December 31, 2017.
- At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$11,328,063, a decrease of \$1,252,136 in comparison with the prior year's fund balance of \$12,580,199.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,869,602, or approximately 20.2 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 50.0 percent of the General Fund's total fund balance of \$3,735,953 at December 31, 2017.
- During the year ended December 31, 2017, the Town's total serial bonds outstanding decreased by \$1,820,000 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 and Capital Projects Fund, which are considered to be major funds. Data from the other six governmental 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 of this report.

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 23-50 of this report.

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 other post-employment benefits to its employees, the Town’s net pension liabilities, and the Town’s budgetary comparison schedules for the General Fund, Police Fund, Highway Fund—Town Outside Village, and Fire Protection District Fund. Required Supplementary Information and the related notes to the required supplementary information can be found on pages 51-61 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 62-63.

Finally, 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 64-69.

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 \$50,583,426 at the close of the most recent fiscal year, as compared to \$50,689,864 at the close of the fiscal year ended December 31, 2016, as restated.

Table 1, presented on the following page, shows 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>	
	<u>2017</u>	<u>2016</u>
		<u>(as restated)</u>
Current assets	\$ 18,990,569	\$ 16,367,973
Capital assets	<u>76,357,323</u>	<u>75,837,425</u>
Total assets	<u>95,347,892</u>	<u>92,205,398</u>
Deferred outflows of resources	<u>6,364,826</u>	<u>9,258,500</u>
Current liabilities	6,773,498	2,814,729
Noncurrent liabilities	<u>43,318,475</u>	<u>40,736,526</u>
Total liabilities	<u>50,091,973</u>	<u>43,551,255</u>
Deferred inflows of resources	<u>1,037,319</u>	<u>1,222,779</u>
Net position:		
Net investment in capital assets	52,469,491	51,832,616
Restricted	1,564,451	1,862,808
Unrestricted	<u>(3,450,516)</u>	<u>(3,005,560)</u>
Total net position	<u>\$ 50,583,426</u>	<u>\$ 50,689,864</u>

The largest portion of the Town's net position, \$52,469,491, 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, \$1,564,451, 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 portion of the Town's net position, \$(3,450,516), is considered to be unrestricted.

Table 2, presented on the following page, shows the changes in net position for the years ended December 31, 2017 and December 31, 2016.

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

	Governmental Activities	
	Year Ended December 31,	
	2017	2016
Program revenues:		
Charges for services	\$ 2,454,768	\$ 2,566,466
Operating grants and contributions	610,080	211,606
Capital grants and contributions	-	45,300
General revenues	<u>29,180,934</u>	<u>29,604,129</u>
Total revenues	<u>32,245,782</u>	<u>32,427,501</u>
Program expenses	<u>32,352,220</u>	<u>32,423,200</u>
Change in net position	(106,438)	4,301
Net position—beginning	50,689,864	57,342,090
Restatement	-	(6,656,527)
Net position—ending	<u>\$ 50,583,426</u>	<u>\$ 50,689,864</u>

Overall revenues of the primary government decreased 0.6 percent from the prior year, due primarily to nonrecurring miscellaneous revenues related to a bond premium received in the prior year. Total expenses decreased by 0.2 percent from the year ended December 31, 2016, with the most significant decrease occurring within transportation due primarily to the reduction in street maintenance costs.

A summary of sources of revenues for the years ended December 31, 2017 and December 31, 2016 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Charges for services	\$ 2,454,768	\$ 2,566,466	\$ (111,698)	(4.4)
Operating grants and contributions	610,080	211,606	398,474	188.3
Capital grants and contributions	-	45,300	(45,300)	(100.0)
Property taxes and tax items	22,400,430	21,811,981	588,449	2.7
Non-property taxes	4,872,799	4,776,950	95,849	2.0
Use of money and property	319,170	304,544	14,626	4.8
Miscellaneous	447,862	1,641,157	(1,193,295)	(72.7)
Unrestricted state aid	<u>1,140,673</u>	<u>1,069,497</u>	<u>71,176</u>	6.7
Total revenues	<u>\$ 32,245,782</u>	<u>\$ 32,427,501</u>	<u>\$ (181,719)</u>	(0.6)

The most significant sources of revenues for the year ended December 31, 2017 were property taxes and tax items of \$22,400,430, or 69.5 percent of total revenues, and non-property taxes of \$4,872,799, or 15.1 percent of total revenues. Similarly, for the year ended December 31, 2016, the largest sources of revenues were property taxes and tax items of \$21,811,981, or 67.3 percent of total revenues, and non-property taxes of \$4,776,950, or 14.7 percent of total revenues.

A summary of program expenses for the years ended December 31, 2017 and December 31, 2016 is presented on the following page in Table 4.

Table 4—Summary of Program Expenses—Primary Government

	Year ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
General government support	\$ 4,452,866	\$ 4,701,867	\$ (249,001)	(5.3)
Public safety	14,211,981	13,980,169	231,812	1.7
Health	95,386	99,835	(4,449)	(4.5)
Transportation	4,976,738	5,488,634	(511,896)	(9.3)
Culture and recreation	3,100,440	2,795,840	304,600	10.9
Home and community services	4,736,007	4,359,457	376,550	8.6
Interest and other fiscal charges	778,802	997,398	(218,596)	(21.9)
Total program expenses	<u>\$ 32,352,220</u>	<u>\$ 32,423,200</u>	<u>\$ (70,980)</u>	(0.2)

The most significant expense items for the year ended December 31, 2017 were public safety of \$14,211,981, or 43.9 percent of total expenses, transportation of \$4,976,738, or 15.4 percent of total expenses, home and community services of \$4,736,007, or 14.6 percent of total expenses, and general government support of \$4,452,866, or 13.8 percent of total expenses. Similarly, for the year ended December 31, 2016, the most significant expense items were public safety of \$13,980,169, or 43.1 percent of total expenses, transportation of \$5,488,634, or 16.9 percent of total expenses, general government support of \$4,701,867, or 14.5 percent of total expenses, and home and community services of \$4,359,457, or 13.4 percent of total expense.

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, 2017, the Town’s governmental funds reported combined ending fund balances of \$11,328,063, a decrease of \$1,252,136 from the prior year. Excluding the Capital Projects Fund, approximately 72.9 percent, \$7,977,714, 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, \$543,899, (2) restricted for particular purposes, \$1,564,451, or (3) assigned for capital improvements and subsequent year’s expenditures, \$1,542,527.

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 \$1,869,602, while total fund balance increased to \$3,735,953. The total fund balance of the Town’s General Fund increased \$89,916 during the current fiscal year. 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 20.2 percent of total General Fund expenditures and transfers out, while total fund balance represents 40.4 percent of that same amount.

The Town’s Police Fund ending fund balance was \$2,423,900. Approximately 81.9 percent, \$1,986,256, of this amount is reported as fund balance assigned for specific police use. During the year ended December 31, 2017, the Police Fund fund balance increased \$414,393 as a result of controlling costs and increased sales tax allocation.

The Town’s Highway Fund—Town Outside Village ending fund balance was \$2,507,441. Approximately 71.9 percent, \$1,801,628, of this amount is reported as fund balance assigned for specific highway, Town outside the Village use. During the year ended December 31, 2017, the Highway Fund—Town Outside Village fund balance increased by \$595,071 mainly due to the final approval and release of funds on the FEMA grant related to the winter storm of 2014.

The Town’s Fire Protection District Fund ending fund balance was \$163,996. Approximately 90.9 percent, \$148,996, of this amount is reported as fund balance assigned for specific fire protection use. During the year ended December 31, 2017, the Fire Protection District Fund fund balance decreased by \$1,082.

The Town’s Capital Project Fund ending fund balance decreased \$1,992,845 during the year ended December 31, 2017 due to capital outlay expenditures. The ending fund deficit in the Capital Projects Fund was \$300,528, which is anticipated to be remedied through the conversion of bond anticipation notes to 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. 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, 2017 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	\$ 8,975,934	\$ 8,987,934	\$ 9,332,210	\$ 344,276
Expenditures and other financing uses	9,450,934	9,650,304	9,242,294	408,010
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (475,000)	\$ (662,370)	\$ 89,916	\$ 752,286

Original budget compared to final budget—At the close of the fiscal year, the overall budgeted appropriations increased by \$199,370. Significant transfers and amendments to the budget included \$119,775 supplemental appropriations for general government support related to contractual services for the police and court building and unanticipated expenditures related to highway labor utilized for General Fund support. In the 2017 budget, the General Fund appropriated \$475,000 from fund balance and the use of reserves.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields certain variances. Total revenues and other financing sources exceeded the final budget by \$344,276. 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 \$408,010. The most significant savings were realized within

general government support, which had budgetary savings of \$138,781 related primarily due to utility costs and other contractual savings.

Capital Asset and Debt Administration

Capital assets—The Town’s investment in capital assets for its primary government as of December 31, 2017, amounted to \$76,357,323 (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, 2017 and December 31, 2016 are presented below in Table 6.

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

	Governmental Activities	
	December 31,	
	2017	2016
Land	\$ 1,320,831	\$ 1,320,831
Construction in progress	1,953,001	214,770
Land improvements	1,939,841	2,042,826
Infrastructure	46,062,951	46,564,434
Buildings and improvements	21,041,640	21,386,206
Machinery and equipment	4,039,059	4,308,358
Total	<u>\$ 76,357,323</u>	<u>\$ 75,837,425</u>

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

Long-term liabilities—At December 31, 2017, the Town had net total bonded debt outstanding of \$20,850,000, as compared to \$22,670,000 at December 31, 2016. During the year, the Town made scheduled principal payments of \$1,820,000.

The Town’s governmental activities also have recorded debt for installment purchase debt, compensated absences, other postemployment benefits (“OPEB”) obligation, workers’ compensation and net pension liability.

