

**TOWN OF LANCASTER,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Other
Information for the Year Ended December 31, 2019 and
Independent Auditors' Reports*

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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, 2019, 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.

Auditors' 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, 2019, 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, 2019, the Town implemented Governmental Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*. 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

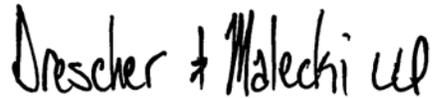
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information and Other Information, as listed in the table of contents, are presented for purposes of additional analysis and are 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 May 22, 2020 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 solely 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 effectiveness of 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 "Drescher & Malecki LLP". The signature is written in a cursive, slightly slanted style.

May 22, 2020

TOWN OF LANCASTER, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2019

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, 2019. 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 \$40,399,979 (*net position*). This consists of \$53,884,084 net investment in capital assets, \$6,098,888 restricted for specific purposes, and an unrestricted net position of \$(19,582,993).
- The Town's primary government net position decreased \$5,201,387 during the year ended December 31, 2019.
- At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$7,579,160, a decrease of \$4,459,947 in comparison with the prior year's fund balance of \$12,039,107, as restated.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,129,329, or approximately 19.9 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 61.7 percent of the General Fund's total fund balance of \$3,452,658 at December 31, 2019.
- During the year ended December 31, 2019, the Town's total serial bonds outstanding decreased by \$1,920,000 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 Custodial Fund.

The fiduciary fund financial statements can be found on pages 22-23 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 24-51 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 net pension liability for the police and fire retirement system and employees retirement system, the change in the Town’s total other postemployment benefits (“OPEB”) obligation and related ratios, the Town’s total pension liability related to its length of service awards program, and the Town’s budgetary comparison schedules for each major fund with a legally adopted budget. Required Supplementary Information and the related notes can be found on pages 52-62 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 63-64.

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 65-70.

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 primary government of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,399,979 at the close of the most recent fiscal year, as compared to \$45,601,366 at the close of the fiscal year ended December 31, 2018, 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>	
	2019	2018
	<u>2019</u>	<u>(as restated)</u>
Current assets	\$ 27,099,049	\$ 19,181,138
Capital assets	81,859,323	79,747,077
Total assets	<u>108,958,372</u>	<u>98,928,215</u>
Deferred outflows of resources	<u>5,142,826</u>	<u>4,388,856</u>
Current liabilities	18,519,490	6,425,792
Noncurrent liabilities	<u>51,491,428</u>	<u>47,525,673</u>
Total liabilities	<u>70,010,918</u>	<u>53,951,465</u>
Deferred inflows of resources	<u>3,690,301</u>	<u>3,764,240</u>
Net position:		
Net investment in capital assets	53,884,084	54,051,800
Restricted	6,098,888	5,625,273
Unrestricted	<u>(19,582,993)</u>	<u>(14,075,707)</u>
Total net position	<u>\$ 40,399,979</u>	<u>\$ 45,601,366</u>

The largest portion of the Town's net position, \$53,884,084, 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, \$6,098,888, 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, \$(19,582,993), is considered to be unrestricted.

Table 2, presented on the following page, shows the changes in net position for the years ended December 31, 2019 and December 31, 2018.

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

	Governmental Activities	
	Year Ended December 31,	
	2019	2018
Program revenues:		
Charges for services	\$ 2,668,910	\$ 2,507,945
Operating grants and contributions	396,558	325,771
Capital grants and contributions	242,454	75,000
General revenues	<u>32,255,062</u>	<u>30,805,508</u>
Total revenues	<u>35,562,984</u>	<u>33,714,224</u>
Program expenses	<u>40,764,371</u>	<u>32,226,836</u>
Change in net position	(5,201,387)	1,487,388
Net position—beginning, as restated	45,601,366	39,780,607
Restatement	-	4,333,371
Net position—ending	<u>\$ 40,399,979</u>	<u>\$ 45,601,366</u>