A summary of the Town’s long-term liabilities at December 31, 2017 and December 31, 2016 is presented in Table 7 below:

Table 7—Summary of Long-Term Liabilities

	Governmental Activities	
	December 31,	
	2017	2016 (as restated)
Serial bonds	\$ 20,850,000	\$ 22,670,000
Premium on serial bonds	1,412,438	1,544,791
Installment purchase debt	1,324,866	1,449,886
Compensated absences	2,735,222	2,637,622
OPEB obligation	3,654,721	3,626,471
Workers' compensation	622,635	266,604
Net pension liability	<u>12,718,593</u>	<u>14,541,152</u>
Total	<u>\$ 43,318,475</u>	<u>\$ 46,736,526</u>

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 Buffalo-Niagara region during December 2017 was 4.1 percent. This compares favorably to New York State’s unemployment rate of 4.6 percent and is comparable to the national unemployment rate of 4.1 percent. These factors are considered in preparing the Town’s budget.

The Town’s 2018 General Fund budget includes the appropriation of \$240,000 of fund balance and \$220,000 of fund balance reserves. The General Fund tax rate is \$2.43 per thousand of assessed value for the 2018 budget year.

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with interest in the Town’s finances. 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.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

BASIC FINANCIAL STATEMENTS

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

TOWN OF LANCASTER, NEW YORK
Statement of Net Position
December 31, 2017

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Lancaster Industrial Development Agency</u>
ASSETS		
Cash and cash equivalents	\$ 9,800,252	\$ 1,158,133
Restricted cash and cash equivalents	6,296,373	-
Deposits	17,401	-
Receivables	210,133	-
Intergovernmental receivables	2,122,511	-
Prepaid items	543,899	-
Capital assets not being depreciated	3,273,832	-
Capital assets, net of accumulated depreciation	<u>73,083,491</u>	<u>-</u>
Total assets	<u>95,347,892</u>	<u>1,158,133</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows—relating to pensions	<u>6,364,826</u>	<u>-</u>
Total deferred outflows of resources	<u>6,364,826</u>	<u>-</u>
LIABILITIES		
Accounts payable	993,648	-
Accrued liabilities	879,850	-
Bond anticipation notes payable	4,900,000	-
Noncurrent liabilities:		
Due within one year	2,380,002	-
Due in more than one year	<u>40,938,473</u>	<u>-</u>
Total liabilities	<u>50,091,973</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows—relating to pensions	<u>1,037,319</u>	<u>-</u>
Total deferred inflows of resources	<u>1,037,319</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	52,469,491	-
Restricted for:		
Debt service	1,564,451	-
Unrestricted	<u>(3,450,516)</u>	<u>1,158,133</u>
Total net position	<u>\$ 50,583,426</u>	<u>\$ 1,158,133</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, 2017

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Lancaster Industrial Development Agency
Primary government:					
Governmental activities:					
General government support	\$ 4,452,866	\$ 471,117	\$ -	\$ (3,981,749)	\$ -
Public safety	14,211,981	1,603,244	7,559	(12,601,178)	-
Health	95,386	-	-	(95,386)	-
Transportation	4,976,738	190,203	557,542	(4,228,993)	-
Culture and recreation	3,100,440	127,786	44,979	(2,927,675)	-
Home and community services	4,736,007	62,418	-	(4,673,589)	-
Interest and other fiscal charges	778,802	-	-	(778,802)	-
Total primary government	<u>\$ 32,352,220</u>	<u>\$ 2,454,768</u>	<u>\$ 610,080</u>	<u>(29,287,372)</u>	<u>-</u>
Component unit:					
Lancaster IDA	<u>\$ 106,870</u>	<u>\$ 180,138</u>	<u>\$ -</u>		<u>73,268</u>
General revenues:					
Property taxes and tax items				22,400,430	-
Non-property taxes				4,872,799	-
Use of money and property				319,170	6,184
Miscellaneous				447,862	-
Unrestricted state aid				1,140,673	-
Total general revenues				<u>29,180,934</u>	<u>6,184</u>
Change in net position				(106,438)	79,452
Net position—beginning, as restated				<u>50,689,864</u>	<u>1,078,681</u>
Net position—ending				<u>\$ 50,583,426</u>	<u>\$ 1,158,133</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, 2017

	<u>Special Revenue</u>						<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Police</u>	<u>Highway Fund - Town Outside Village</u>	<u>Fire Protection District</u>	<u>Capital Projects</u>			
ASSETS								
Cash and cash equivalents	\$ 2,940,705	\$ 307,231	\$ 2,316,967	\$ 164,233	\$ -	\$ 2,574,203	\$ 8,303,339	
Restricted cash and cash equivalents	1,014,345	-	237,466	-	4,731,922	312,640	6,296,373	
Deposits	17,401	-	-	-	-	-	17,401	
Receivables	32,979	9,696	23,203	-	-	127,903	193,781	
Intergovernmental receivables	3,234	1,961,825	93,452	-	-	64,000	2,122,511	
Due from other funds	-	656	100,012	-	-	-	100,668	
Prepaid items	99,054	367,644	66,197	-	-	11,004	543,899	
Total assets	<u>\$ 4,107,718</u>	<u>\$ 2,647,052</u>	<u>\$ 2,837,297</u>	<u>\$ 164,233</u>	<u>\$ 4,731,922</u>	<u>\$ 3,089,750</u>	<u>\$ 17,577,972</u>	
LIABILITIES								
Accounts payable	\$ 171,349	\$ 37,228	\$ 193,514	\$ 237	\$ 132,450	\$ 278,944	\$ 813,722	
Accrued liabilities	99,748	185,924	136,342	-	-	13,505	435,519	
Due to other funds	100,668	-	-	-	-	-	100,668	
Bond anticipation notes payable	-	-	-	-	4,900,000	-	4,900,000	
Total liabilities	<u>371,765</u>	<u>223,152</u>	<u>329,856</u>	<u>237</u>	<u>5,032,450</u>	<u>292,449</u>	<u>6,249,909</u>	
FUND BALANCES								
Nonspendable	99,054	367,644	66,197	-	-	11,004	543,899	
Restricted	1,014,345	-	237,466	-	-	312,640	1,564,451	
Assigned	752,952	2,056,256	2,203,778	163,996	-	2,473,657	7,650,639	
Unassigned	<u>1,869,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,528)</u>	<u>-</u>	<u>1,569,074</u>	
Total fund balances (deficit)	<u>3,735,953</u>	<u>2,423,900</u>	<u>2,507,441</u>	<u>163,996</u>	<u>(300,528)</u>	<u>2,797,301</u>	<u>11,328,063</u>	
Total liabilities and fund balances (deficit)	<u>\$ 4,107,718</u>	<u>\$ 2,647,052</u>	<u>\$ 2,837,297</u>	<u>\$ 164,233</u>	<u>\$ 4,731,922</u>	<u>\$ 3,089,750</u>	<u>\$ 17,577,972</u>	

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, 2017

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

Total fund balances (deficit)—governmental funds (page 15)		\$ 11,328,063
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$115,884,411 and the accumulated depreciation is \$39,527,088.		76,357,323
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions and benefit payments	\$ 1,872,789	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	4,492,037	
Deferred inflows related to pension plans	<u>(1,037,319)</u>	5,327,507
Net accrued interest expense for serial bonds and bond anticipation notes is not reported in the funds.		(378,019)
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	\$ (20,850,000)	
Premium on serial bonds	(1,412,438)	
Installment purchase debt	(1,324,866)	
Compensated absences	(2,735,222)	
OPEB obligation	(3,654,721)	
Net pension liability	(5,187,594)	
Net pension liability-LOSAP	<u>(7,530,999)</u>	(42,695,840)
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>644,392</u>
Net position of governmental activities		<u>\$ 50,583,426</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, 2017

	<u>Special Revenue</u>						Total Nonmajor Funds	Total Governmental Funds
	General	Police	Highway Fund - Town Outside Village	Fire Protection District	Capital Projects			
REVENUES								
Real property taxes	\$ 6,850,599	\$3,823,752	\$ 3,695,488	\$3,765,750	\$ -	\$ 3,258,549	\$ 21,394,138	
Other property tax items	477,507	246,020	257,472	-	-	25,293	1,006,292	
Non-property tax items	-	4,441,678	44,865	-	-	386,256	4,872,799	
Departmental income	238,367	8,237	-	-	-	112,074	358,678	
Intergovernmental charges	5,866	1,122,375	120,320	-	-	41,738	1,290,299	
Use of money and property	220,082	8,233	9,406	6,577	-	72,257	316,555	
Licenses and permits	97,800	-	-	-	-	221,315	319,115	
Fines and forfeitures	304,758	24,167	-	-	-	-	328,925	
Sale of property and compensation for loss	10,249	77,619	69,883	-	-	-	157,751	
Miscellaneous	29,126	74	113,173	-	405	219,601	362,379	
State aid	1,041,278	7,559	192,224	-	-	144,374	1,385,435	
Federal aid	-	22,709	291,609	-	-	51,000	365,318	
Total revenues	<u>9,275,632</u>	<u>9,782,423</u>	<u>4,794,440</u>	<u>3,772,327</u>	<u>405</u>	<u>4,532,457</u>	<u>32,157,684</u>	
EXPENDITURES								
Current:								
General government support	3,124,480	-	-	-	-	5,000	3,129,480	
Public safety	74,238	6,218,831	-	3,633,409	-	384,952	10,311,430	
Health	67,409	-	-	-	-	3,186	70,595	
Transportation	152,735	-	2,719,817	-	-	326,651	3,199,203	
Culture and recreation	1,957,290	-	-	-	-	160,300	2,117,590	
Home and community services	640,631	-	-	-	-	2,769,574	3,410,205	
Employee benefits	933,548	2,347,158	475,397	-	-	124,181	3,880,284	
Debt service:								
Principal	1,006,075	-	291,945	-	-	647,000	1,945,020	
Interest and other fiscal charges	481,038	-	112,154	-	-	300,128	893,320	
Capital outlay	-	-	-	-	2,045,228	-	2,045,228	
Total expenditures	<u>8,437,444</u>	<u>8,565,989</u>	<u>3,599,313</u>	<u>3,633,409</u>	<u>2,045,228</u>	<u>4,720,972</u>	<u>31,002,355</u>	
Excess (deficiency) of revenues over expenditures	<u>838,188</u>	<u>1,216,434</u>	<u>1,195,127</u>	<u>138,918</u>	<u>(2,044,823)</u>	<u>(188,515)</u>	<u>1,155,329</u>	
OTHER FINANCING SOURCES (USES)								
Transfers in	56,578	275,000	19,721	-	108,277	-	459,576	
Transfers out	(804,850)	(1,077,041)	(619,777)	(140,000)	(56,299)	(169,074)	(2,867,041)	
Total other financing sources (uses)	<u>(748,272)</u>	<u>(802,041)</u>	<u>(600,056)</u>	<u>(140,000)</u>	<u>51,978</u>	<u>(169,074)</u>	<u>(2,407,465)</u>	
Net change in fund balances (deficit)	<u>89,916</u>	<u>414,393</u>	<u>595,071</u>	<u>(1,082)</u>	<u>(1,992,845)</u>	<u>(357,589)</u>	<u>(1,252,136)</u>	
Fund balances—beginning	<u>3,646,037</u>	<u>2,009,507</u>	<u>1,912,370</u>	<u>165,078</u>	<u>1,692,317</u>	<u>3,154,890</u>	<u>12,580,199</u>	
Fund balances (deficit)—ending	<u>\$ 3,735,953</u>	<u>\$2,423,900</u>	<u>\$ 2,507,441</u>	<u>\$ 163,996</u>	<u>\$ (300,528)</u>	<u>\$ 2,797,301</u>	<u>\$ 11,328,063</u>	

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, 2017

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) \$ (1,252,136)

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	\$ 2,745,818	
Depreciation expense	<u>(2,225,920)</u>	519,898

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

Town pension contributions and benefit payments	\$ 3,280,625	
Cost of benefits earned net of employee contributions	<u>(4,166,280)</u>	(885,655)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (17,835)

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 within the government-wide statements. 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	1,820,000	
Amortization of premiums on serial bonds	132,353	
Payment on installment purchase debt	125,020	
Change in compensated absences	(97,600)	
Change in OPEB obligation	<u>(28,250)</u>	1,951,523

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. (422,233)

Change in net position of governmental activities \$ (106,438)

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, 2017

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,496,913
Receivables	16,352
Total current assets	<u>1,513,265</u>
LIABILITIES	
Current liabilities:	
Accounts payable	179,926
Accrued health insurance	66,312
Current portion of accrued workers' compensation	158,994
Total current liabilities	<u>405,232</u>
Noncurrent liabilities:	
Accrued workers' compensation	463,641
Total noncurrent liabilities	<u>463,641</u>
Total liabilities	<u>868,873</u>
NET POSITION	
Unrestricted	644,392
Total net position	<u><u>\$ 644,392</u></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, 2017

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating revenues:	
Charges for services	\$ 2,407,465
Health reimbursements	83,787
Insurance recoveries	<u>1,696</u>
Total operating revenues	<u>2,492,948</u>
Operating expenses:	
Administrative fees	245,571
Claims expenses	2,296,268
Excess insurance	<u>375,957</u>
Total operating expenses	<u>2,917,796</u>
Operating loss	<u>(424,848)</u>
Nonoperating revenues:	
Interest income	<u>2,615</u>
Total nonoperating revenues	<u>2,615</u>
Change in net position	(422,233)
Net position—beginning	<u>1,066,625</u>
Net position—ending	<u><u>\$ 644,392</u></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, 2017

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from participating funds	\$ 2,476,596
Payments for claims	(1,945,941)
Payments for administration and insurance	<u>(621,528)</u>
Net cash (used for) operating activities	<u>(90,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>2,615</u>
Net cash provided by investing activities	<u>2,615</u>
Net decrease in cash and cash equivalents	(88,258)
Cash and cash equivalents—beginning	<u>1,585,171</u>
Cash and cash equivalents—ending	<u><u>\$ 1,496,913</u></u>
Reconciliation of operating loss to net cash (used for) operating activities:	
Operating loss	\$ (424,848)
Adjustments to reconcile operating loss to net cash (used for) operating activities:	
(Increase) in receivables	(16,352)
Increase in accounts payable	96,991
Increase in accrued liabilities	<u>253,336</u>
Net cash (used for) operating activities	<u><u>\$ (90,873)</u></u>

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, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 476,908
LOSAP assets	<u>4,082,422</u>
Total assets	<u><u>\$ 4,559,330</u></u>
LIABILITIES	
Agency liabilities	\$ 476,908
Amounts held for LOSAP	<u>4,082,422</u>
Total liabilities	<u><u>\$ 4,559,330</u></u>

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

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

TOWN OF LANCASTER, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2017

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 includes the financial data of the Town’s discretely presented component unit. This unit is reported in a separate column to emphasize that it is 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. 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. 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 primary operating fund of the Town and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Police Fund*—This fund records all revenues and expenditures related to police activities. The principal sources of revenue for the Police Fund are real property taxes and non-property tax items.
- *Highway Fund – Town Outside Village*—This fund is used to record revenues and expenditures related to road maintenance and construction outside village boundaries. The principal source of revenue for the Highway Fund – Town Outside Village is real property taxes.
- *Fire Protection District Fund*—This fund is used to record all revenues and expenditures related to fire protection district activities. The principal source of revenue for the Fire Protection District Fund is real property taxes.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

The Town considers the following proprietary fund as a major fund:

- *Internal Service Fund*—This 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 Funds—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. 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, franchise taxes, licenses, interest, and state and federal aid associated with the current fiscal period are all considered 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, cash equivalents and investments 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, 2017; 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 land, 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:

	<u>Years</u>
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, 2017, 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 benefit payments and its proportionate share of the total contribution and benefit

payments to the pension systems not included in the pension expense, and any contributions and benefit payments 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, 2017, 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 benefit payments and its proportionate share of the total contributions and benefit payments 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—The 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 1st based on assessed property values as of that date.

Tax payments are due January 1st to February 15th without penalty; February 16th to 28th a 1.5% penalty; March 1st to 15th a 3.0% penalty; March 16th to 31st a 4.5% penalty; April 1st to 17th a 6.0% penalty; April 18th to May 1st 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 30th, 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 (“compensatory time”). Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for 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 made 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.

Length of Service Awards Program (“LOSAP”)—The Town has adopted a LOSAP 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 Postemployment 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 the cost of health and workers’ compensation claims from providers, excess insurance coverage and administrative costs. 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, 2017, the Town implemented GASB Statements 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 year ending December 31, 2017. GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Other than the matter discussed in Note 2, GASB Statements No. 73, 74, 80, 81, and 82 did not have a material impact on the Town’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018, No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; and No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending December 31, 2019, and No. 87, *Leases*, effective for the year ending December 31, 2020. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, and 88 will have on its financial position and results of operations.

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 30th, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1st. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5th.
- 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 20th.
- 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 Balance—At December 31, 2017, the Town’s Capital Projects Fund has a deficit fund balance of \$300,528. 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, expenses, and fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

2. RESTATEMENT OF NET POSITION

During the year ended December 31, 2017, the Town implemented GASB Statement 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*. The implementation of GASB Statement No. 73 requires the Town’s net pension liability related to the LOSAP to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the LOSAP plan’s fiduciary net position. As a result, the pension liability related to LOSAP was considered to be \$6,656,527 at December 31, 2016. Net position of the Town’s Governmental Activities has been restated by \$(6,656,527) at December 31, 2016.

The effect of the restatement to the Town’s primary government is summarized below:

	<u>Governmental Activities</u>
Net position—December 31, 2016, as previously stated	\$ 57,346,391
GASB Statement No. 73 implementation:	
Beginning system liability—LOSAP	<u>(6,656,527)</u>
Net position—December 31, 2016, as restated	<u>\$ 50,689,864</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, 2017, are as follows:

	Governmental Funds	Proprietary Fund	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 1,900	\$ -	\$ -	\$ 1,900
Deposits	<u>14,597,812</u>	<u>1,496,913</u>	<u>476,908</u>	<u>16,571,633</u>
Total	<u>\$ 14,599,712</u>	<u>\$ 1,496,913</u>	<u>\$ 476,908</u>	<u>\$ 16,573,533</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2017 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 250,000	\$ 250,000
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>16,378,235</u>	<u>16,321,633</u>
Total	<u>\$ 16,628,235</u>	<u>\$ 16,571,633</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 State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2017, the Town's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Town's name.

Investments—The Town had no investments at December 31, 2017.

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.

Restricted Cash and Cash Equivalents—The Town reports restricted cash, totaling \$6,296,373, within the General Fund, Highway-Town Outside Village Fund, Capital Projects Fund and nonmajor funds in the amounts of \$1,014,345, \$237,466, \$4,731,922 and \$312,640, respectively. These funds are set aside for future payments toward debt service and capital projects.

Deposits—The Town reports a deposit of \$17,401 within the General Fund for their participation in the School and Municipal Energy Cooperative.