Governmental activities—Governmental activities decreased the Town’s net position by \$5,201,387. Overall revenues of the primary government increased 5.5 percent from the prior year, due primarily to an increase in the tax levy in accordance with the 2019 adopted budget coupled with contributions and gains on LOSAP assets recorded as miscellaneous revenues following the implementation of GASB Statement No. 84, *Fiduciary Activities*. Total expenses increased 26.2 percent from the year ended December 31, 2018 due mainly to the increase in the OPEB obligation allocated to all functions, as well as increases within general government support related to roof maintenance work and the Town’s reassessment project.

A summary of sources of revenues for the years ended December 31, 2019 and December 31, 2018 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
Charges for services	\$ 2,668,910	\$ 2,507,945	\$ 160,965	6.4
Operating grants and contributions	396,558	325,771	70,787	21.7
Capital grants and contributions	242,454	75,000	167,454	223.3
Property taxes and tax items	24,035,545	23,315,685	719,860	3.1
Non-property taxes	5,294,583	5,153,393	141,190	2.7
Use of money and property	761,189	631,185	130,004	20.6
Miscellaneous	1,125,745	758,123	367,622	48.5
Unrestricted state aid	1,038,000	947,122	90,878	9.6
Total revenues	<u>\$ 35,562,984</u>	<u>\$ 33,714,224</u>	<u>\$ 1,848,760</u>	5.5

The most significant sources of revenues for the year ended December 31, 2019 were property taxes and tax items of \$24,035,545, or 67.6 percent of total revenues, and non-property taxes of \$5,294,583, or 14.9 percent of total revenues. Similarly, for the year ended December 31, 2018, the largest sources of revenues were property taxes and tax items of \$23,315,685, or 69.2 percent of total revenues, and non-property taxes of \$5,153,393, or 15.3 percent of total revenues.

A summary of program expenses for the years ended December 31, 2019 and December 31, 2018 is presented in Table 4 below:

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
General government support	\$ 6,577,204	\$ 4,483,885	\$ 2,093,319	46.7
Public safety	16,651,370	14,179,162	2,472,208	17.4
Health	11,278	87,488	(76,210)	(87.1)
Transportation	6,893,658	4,810,080	2,083,578	43.3
Culture and recreation	3,661,975	3,144,755	517,220	16.4
Home and community services	6,069,316	4,746,240	1,323,076	27.9
Interest and other fiscal charges	809,570	775,226	34,344	4.4
Total program expenses	<u>\$ 40,674,371</u>	<u>\$ 32,226,836</u>	<u>\$ 8,447,535</u>	26.2

The most significant expense items for the year ended December 31, 2019 were public safety of \$16,651,370, or 40.9 percent of total expenses, transportation of \$6,893,658, or 16.9 percent of total expenses, general government support of \$6,577,204, or 16.2 percent of total expenses, and home and community services of \$6,069,316, or 14.9 percent of total expenses. For the year ended December 31, 2018, the most significant expense items were public safety of \$14,179,162, or 44.0 percent of total expenses, transportation of \$4,810,080, or 14.9 percent of total expenses, home and community services of \$4,746,239, or 14.7 percent of total expenses, and general government support of \$4,483,885, or 13.9 percent of total expenses.

Financial Analysis of Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, 2019, the Town’s governmental funds reported combined ending fund balances of \$7,579,160, a decrease of \$4,459,947 from the prior year, as restated. Excluding the Capital Projects Fund, the Town’s governmental funds combined ending fund balances totaled \$16,188,503. Approximately 45.6 percent, \$7,776,725, 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, \$513,795, (2) restricted for particular purposes, \$6,098,888, or (3) assigned for capital improvements, encumbrances and subsequent year’s expenditures, \$1,799,095.