Discretely Presented Component Unit

Lancaster Industrial Development Agency—The Agency had unrestricted deposits of \$1,158,133, 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, 2017 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at December 31, 2017 are:

Governmental Funds:		
General Fund:		
Town Clerk	\$ 9,224	
Town Justices	22,972	
Miscellaneous	<u>783</u>	\$ 32,979
Police Fund:		
Town Clerk	200	
Workers' compensation reimbursement	<u>9,496</u>	9,696
Highway Fund—Town Outside Village:		
Wage reimbursement		23,203
Nonmajor Funds:		
General Fund—Town Outside Village:		
Town Clerk	21,069	
Cable franchise fees	<u>104,417</u>	125,486
Refuse District Fund:		
Town Clerk		116
Miscellaneous Special Revenue Fund:		
Town Clerk	1,500	
Miscellaneous	<u>801</u>	<u>2,301</u>
Total governmental funds		<u>\$ 193,781</u>
Proprietary Fund:		
Insurance recoveries		<u>16,352</u>
Total governmental activities		<u>\$ 210,133</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, 2017 are:

Governmental Funds:			
General Fund:			
Due from Erie County	\$	1,179	
Due from New York State		466	
Miscellaneous		<u>1,589</u>	\$ 3,234
Police Fund:			
Due from Erie County		1,724,741	
Due from New York State		3,893	
Due from Village of Lancaster		229,967	
Due from Lancaster CSD		<u>3,224</u>	1,961,825
Highway Fund—Town Outside Village:			
Due from Erie County		11,802	
Due from New York State		<u>81,650</u>	93,452
Nonmajor funds:			
General Fund—Town Outside Village:			
Due from Erie County		51,000	
Due from Village of Lancaster		<u>13,000</u>	64,000
Total governmental funds			<u>\$ 2,122,511</u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 1,320,831	\$ -	\$ -	\$ 1,320,831
Construction in progress	<u>214,770</u>	<u>1,782,884</u>	<u>(44,653)</u>	<u>1,953,001</u>
Total capital assets, not being depreciated	<u>1,535,601</u>	<u>1,782,884</u>	<u>(44,653)</u>	<u>3,273,832</u>
Capital assets, being depreciated:				
Land improvements	2,574,619	-	-	2,574,619
Infrastructure	75,115,253	774,984	-	75,890,237
Buildings and improvements	26,285,992	44,653	-	26,330,645
Machinery and equipment	<u>7,627,128</u>	<u>187,950</u>	<u>-</u>	<u>7,815,078</u>
Total capital assets, being depreciated	<u>111,602,992</u>	<u>1,007,587</u>	<u>-</u>	<u>112,610,579</u>
Less accumulated depreciation for:				
Land improvements	531,793	102,985	-	634,778
Infrastructure	28,550,819	1,276,467	-	29,827,286
Buildings and improvements	4,899,786	389,219	-	5,289,005
Machinery and equipment	<u>3,318,770</u>	<u>457,249</u>	<u>-</u>	<u>3,776,019</u>
Total accumulated depreciation	<u>37,301,168</u>	<u>2,225,920</u>	<u>-</u>	<u>39,527,088</u>
Total capital assets, being depreciated, net	<u>74,301,824</u>	<u>(1,218,333)</u>	<u>-</u>	<u>73,083,491</u>
Governmental activities capital assets, net	<u>\$ 75,837,425</u>	<u>\$ 564,551</u>	<u>\$ (44,653)</u>	<u>\$ 76,357,323</u>

Depreciation expense relating to the year ended December 31, 2017 was charged to the functions and programs of governmental activities as follows:

General government support	\$ 181,057
Public safety	177,418
Transportation	1,273,202
Culture and recreation	209,881
Home and community services	<u>384,362</u>
Total	<u>\$ 2,225,920</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2017 were as follows:

	General Fund	Police Fund	Highway Fund—Town Outside Village	General Fund—Town Outside Village	Total Governmental Funds
Salary and employee benefits	<u>\$ 99,748</u>	<u>\$ 185,924</u>	<u>\$ 136,342</u>	<u>\$ 13,505</u>	<u>\$ 435,519</u>

7. PENSION PLANS

Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The Town participates in the PFRS and ERS (the “Systems”). The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are 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 Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System benefits are established under the provisions of the New York State Retirement and Social Security Law (“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 Systems are 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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are 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, 2017, 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, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2016, 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.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2017	March 31, 2017
Net pension liability	\$ 3,590,761	\$ 1,596,833
Town's portion of the Plan's total net pension liability	0.1732448%	0.0169944%

For the year ended December 31, 2017, the Town recognized pension expenses of \$2,088,705 and \$950,828, respectively, for PFRS and ERS. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ 471,046	\$ 40,015	\$ 620,404	\$ 242,488
Changes of assumptions	1,769,017	545,537	-	
Net difference between projected and actual earnings on pension plan investments	536,275	318,952	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	35,503	173,910	108,291	66,136
Town contributions subsequent to the measurement date	<u>1,010,993</u>	<u>620,704</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,822,834</u>	<u>\$ 1,699,118</u>	<u>\$ 728,695</u>	<u>\$ 308,624</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>PFRS</u>	<u>ERS</u>
2018	\$ 688,601	\$ 338,374
2019	688,601	338,374
2020	648,575	301,839
2021	(34,817)	(208,797)
2022	92,186	-

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, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.50%	2.50%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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:

	PFRS and ERS	
Measurement date	March 31, 2017	
Asset class:	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ 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 7.0%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 10,179,600	\$ 3,590,761	\$ (1,935,661)
Employer's proportionate share of the net pension liability/(asset)—ERS	5,099,967	1,596,833	(1,365,061)

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, 2017	March 31, 2017	
Employers' total pension liability	\$ 31,670,483	\$ 177,400,586	\$ 209,071,069
Plan fiduciary net position	29,597,830	168,004,363	197,602,193
Employers' net pension liability	<u>\$ 2,072,653</u>	<u>\$ 9,396,223</u>	<u>\$ 11,468,876</u>
System fiduciary net position as a percentage of total pension liability	93.5%	94.7%	94.5%

8. PENSION OBLIGATIONS—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.

Certain information contained in this note is based on information for the LOSAP as of December 31, 2017, which is the most recent valuation date for which complete information is available.

An eligible Program Participant is defined to be an active volunteer firefighter who is at least 18 years of age and who have completed one year of firefighting service are eligible to participate in the program. The program’s entitlement age is age sixty-two. 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. Active participants can earn additional credit after age 62.

Benefits Provided—A Participant’s Service Award benefit is paid as the 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 forty. 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.

Participants Covered by the Benefit Terms—At the December 31, 2017 measurement date, the participants covered by the benefit terms were as follows:

Inactive participants currently receiving benefit payments	77
Inactive participants entitled to but not yet receiving benefit payments	48
Active participants	<u>132</u>
Total	<u><u>257</u></u>

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

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

Measurement of Total Pension Liability

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

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

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.00%
Salary Scale:	None assumed

Mortality rates were based on the RP 2000 Combined - Unisex Table without projection for mortality improvement.

Discount Rate—The discount rate used to measure the total pension liability was 3.31%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index as of December 31, 2017.

Changes in the Total Pension Liability—The table presented below shows the changes to the total pension liability during the fiscal year, by source.

	<u>Total Pension Liability</u>
Balance as of 12/31/2016 measurement date	<u>\$ 6,656,527</u>
Changes for the year:	
Service cost	184,389
Interest	249,491
Changes of assumptions or other inputs	525,586
Differences between expected and actual experience	131,446
Benefit payments	<u>(216,440)</u>
Net changes	<u>874,472</u>
Balance as of 12/31/2017 measurement date	<u><u>\$ 7,530,999</u></u>

Sensitivity of the Total Pension Liability to changes in the discount rate—The following presents the total pension liability of the Town as of the December 31, 2017 measurement date, calculated using the discount rate of 3.31 percent, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.31 percent) or one percentage point higher (4.31 percent) than the current rate:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Net pension liability	\$ 8,763,000	\$ 7,530,999	\$ 6,531,000

Pension Expense and Deferred Outflows of Resources Related to Pension—For the year ended December 31, 2017, the Town recognized pension expense of \$383,520. At December 31, 2017, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 120,396
Changes of assumptions or other inputs	481,386
Benefit payments & administrative expenses subsequent to the measurement date	<u>241,092</u>
Total	<u>\$ 842,874</u>

Benefit payments and administrative expenses subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ 55,254
2019	55,254
2020	55,254
2021	55,254
2022	55,254
Thereafter	325,508

9. OTHER POSTEMPLOYMENT 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, based on three different groups. Group A for officers hired on or before 1/1/2000 and who retired on or before 5/15/2017; Group B for officers hired on or before 1/1/2000 and who retire after 5/15/2017; and Group C for officers hired after 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 POS and PPO 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 on the operating fund 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 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 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 table presented below 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.

	Year Ended December 31,		
	2017	2016	2015
Annual required contribution ("ARC")	\$ 702,613	\$ 924,403	\$ 888,536
Interest on net OPEB obligation	145,059	132,928	120,442
Adjustment to ARC	(168,018)	(160,447)	(141,244)
Annual OPEB cost (expense)	679,654	896,884	867,734
Contributions made	(651,404)	(593,606)	(555,615)
Increase in net OPEB obligation	28,250	303,278	312,119
Net OPEB obligation—beginning	3,626,471	3,323,193	3,011,074
Net OPEB obligation—ending	<u>\$ 3,654,721</u>	<u>\$ 3,626,471</u>	<u>\$ 3,323,193</u>
Percentage of ARC contributed	92.7%	64.2%	62.5%

Funding Status and Funding Progress—As of January 1, 2017, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits is estimated at \$13,557,573 for the year ended December 31, 2017.

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 OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 679,654	\$ 651,404	95.8%	\$ 3,654,721
2016	896,884	593,606	66.2%	3,626,471
2015	867,734	555,615	64.0%	3,323,193

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued 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, 2017 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation date of January 1, 2017 and measurement date of December 31, 2017. The expected investment rate of return on employer's assets is 4.0. 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 "*Annual Report to the Controller of Actuarial Assumptions*" prepared by the Retirement Systems Actuary dated June 2015. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis, therefore the remaining amortization period at December 31, 2017 was twenty years.

10. RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees; and natural disasters. The Town purchases commercial insurance to cover such potential risks. The Town purchases insurance for: automobile, general, professional liability and umbrella liability. 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.

For the year ended December 31, 2017, 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.

Medical Self-Insurance—On May 1, 2008, the Town began self-insuring for medical claims. Medical claims are processed through Independent Health for a fee per covered person, per month, while prescription drug claims are processed through ProAct, Inc. 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 \$110,000 per year, with an unlimited lifetime deductible. In return the Town pays a premium for the stop loss insurance, which amounted to \$229,577 during the year ended December 31, 2017. The plan's coverage extends to both medical and prescription claims.

The Town is liable for annual claims under \$110,000 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.

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 at an annual premium of \$146,380, 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 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.

The liabilities for health insurance are expected to be paid within the subsequent fiscal year and therefore, are presented as a current liability within the Internal Service Fund.

At December 31, 2017, the health insurance liability and workers' compensation liability are recorded within the Town's Internal Service Fund. The changes since January 1, 2016 in risk financing activities for health insurance and worker's compensation claims are presented below.

	Liability, 1/1/2017	Claims and Adjustments	Claims Payments	Liability, 12/31/2017
Health insurance	\$ 169,007	\$ 1,739,770	\$ 1,842,465	\$ 66,312
Workers' compensation	266,604	1,029,698	673,667	622,635
Total	<u>\$ 435,611</u>	<u>\$ 2,769,468</u>	<u>\$ 2,516,132</u>	<u>\$ 688,947</u>
	Liability, 1/1/2016	Claims and Adjustments	Claims Payments	Liability, 12/31/2016
Health insurance	\$ 299,983	\$ 1,975,777	\$ 2,106,753	\$ 169,007
Workers' compensation	318,730	266,651	318,777	266,604
Total	<u>\$ 618,713</u>	<u>\$ 2,242,428</u>	<u>\$ 2,425,530</u>	<u>\$ 435,611</u>

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. 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 used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The table on the following page is a summary of the Town's short-term debt for the year ended December 31, 2017.

Description	Interest Rate	Maturity Date	Balance 1/1/2017	Issues	Redemptions	Balance 12/31/2017
Capital Projects Fund:						
Public library improvements	1.14%	7/27/2017	\$ 90,000	\$ -	\$ 90,000	\$ -
Highway construction vehicle	1.14%	7/27/2017	80,000	-	80,000	-
Water main line installations	1.14%	7/27/2017	1,000,000	-	1,000,000	-
Highway construction vehicle	2.25%	7/26/2018	-	40,000	-	40,000
Water main line installations	2.25%	7/26/2018	-	1,700,000	-	1,700,000
Accounting software	2.25%	7/26/2018	-	100,000	-	100,000
Parks, recreation and forestry equipment	2.25%	7/26/2018	-	380,000	-	380,000
Road improvements	2.25%	7/26/2018	-	1,300,000	-	1,300,000
Acquisition of highway equipment	2.25%	7/26/2018	-	1,380,000	-	1,380,000
Total			<u>\$ 1,170,000</u>	<u>\$ 4,900,000</u>	<u>\$ 1,170,000</u>	<u>\$ 4,900,000</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 bonds payable, installment purchase debt, compensated absences, other postemployment benefits ("OPEB") obligation, 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 for the year ended December 31, 2017 follows:

	Balance 1/1/2017 (as restated)	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental activities:					
Serial bonds	\$ 22,670,000	\$ -	\$ 1,820,000	\$ 20,850,000	\$ 1,870,000
Premium on serial bonds	1,544,791	-	132,353	1,412,438	132,353
Net bonds payable	24,214,791	-	1,952,353	22,262,438	2,002,353
Installment purchase debt	1,449,886	-	125,020	1,324,866	81,894
Compensated absences	2,637,622	229,481	131,881	2,735,222	136,761
OPEB obligation	3,626,471	679,654	651,404	3,654,721	-
Workers' compensation	266,604	1,029,698	673,667	622,635	158,994
Net pension liability*	7,884,625	-	2,697,031	5,187,594	-
Net pension liability—LOSAP	6,656,527	1,090,912	216,440	7,530,999	-
Total governmental activities	<u>\$ 46,736,526</u>	<u>\$ 3,029,745</u>	<u>\$ 6,447,796</u>	<u>\$ 43,318,475</u>	<u>\$ 2,380,002</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, construction, and renovation of major capital facilities. General obligation bonds have been issued for governmental funds. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

A summary of bonded indebtedness transactions for the year ended December 31, 2017 is presented below:

Description	Year of of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017
General Fund:						
Walden Ave. building/land acquisition	2005/2024	3.5-4.0	\$ 800,000	\$ -	\$ 100,000	\$ 700,000
Town hall addition	2012/2026	2.0-5.0	1,330,000	-	119,000	1,211,000
Police/court building	2012/2026	2.0-5.0	4,763,000	-	426,000	4,337,000
Indoor training facility	2013/2028	3.0-5.0	1,425,000	-	114,000	1,311,000
Police/court building	2016/2031	2.0-5.0	2,125,000	-	95,000	2,030,000
Parks and recreation equipment	2016/2031	2.0-5.0	380,000	-	22,000	358,000
Town storage building	2016/2031	2.0-5.0	880,000	-	51,000	829,000
Total General Fund			<u>11,703,000</u>	<u>-</u>	<u>927,000</u>	<u>10,776,000</u>
Highway Fund—Townwide:						
Culverts/bridges	2012/2026	2.0-5.0	977,000	-	88,000	889,000
Reconstruction of bridges and culverts	2016/2031	2.0-5.0	1,525,000	-	88,000	1,437,000
Lincoln street culvert reconstruction	2016/2031	2.0-5.0	440,000	-	26,000	414,000
Culverts and road improvements	2016/2031	2.0-5.0	295,000	-	20,000	275,000
Total Highway Fund—Townwide			<u>3,237,000</u>	<u>-</u>	<u>222,000</u>	<u>3,015,000</u>
Highway Fund—Town Outside Village:						
Highway equipment	2012/2023	2.0-5.0	353,000	-	46,000	307,000
Glendale/parkdale road reconstruction	2012/2023	2.0-5.0	284,000	-	60,000	224,000
Highway equipment	2016/2031	2.0-5.0	1,050,000	-	49,000	1,001,000
Highway vehicles and equipment	2016/2031	2.0-5.0	730,000	-	20,000	710,000
Highway vehicle (paver)	2016/2031	2.0-5.0	375,000	-	51,000	324,000
Total Highway Fund—Town Outside Village			<u>2,792,000</u>	<u>-</u>	<u>226,000</u>	<u>2,566,000</u>
Special Districts- Consolidated Water District:						
Transit Rd water improvements	2012/2026	2.0-5.0	364,000	-	33,000	331,000
Townwide water improvements	2012/2026	2.0-5.0	3,908,000	-	349,000	3,559,000
Schwartz Road waterline improvements	2012/2026	2.0-5.0	666,000	-	63,000	603,000
Total Consolidated Water District			<u>4,938,000</u>	<u>-</u>	<u>445,000</u>	<u>4,493,000</u>
Total governmental funds			<u>\$ 22,670,000</u>	<u>\$ -</u>	<u>\$ 1,820,000</u>	<u>\$ 20,850,000</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. Additionally, on July 27, 2016 the Town issued serial bonds totaling \$7,800,000 and received a bond premium of \$862,304. The premiums are being amortized on a straight-line basis over the life of the bonds, which mature on July 15, 2026 and July 15, 2031, respectively, using a half-year convention in the year of issuance. The unamortized premium as of December 31, 2017 was \$1,412,438.

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 carried an interest rate of 1.61% and was payable in quarterly installments, with the final payment

made 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, 2017 was \$1,324,866.

The requirements of the installment purchase agreements are summarized below:

Year ending December 31,	
2018	\$ 127,984
2019	127,984
2020	127,984
2021	127,984
2022	127,984
2023-2027	639,921
2028-2030	<u>383,950</u>
Total minimum lease payments	1,663,791
Less: amount representing imputed interest	<u>(338,925)</u>
Present value of minimum lease payments	<u>\$ 1,324,866</u>

The assets acquired through the installment purchase debt are as follows:

	<u>Governmental Activities</u>
Assets:	
Buildings and improvements	\$ 1,480,299
Machinery and equipment	453,590
Less: Accumulated depreciation	<u>(210,409)</u>
Total	<u>\$ 1,723,480</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, 2017 amounts to \$2,735,222.

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 \$3,654,721 at December 31, 2017.

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, 2017 is \$622,635.

Net Pension Liability—The Town reports a liability for its proportionate share of the net pension liability for the retirement systems and LOSAP. The net pension liability at December 31, 2017 is estimated to be \$5,187,594 for the retirement systems and \$7,530,999 for LOSAP in the

governmental activities. Typically, the General Fund and all other operating funds that pay NYS retirement have been used to liquidate the ERS and PFRS liability, while the Fire Protection Fund is responsible to liquidate the LOSAP liability. Refer to Note 7 and Note 8 for additional information related to the Town's net pension liability.

A maturity schedule of the Town's indebtedness is presented below:

Year Ending December 31,	Serial Bonds	Premium on Serial Bonds	Installment Purchase Debt	Compensated Absences	OPEB Obligation	Workers' Compensation	Net Pension Liability	Total
2018	\$ 1,870,000	\$ 132,353	\$ 81,894	\$ 136,761	\$ -	\$ 158,994	\$ -	\$ 2,380,002
2019	1,920,000	132,353	84,812	-	-	-	-	2,137,165
2020	1,980,000	132,353	87,835	-	-	-	-	2,200,188
2021	2,040,000	132,353	90,965	-	-	-	-	2,263,318
2022	2,085,000	132,353	94,208	-	-	-	-	2,311,561
2023-2027	8,945,000	549,467	523,866	-	-	-	-	10,018,333
2028-thereafter	2,010,000	201,206	361,286	2,598,461	3,654,721	463,641	12,718,593	22,007,908
Total	<u>\$ 20,850,000</u>	<u>\$ 1,412,438</u>	<u>\$ 1,324,866</u>	<u>\$ 2,735,222</u>	<u>\$ 3,654,721</u>	<u>\$ 622,635</u>	<u>\$ 12,718,593</u>	<u>\$ 43,318,475</u>

Interest requirements on serial bonds are as follows:

Year Ending December 31,	Interest
2018	\$ 776,632
2019	695,482
2020	607,182
2021	573,620
2022	538,720
2023-2027	1,037,000
2028-thereafter	89,800
Total	<u>\$ 4,318,436</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. A reconciliation of the Town's governmental activities net investment in capital assets is shown below:

Capital assets, net of accumulated depreciation	\$ 76,357,323
Less: Related debt	
Serial bonds	(20,850,000)
Unamortized bond issue premium	(1,412,438)
Bond anticipation notes issued for capital assets	(4,900,000)
Installment purchase debt	<u>(1,324,866)</u>
	(28,487,304)
Add: Unspent proceeds reported within the Capital Projects Fund	<u>4,599,472</u>
Net investment in capital assets	<u>\$ 52,469,491</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 \$1,564,451 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, 2017 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 \$99,054, \$367,644, \$66,197 and \$11,004, 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, 2017, the Town reported restricted fund balance in the General, Highway—Town Outside Village, Highway—Townwide and Water Funds for \$1,014,345, \$237,466, \$131,197 and \$181,443, respectively. Restrictions of the Town at December 31, 2017 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. As of December 31, 2017, the Town reported no committed fund balance.