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 \$2,129,329, while total fund balance decreased to \$3,452,658. The total fund balance of the Town’s General Fund decreased \$259,843 during the current fiscal year due to planned engineering work that did not occur until 2020. 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 19.9 percent of total General Fund expenditures and transfers out, while total fund balance represents 32.3 percent of that same amount.

The Town’s Police Fund ending fund balance was \$2,876,826. Approximately 79.3 percent, \$2,282,739, of this amount is reported as fund balance assigned for specific police use. During the year ended December 31, 2019, the Police Fund fund balance increased \$54,527 as a result of increased sales tax collections.

The Town’s Highway Fund—Town Outside Village ending fund balance was \$2,046,578. Approximately 46.8 percent, \$958,456, of this amount is reported as fund balance assigned for specific highway, Town outside the Village use. During the year ended December 31, 2019, the Highway Fund—Town Outside Village fund balance decreased by \$210,791 mainly due to a planned use of fund balance.

The Town’s Fire Protection District Fund ending fund balance was \$4,826,152. Approximately 4.3 percent, \$209,883, of this amount is reported as fund balance assigned for specific fire protection use. Additionally, a portion of the fund balance, \$4,616,269 is reported as restricted fund balance and represents monies held in trust for the administration of the Town’s Length of Service Awards Program (“LOSAP”). During the year ended December 31, 2019, the Fire Protection District Fund fund balance increased \$271,779 from the prior year fund balance of \$4,554,373, as restated, mainly due to contributions and gains on LOSAP assets.

The Town’s Capital Projects Fund ending fund balance decreased \$4,492,127 during the year ended December 31, 2019 due to capital outlay expenditures exceeding revenues. The ending fund balance deficit in the Capital Projects Fund was \$8,609,343, 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 Board-adopted 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 the Town’s compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2019 is presented below in Table 5.

Table 5—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues	\$ 9,957,709	\$ 10,267,822	\$ 10,426,840	\$ 159,018
Expenditures and other financing uses	10,615,491	11,440,555	10,686,683	753,872
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (657,782)	\$ (1,172,733)	\$ (259,843)	\$ 912,890

Original budget compared to final budget—At the close of the fiscal year, the overall budgeted appropriations increased by \$825,064. Significant transfers and amendments to the budget included \$712,282 supplemental appropriations for general government support related to the maintenance and repairs to the roof on the garage as well as roofs within Keysa and Meadow Lea parks. In the 2019 adopted budget, the General Fund appropriated \$430,000 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 exceeded the final budget by \$159,018. This excess can primarily be attributed to increased interest earnings, as well as an unexpected increase in recreational program fees and tax collection penalty fees from local districts. Total expenditures and other financing uses were less than the final budget by \$753,872. The most significant savings were realized within general government support, which had budgetary savings of \$365,459 due primarily to engineering design work planned for the end of 2019, but work did not begin until 2020. The Town also incurred savings during the year within general government support from the reassessment project where total costs came below budget.

Capital Asset and Debt Administration

Capital assets—The Town’s investment in capital assets for its primary government as of December 31, 2019, amounted to \$81,859,323 (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 December 31, 2019 and December 31, 2018 are presented below in Table 6.

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

	Governmental Activities	
	December 31,	
	2019	2018
Land	\$ 1,320,831	\$ 1,320,831
Construction in progress	6,633,765	4,410,931
Land improvements	1,969,444	1,836,856
Infrastructure	46,437,912	46,003,496
Buildings and improvements	20,569,454	20,763,742
Machinery and equipment	4,927,917	5,411,221
Total	<u>\$ 81,859,323</u>	<u>\$ 79,747,077</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, 2019, the Town had total bonded debt outstanding of \$17,060,000, as compared to \$18,980,000 at December 31, 2018. During the year, the Town made scheduled principal payments of \$1,920,000.

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 liabilities.