The Town Board has authorized the Director of Finance and Administration to make a determination of the assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. In the fund financial statements, assignments by the Town at December 31, 2017 include:

	Subsequent Year's Expenditures	Encumbrances	Capital Improvements	Specific Use	Total Assigned
General Fund	\$ 240,000	\$ 12,952	\$ 500,000	\$ -	\$ 752,952
Police Fund	70,000	-	-	1,986,256	2,056,256
Highway Fund—Town Outside Village	385,000	17,150	300,000	1,501,628	2,203,778
Fire Protection District Fund	15,000	-	-	148,996	163,996
Nonmajor governmental funds	292,450	9,975	-	2,171,232	2,473,657
Total	<u>\$ 1,002,450</u>	<u>\$ 40,077</u>	<u>\$ 800,000</u>	<u>\$ 5,808,112</u>	<u>\$ 7,650,639</u>

- **Assigned to Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.
- **Assigned to Encumbrances**—Represents authorizations related to unperformed contracts or purchase orders for goods or services.

- **Assigned to Capital Improvements**—Represents funds assigned for capital improvements.
- **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 the remaining amounts within funds that are not restricted or committed.

If the Town must use funds for emergency expenditures the Board shall authorize the Supervisor 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, 2017 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ -	\$ 100,668
Police Fund	656	-
Highway Fund—Town Outside Village	<u>100,012</u>	<u>-</u>
Total governmental funds	<u>\$ 100,668</u>	<u>\$ 100,668</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, 2017:

	<u>Transfers in:</u>					<u>Total</u>
	<u>Governmental Funds</u>			<u>Proprietary Fund</u>		
<u>Fund</u>	<u>General Fund</u>	<u>Police Fund</u>	<u>Highway Fund—Town Outside Village</u>	<u>Capital Projects Fund</u>	<u>Internal Service Fund</u>	
Transfers out:						
General Fund	\$ -	\$ 275,000	\$ -	\$ 45,000	\$ 484,850	\$ 804,850
Police Fund	-	-	-	-	1,077,041	1,077,041
Highway Fund—Town Outside Village	-	-	-	40,000	579,777	619,777
Fire Protection Fund	-	-	-	-	140,000	140,000
Capital Projects Fund	36,578	-	19,721	-	-	56,299
Nonmajor Funds	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>23,277</u>	<u>125,797</u>	<u>169,074</u>
Total	<u>\$ 56,578</u>	<u>\$ 275,000</u>	<u>\$ 19,721</u>	<u>\$ 108,277</u>	<u>\$ 2,407,465</u>	<u>\$ 2,867,041</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, 2017 is presented below:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
ASSETS				
Cash and cash equivalents	\$ 469,457	\$ 14,158,965	\$ 14,151,514	\$ 476,908
LOSAP assets	<u>3,861,271</u>	<u>624,892</u>	<u>403,741</u>	<u>4,082,422</u>
Total assets	<u>\$ 4,330,728</u>	<u>\$ 14,783,857</u>	<u>\$ 14,555,255</u>	<u>\$ 4,559,330</u>
LIABILITIES				
Agency liabilities	\$ 469,457	\$ 13,430,517	\$ 13,423,066	\$ 476,908
Amounts held for LOSAP	<u>3,861,271</u>	<u>624,892</u>	<u>403,741</u>	<u>4,082,422</u>
Total liabilities	<u>\$ 4,330,728</u>	<u>\$ 14,055,409</u>	<u>\$ 13,826,807</u>	<u>\$ 4,559,330</u>

16. RELATED PARTY TRANSACTIONS

The Town provides the Agency with administrative services. The cost of these services has been included as General Fund revenues in the Town's statement of revenues, expenditures, and changes in fund balances (deficit)—governmental funds, while the Agency has included those costs as expenses on the statement of activities. The Agency paid the Town \$30,000 for administrative expenses for the years ended December 31, 2017.

17. LABOR CONTRACTS

Certain town employees are represented by four bargaining units, with the balance governed by Town Board rules and regulations. All unions have contracts negotiated through December 31, 2018.

18. 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, 2017, the Town reported no significant encumbrances.

19. TAX ABATEMENTS

The Town is subject to tax abatements granted by the Lancaster Industrial Development Agency ("LIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the LIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the Town, the abatements have resulted in reductions of property taxes, which the Town

administers as a temporary reduction in the taxable value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by LIDA, the Town collected \$923,106 during 2017 in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$1,229,643 in property taxes.

20. CONTINGENCIES

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.

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.

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 19, 2018, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LANCASTER, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of January 1, 2017	\$ -	\$ 13,557,573	\$ 13,557,573	-	N/A	N/A
As of January 1, 2014	-	14,701,973	14,701,973	-	1,511,626	973%
As of January 1, 2011	-	12,767,312	12,767,312	-	930,394	1372%

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

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.1732448%	0.1636966%	0.1655090%	0.1655090%
Town's proportionate share of the net pension liability	<u>\$ 3,590,761</u>	<u>\$ 4,846,709</u>	<u>\$ 455,579</u>	<u>\$ 689,030</u>
Town's covered-employee payroll	\$ 4,681,838	\$ 5,043,157	\$ 4,298,778	\$ 4,309,866
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.7%	96.1%	10.6%	16.0%
Plan fiduciary net position as a percentage of the total pension liability	93.5%	90.2%	99.0%	98.5%

*Information prior to the year ended December 31, 2014 is not available.

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

	Year Ended December 31,			
	2017	2016	2015	2014
Contractually required contributions	\$ 1,437,157	\$ 1,419,360	\$ 1,407,843	\$ 1,536,145
Contributions in relation to the contractually required contribution	<u>(1,437,157)</u>	<u>(1,419,360)</u>	<u>(1,407,843)</u>	<u>(1,536,145)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 4,574,880	\$ 4,537,832	\$ 5,019,342	\$ 4,340,421
Contributions as a percentage of covered-employee payroll	31.4%	31.3%	28.0%	35.4%

*Information prior to the year ended December 31, 2014 is not available.

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

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0169944%	0.0189275%	0.0191263%	0.0191263%
Town's proportionate share of the net pension liability	<u>\$ 1,596,833</u>	<u>\$ 3,037,916</u>	<u>\$ 646,132</u>	<u>\$ 864,289</u>
Town's covered-employee payroll	\$ 5,603,180	\$ 5,188,608	\$ 5,348,133	\$ 5,227,702
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.5%	58.5%	12.1%	16.5%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%

*Information prior to the year ended December 31, 2014 is not available.

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

	Year Ended December 31,			
	2017	2016	2015	2014
Contractually required contributions	\$ 777,960	\$ 820,238	\$ 953,021	\$ 1,004,006
Contributions in relation to the contractually required contribution	<u>(777,960)</u>	<u>(820,238)</u>	<u>(953,021)</u>	<u>(1,004,006)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 5,494,943	\$ 5,343,615	\$ 5,250,411	\$ 5,381,538
Contributions as a percentage of covered-employee payroll	14.2%	15.3%	18.2%	18.7%

*Information prior to the year ended December 31, 2014 is not available.

TOWN OF LANCASTER, NEW YORK
Schedule of Changes in the Town's Total Pension Liability—LOSAP
For the Year Ended December 31, 2017*

Total Pension Liability	
Service cost	\$ 184,389
Interest	249,491
Changes of assumptions or other inputs	525,586
Differences between expected and actual experience	131,446
Benefit payments	<u>(216,440)</u>
Net changes in total pension liability	874,472
Total pension liability—beginning	<u>6,656,527</u>
Total pension liability—ending	<u>\$ 7,530,999</u>
Covered-employee payroll	N/A
Total pension liability as a percentage of covered-employee payroll	N/A

*Information prior to the year ended December 31, 2017 is not available.

The notes 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—General Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 6,850,599	\$ 6,850,599	\$ 6,850,599	\$ -
Other property tax items	467,000	467,000	477,507	10,507
Departmental income	228,000	228,000	238,367	10,367
Intergovernmental charges	4,500	4,500	5,866	1,366
Use of money and property	205,635	205,635	220,082	14,447
Licenses and permits	75,500	87,500	97,800	10,300
Fines and forfeitures	261,200	261,200	304,758	43,558
Sale of property and compensation for loss	3,000	3,000	10,249	7,249
Miscellaneous	10,000	10,000	29,126	19,126
State aid	850,500	850,500	1,041,278	190,778
Total revenues	<u>8,955,934</u>	<u>8,967,934</u>	<u>9,275,632</u>	<u>307,698</u>
EXPENDITURES				
Current:				
General government support	3,143,486	3,263,261	3,124,480	138,781
Public safety	69,300	83,515	74,238	9,277
Health	74,200	74,200	67,409	6,791
Transportation	165,561	165,561	152,735	12,826
Culture and recreation	2,108,607	2,058,207	1,957,290	100,917
Home and community services	547,916	663,696	640,631	23,065
Employee benefits	972,748	972,748	933,548	39,200
Debt service:				
Principal	1,051,075	1,051,075	1,006,075	45,000
Interest and other fiscal charges	481,041	481,041	481,038	3
Total expenditures	<u>8,613,934</u>	<u>8,813,304</u>	<u>8,437,444</u>	<u>375,860</u>
Excess of revenues over expenditures	<u>342,000</u>	<u>154,630</u>	<u>838,188</u>	<u>683,558</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	56,578	36,578
Transfers out	<u>(837,000)</u>	<u>(837,000)</u>	<u>(804,850)</u>	<u>32,150</u>
Total other financing sources (uses)	<u>(817,000)</u>	<u>(817,000)</u>	<u>(748,272)</u>	<u>68,728</u>
Net change in fund balances*	(475,000)	(662,370)	89,916	752,286
Fund balances—beginning	<u>3,646,037</u>	<u>3,646,037</u>	<u>3,646,037</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,171,037</u>	<u>\$ 2,983,667</u>	<u>\$ 3,735,953</u>	<u>\$ 752,286</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 notes 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 3,823,752	\$ 3,823,752	\$ 3,823,752	\$ -
Other property tax items	243,000	243,000	246,020	3,020
Non-property tax items	4,240,000	4,240,000	4,441,678	201,678
Departmental income	5,500	5,500	8,237	2,737
Intergovernmental charges	1,126,500	1,126,500	1,122,375	(4,125)
Use of money and property	1,500	1,500	8,233	6,733
Fines and forfeitures	20,000	20,000	24,167	4,167
Sale of property and compensation for loss	10,000	68,000	77,619	9,619
Miscellaneous	500	500	74	(426)
State aid	-	7,000	7,559	559
Federal aid	-	17,000	22,709	5,709
Total revenues	<u>9,470,752</u>	<u>9,552,752</u>	<u>9,782,423</u>	<u>229,671</u>
EXPENDITURES				
Current:				
General government support	25,000	25,000	-	25,000
Public safety	6,116,182	6,266,182	6,218,831	47,351
Employee benefits	<u>2,419,570</u>	<u>2,419,570</u>	<u>2,347,158</u>	<u>72,412</u>
Total expenditures	<u>8,560,752</u>	<u>8,710,752</u>	<u>8,565,989</u>	<u>144,763</u>
Excess of revenues over expenditures	<u>910,000</u>	<u>842,000</u>	<u>1,216,434</u>	<u>374,434</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	275,000	275,000	275,000	-
Transfers out	<u>(1,185,000)</u>	<u>(1,185,000)</u>	<u>(1,077,041)</u>	<u>107,959</u>
Total other financing sources (uses)	<u>(910,000)</u>	<u>(910,000)</u>	<u>(802,041)</u>	<u>107,959</u>
Net change in fund balances	-	(68,000)	414,393	482,393
Fund balances—beginning	<u>2,009,507</u>	<u>2,009,507</u>	<u>2,009,507</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,009,507</u>	<u>\$ 1,941,507</u>	<u>\$ 2,423,900</u>	<u>\$ 482,393</u>

The notes 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 3,695,488	\$ 3,695,488	\$ 3,695,488	\$ -
Other property tax items	255,000	255,000	257,472	2,472
Non-property tax items	48,000	48,000	44,865	(3,135)
Intergovernmental charges	114,000	114,000	120,320	6,320
Use of money and property	1,500	1,500	9,406	7,906
Sale of property and compensation for loss	8,000	8,000	69,883	61,883
Miscellaneous	100	100	113,173	113,073
State aid	98,000	98,000	192,224	94,224
Federal aid	-	-	291,609	291,609
Total revenues	<u>4,220,088</u>	<u>4,220,088</u>	<u>4,794,440</u>	<u>574,352</u>
EXPENDITURES				
Current:				
Transportation	2,984,384	2,984,384	2,719,817	264,567
Employee benefits	484,608	484,604	475,397	9,207
Debt service:				
Principal	126,940	331,945	291,945	40,000
Interest and other fiscal charges	112,156	112,156	112,154	2
Total expenditures	<u>3,708,088</u>	<u>3,913,089</u>	<u>3,599,313</u>	<u>313,776</u>
Excess of revenues over expenditures	<u>512,000</u>	<u>306,999</u>	<u>1,195,127</u>	<u>888,128</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	19,721	19,721
Transfers out	<u>(847,000)</u>	<u>(847,000)</u>	<u>(619,777)</u>	<u>227,223</u>
Total other financing sources (uses)	<u>(847,000)</u>	<u>(847,000)</u>	<u>(600,056)</u>	<u>246,944</u>
Net change in fund balances*	(335,000)	(540,001)	595,071	1,135,072
Fund balances—beginning	<u>1,912,370</u>	<u>1,912,370</u>	<u>1,912,370</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,577,370</u>	<u>\$ 1,372,369</u>	<u>\$ 2,507,441</u>	<u>\$ 1,135,072</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 notes 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 3,765,750	\$ 3,765,750	\$ 3,765,750	\$ -
Use of money and property	<u>6,000</u>	<u>6,000</u>	<u>6,577</u>	<u>577</u>
Total revenues	<u>3,771,750</u>	<u>3,771,750</u>	<u>3,772,327</u>	<u>577</u>
EXPENDITURES				
Current:				
Public safety	<u>3,676,750</u>	<u>3,676,750</u>	<u>3,633,409</u>	<u>43,341</u>
Total expenditures	<u>3,676,750</u>	<u>3,676,750</u>	<u>3,633,409</u>	<u>43,341</u>
Excess of revenues over expenditures	<u>95,000</u>	<u>95,000</u>	<u>138,918</u>	<u>43,918</u>
OTHER FINANCING USES				
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Total other financing uses	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Net change in fund balances*	(45,000)	(45,000)	(1,082)	43,918
Fund balances—beginning	<u>165,078</u>	<u>165,078</u>	<u>165,078</u>	<u>-</u>
Fund balances—ending	<u>\$ 120,078</u>	<u>\$ 120,078</u>	<u>\$ 163,996</u>	<u>\$ 43,918</u>

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

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

TOWN OF LANCASTER, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2017

1. PENSION LIABILITY—LOSAP

Changes of Assumptions or Other Inputs—The discount rate used to measure the total pension liability was based on the yield to maturity of the Fidelity 20-Year GO AA Bond Index and was as follows:

December 31, 2016	3.81%
December 31, 2017	3.31%

Trust Assets—There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

2. 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, if any, are disclosed in the notes to the financial statements.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

SUPPLEMENTARY INFORMATION

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

TOWN OF LANCASTER, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2017

	<u>Special Revenue</u>						
	<u>General</u>						
	<u>Fund - Town</u>	<u>Highway</u>			<u>Consolidated</u>	<u>Miscellaneous</u>	<u>Total</u>
	<u>Outside</u>	<u>Fund -</u>	<u>Refuse</u>	<u>Lighting</u>	<u>Water</u>	<u>Special</u>	<u>Nonmajor</u>
	<u>Village</u>	<u>Townwide</u>	<u>District</u>	<u>District</u>	<u>District</u>	<u>Revenue</u>	<u>Funds</u>
ASSETS							
Cash and cash equivalents	\$ 571,934	\$ 173,463	\$ 395,762	\$ 88,518	\$ 46,163	\$ 1,298,363	\$ 2,574,203
Restricted cash and cash equivalents	-	131,197	-	-	181,443	-	312,640
Receivables	125,486	-	116	-	-	2,301	127,903
Intergovernmental receivables	64,000	-	-	-	-	-	64,000
Prepaid items	11,004	-	-	-	-	-	11,004
Total assets	<u>\$ 772,424</u>	<u>\$ 304,660</u>	<u>\$ 395,878</u>	<u>\$ 88,518</u>	<u>\$ 227,606</u>	<u>\$ 1,300,664</u>	<u>\$ 3,089,750</u>
LIABILITIES							
Accounts payable	\$ 24,088	\$ -	184,179	\$ 29,643	\$ -	\$ 41,034	\$ 278,944
Accrued liabilities	13,505	-	-	-	-	-	13,505
Total liabilities	<u>37,593</u>	<u>-</u>	<u>184,179</u>	<u>29,643</u>	<u>-</u>	<u>41,034</u>	<u>292,449</u>
FUND BALANCES							
Nonspendable	11,004	-	-	-	-	-	11,004
Restricted	-	131,197	-	-	181,443	-	312,640
Assigned	723,827	173,463	211,699	58,875	46,163	1,259,630	2,473,657
Total fund balances	<u>734,831</u>	<u>304,660</u>	<u>211,699</u>	<u>58,875</u>	<u>227,606</u>	<u>1,259,630</u>	<u>2,797,301</u>
Total liabilities and fund balances	<u>\$ 772,424</u>	<u>\$ 304,660</u>	<u>\$ 395,878</u>	<u>\$ 88,518</u>	<u>\$ 227,606</u>	<u>\$ 1,300,664</u>	<u>\$ 3,089,750</u>

TOWN OF LANCASTER, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2017

	Special Revenue						
	General		Refuse District	Lighting District	Consolidated Water District	Miscellaneous Special Revenue	Total Nonmajor Funds
	Fund - Town Outside Village	Highway Fund - Townwide					
REVENUES							
Real property taxes	\$ 126,534	\$ 266,657	\$ 2,078,110	\$ 234,900	\$ 552,348	\$ -	\$ 3,258,549
Other property tax items	8,864	16,429	-	-	-	-	25,293
Non-property tax items	386,256	-	-	-	-	-	386,256
Departmental income	66,088	-	45,986	-	-	-	112,074
Intergovernmental charges	37,000	-	-	-	4,738	-	41,738
Use of money and property	66,701	-	2,024	2,395	780	357	72,257
Licenses and permits	221,315	-	-	-	-	-	221,315
Miscellaneous	500	11,662	-	3,000	15,250	189,189	219,601
State aid	121,895	-	-	-	-	22,479	144,374
Federal aid	51,000	-	-	-	-	-	51,000
Total revenues	<u>1,086,153</u>	<u>294,748</u>	<u>2,126,120</u>	<u>240,295</u>	<u>573,116</u>	<u>212,025</u>	<u>4,532,457</u>
EXPENDITURES							
Current:							
General government support	-	-	-	5,000	-	-	5,000
Public safety	381,454	-	-	-	-	3,498	384,952
Health	3,186	-	-	-	-	-	3,186
Transportation	-	25,432	-	301,219	-	-	326,651
Culture and recreation	-	-	-	-	-	160,300	160,300
Home and community services	393,493	-	2,266,937	-	64,666	44,478	2,769,574
Employee benefits	123,954	227	-	-	-	-	124,181
Debt service:							
Principal	-	202,000	-	-	445,000	-	647,000
Interest and other fiscal charges	-	102,582	-	-	197,546	-	300,128
Total expenditures	<u>902,087</u>	<u>330,241</u>	<u>2,266,937</u>	<u>306,219</u>	<u>707,212</u>	<u>208,276</u>	<u>4,720,972</u>
Excess (deficiency) of revenues over expenditures	<u>184,066</u>	<u>(35,493)</u>	<u>(140,817)</u>	<u>(65,924)</u>	<u>(134,096)</u>	<u>3,749</u>	<u>(188,515)</u>
OTHER FINANCING USES							
Transfers out	<u>(125,796)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,278)</u>	<u>(169,074)</u>
Total other financing uses	<u>(125,796)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,278)</u>	<u>(169,074)</u>
Net change in fund balances	58,270	(35,493)	(140,817)	(65,924)	(134,096)	(39,529)	(357,589)
Fund balances—beginning	<u>676,561</u>	<u>340,153</u>	<u>352,516</u>	<u>124,799</u>	<u>361,702</u>	<u>1,299,159</u>	<u>3,154,890</u>
Fund balances—ending	<u>\$ 734,831</u>	<u>\$ 304,660</u>	<u>\$ 211,699</u>	<u>\$ 58,875</u>	<u>\$ 227,606</u>	<u>\$ 1,259,630</u>	<u>\$ 2,797,301</u>

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 126,534	\$ 126,534	\$ 126,534	\$ -
Other property tax items	10,600	10,600	8,864	(1,736)
Non-property tax items	380,000	380,000	386,256	6,256
Departmental income	29,000	29,000	66,088	37,088
Intergovernmental charges	26,000	26,000	37,000	11,000
Use of money and property	55,100	55,100	66,701	11,601
Licenses and permits	147,000	147,000	221,315	74,315
Miscellaneous	200	200	500	300
State aid	120,000	120,000	121,895	1,895
Federal aid	-	-	51,000	51,000
Total revenues	<u>894,434</u>	<u>894,434</u>	<u>1,086,153</u>	<u>191,719</u>
EXPENDITURES				
Current:				
Public safety	431,894	431,894	381,454	50,440
Health	3,200	3,200	3,186	14
Home and community services	305,460	396,460	393,493	2,967
Employee benefits	111,880	130,880	123,954	6,926
Total expenditures	<u>852,434</u>	<u>962,434</u>	<u>902,087</u>	<u>60,347</u>
Excess of revenues over expenditures	<u>42,000</u>	<u>(68,000)</u>	<u>184,066</u>	<u>252,066</u>
OTHER FINANCING USES				
Transfers out	<u>(122,000)</u>	<u>(126,000)</u>	<u>(125,796)</u>	<u>204</u>
Total other financing uses	<u>(122,000)</u>	<u>(126,000)</u>	<u>(125,796)</u>	<u>204</u>
Net change in fund balances*	(80,000)	(194,000)	58,270	252,270
Fund balances—beginning	<u>676,561</u>	<u>676,561</u>	<u>676,561</u>	<u>-</u>
Fund balances—ending	<u>\$ 596,561</u>	<u>\$ 482,561</u>	<u>\$ 734,831</u>	<u>\$ 252,270</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 266,657	\$ 266,657	\$ 266,657	\$ -
Other property tax items	13,050	13,050	16,429	3,379
Use of money and property	100	100	-	(100)
Miscellaneous	-	-	11,662	11,662
Total revenues	<u>279,807</u>	<u>279,807</u>	<u>294,748</u>	<u>14,941</u>
EXPENDITURES				
Current:				
Transportation	49,000	49,000	25,432	23,568
Employee benefits	1,224	1,224	227	997
Debt service:				
Principal	202,000	202,000	202,000	-
Interest and other fiscal charges	<u>102,583</u>	<u>102,583</u>	<u>102,582</u>	<u>1</u>
Total expenditures	<u>354,807</u>	<u>354,807</u>	<u>330,241</u>	<u>24,566</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>(35,493)</u>	<u>39,507</u>
Net change in fund balances*	(75,000)	(75,000)	(35,493)	39,507
Fund balances—beginning	<u>340,153</u>	<u>340,153</u>	<u>340,153</u>	<u>-</u>
Fund balances—ending	<u>\$ 265,153</u>	<u>\$ 265,153</u>	<u>\$ 304,660</u>	<u>\$ 39,507</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—Refuse District
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 2,078,110	\$ 2,078,110	\$ 2,078,110	\$ -
Departmental income	55,000	55,000	45,986	(9,014)
Use of money and property	<u>500</u>	<u>500</u>	<u>2,024</u>	<u>1,524</u>
Total revenues	<u>2,133,610</u>	<u>2,133,610</u>	<u>2,126,120</u>	<u>(7,490)</u>
EXPENDITURES				
Current:				
Home and community services	<u>2,248,610</u>	<u>2,266,945</u>	<u>2,266,937</u>	<u>8</u>
Total expenditures	<u>2,248,610</u>	<u>2,266,945</u>	<u>2,266,937</u>	<u>8</u>
Net change in fund balances*	(115,000)	(133,335)	(140,817)	(7,482)
Fund balances—beginning	<u>352,516</u>	<u>352,516</u>	<u>352,516</u>	<u>-</u>
Fund balances—ending	<u>\$ 237,516</u>	<u>\$ 219,181</u>	<u>\$ 211,699</u>	<u>\$ (7,482)</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—Lighting District Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 234,900	\$ 234,900	\$ 234,900	\$ -
Use of money and property	100	100	2,395	2,295
Miscellaneous	-	-	3,000	3,000
Total revenues	<u>235,000</u>	<u>235,000</u>	<u>240,295</u>	<u>5,295</u>
EXPENDITURES				
Current:				
General government support	-	14,975	5,000	9,975
Transportation	<u>265,000</u>	<u>302,500</u>	<u>301,219</u>	<u>1,281</u>
Total expenditures	<u>265,000</u>	<u>317,475</u>	<u>306,219</u>	<u>11,256</u>
Net change in fund balances*	(30,000)	(82,475)	(65,924)	16,551
Fund balances—beginning	<u>124,799</u>	<u>124,799</u>	<u>124,799</u>	<u>-</u>
Fund balances—ending	<u>\$ 94,799</u>	<u>\$ 42,324</u>	<u>\$ 58,875</u>	<u>\$ 16,551</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 552,348	\$ 552,348	\$ 552,348	\$ -
Intergovernmental charges	5,000	5,000	4,738	(262)
Use of money and property	200	200	780	580
Miscellaneous	-	-	15,250	15,250
Total revenues	<u>557,548</u>	<u>557,548</u>	<u>573,116</u>	<u>15,568</u>
EXPENDITURES				
Current:				
Home and community services	15,000	70,000	64,666	5,334
Debt service:				
Principal	445,000	445,000	445,000	-
Interest and other fiscal charges	<u>197,548</u>	<u>197,548</u>	<u>197,546</u>	<u>2</u>
Total expenditures	<u>657,548</u>	<u>712,548</u>	<u>707,212</u>	<u>5,336</u>
Net change in fund balances*	(100,000)	(155,000)	(134,096)	20,904
Fund balances—beginning	<u>361,702</u>	<u>361,702</u>	<u>361,702</u>	<u>-</u>
Fund balances—ending	<u>\$ 261,702</u>	<u>\$ 206,702</u>	<u>\$ 227,606</u>	<u>\$ 20,904</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—Miscellaneous Special Revenue Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Use of money and property	\$ 50	\$ 50	\$ 357	\$ 307
Miscellaneous	170,500	170,500	189,189	18,689
State aid	-	-	22,479	22,479
Total revenues	<u>170,550</u>	<u>170,550</u>	<u>212,025</u>	<u>41,475</u>
EXPENDITURES				
Current:				
Public safety	46,000	46,000	3,498	42,502
Culture and recreation	152,000	163,000	160,300	2,700
Home and community services	<u>40,000</u>	<u>44,480</u>	<u>44,478</u>	<u>2</u>
Total expenditures	<u>238,000</u>	<u>253,480</u>	<u>208,276</u>	<u>45,204</u>
Excess (deficiency) of revenues over expenditures	<u>(67,450)</u>	<u>(82,930)</u>	<u>3,749</u>	<u>86,679</u>
OTHER FINANCING USES				
Transfers out	<u>(20,000)</u>	<u>(43,280)</u>	<u>(43,278)</u>	<u>2</u>
Total other financing uses	<u>(20,000)</u>	<u>(43,280)</u>	<u>(43,278)</u>	<u>2</u>
Net change in fund balances*	(87,450)	(126,210)	(39,529)	86,681
Fund balances—beginning	<u>1,299,159</u>	<u>1,299,159</u>	<u>1,299,159</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,211,709</u>	<u>\$ 1,172,949</u>	<u>\$ 1,259,630</u>	<u>\$ 86,681</u>

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

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, 2017, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated June 19, 2018. 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 13, 2018.

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 a certain deficiency in internal control, described in the accompanying schedule of findings as item 2017-001, that we consider to be a significant deficiency.

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 Responses to Findings

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 19, 2018

TOWN OF LANCASTER, NEW YORK
Schedule of Findings
Year Ended December 31, 2017

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2017-001—Financial Reporting Policies and Procedures

Criteria—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. The Town should also adopt a capital asset policy regarding capitalization thresholds, estimated useful lives, the use of asset tags, annual physical inventory requirements, as well as the process for recording new assets and disposing of old items. 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 those applicable nonrecurring journal entries that management may consider susceptible to fraud.

Condition and Context—Similar to prior years, 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. Further, the Town does not maintain capital asset policies and we noted that the Town does not use asset tags to track their assets and physical inventory counts have not been performed in recent years. 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 user access, capital assets, and journal entry review and approval.

Effect or Potential Effect—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. The absence of a formal capital asset policy, along with a lack of asset tags creates an additional risk for the misappropriation of moveable 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 user access, capital assets, and journal entries to address the aforementioned deficiencies.

View of Responsible Officials and Corrective Action Plan—Management understands their need to document their current policies and procedures for consistency and continuity. The Town plans on formalizing their current policies and procedures once the audit is completed.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****