A summary of the Town’s long-term liabilities at December 31, 2019 and December 31, 2018 is presented in Table 7 below:

Table 7—Summary of Long-Term Liabilities

	Governmental Activities	
	December 31,	
	2019	2018
Serial bonds	\$ 17,060,000	\$ 18,980,000
Premium on serial bonds	1,147,731	1,280,084
Installment purchase debt	1,158,165	1,242,977
Compensated absences	3,010,953	2,941,817
OPEB obligation	16,397,401	13,269,196
Workers' compensation	300,874	456,356
Net pension liability	3,784,950	2,092,596
Net pension liability—LOSAP	8,631,354	7,262,647
Total	<u>\$ 51,491,428</u>	<u>\$ 47,525,673</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 Town during December 2019 was 4.7 percent. This compared to both the New York State and the national unemployment rate of 3.6 percent. These factors are considered in preparing the Town’s budget.

The Town’s 2020 General Fund budget includes the appropriation of \$260,000 of fund balance and \$180,000 of fund balance reserves. The General Fund tax rate is \$2.63 per thousand of assessed value for the 2020 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.

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BASIC FINANCIAL STATEMENTS

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TOWN OF LANCASTER, NEW YORK
Statement of Net Position
December 31, 2019

	Primary Government	Component Unit
	Governmental Activities	Lancaster Industrial Development Agency
ASSETS		
Cash and cash equivalents	\$ 9,883,217	\$ 1,114,427
Restricted cash and cash equivalents	9,503,175	-
Restricted investments	4,616,269	-
Deposits	17,401	-
Receivables	224,714	-
Intergovernmental receivables	2,340,478	-
Prepaid items	513,795	-
Capital assets not being depreciated	7,954,596	-
Capital assets, net of accumulated depreciation	<u>73,904,727</u>	<u>-</u>
Total assets	<u>108,958,372</u>	<u>1,114,427</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows—relating to pensions	<u>5,142,826</u>	<u>-</u>
Total deferred outflows of resources	<u>5,142,826</u>	<u>-</u>
LIABILITIES		
Accounts payable	1,817,388	-
Accrued liabilities	956,796	-
Unearned revenues	26,544	-
Due to Custodial Fund	63,762	-
Bond anticipation notes payable	15,655,000	-
Noncurrent liabilities:		
Due within one year	2,577,579	-
Due in more than one year	<u>48,913,849</u>	<u>-</u>
Total liabilities	<u>70,010,918</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows—relating to pensions	1,417,284	-
Deferred inflows—relating to OPEB	<u>2,273,017</u>	<u>-</u>
Total deferred inflows of resources	<u>3,690,301</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	53,884,084	-
Restricted for:		
Debt service	1,482,619	-
LOSAP	4,616,269	-
Unrestricted	<u>(19,582,993)</u>	<u>1,114,427</u>
Total net position	<u>\$ 40,399,979</u>	<u>\$ 1,114,427</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, 2019

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
Primary government:						
Governmental activities:						
General government support	\$ 6,577,204	\$ 627,460	\$ 135,000	\$ -	\$ (5,814,744)	\$ -
Public safety	16,651,370	1,593,208	8,400	-	(15,049,762)	-
Health	101,278	-	-	-	(101,278)	-
Transportation	6,893,658	210,015	196,934	242,454	(6,244,255)	-
Culture and recreation	3,661,975	162,304	56,224	-	(3,443,447)	-
Home and community services	6,069,316	75,923	-	-	(5,993,393)	-
Interest and other fiscal charges	809,570	-	-	-	(809,570)	-
Total primary government	<u>\$ 40,764,371</u>	<u>\$ 2,668,910</u>	<u>\$ 396,558</u>	<u>\$ 242,454</u>	<u>(37,456,449)</u>	<u>-</u>
Component unit:						
Lancaster IDA	\$ 106,437	\$ 84,426	\$ -	\$ -		(22,011)
General revenues:						
Property taxes and tax items					24,035,545	-
Non-property taxes					5,294,583	-
Use of money and property					761,189	20,792
Miscellaneous					1,125,745	-
Unrestricted state aid					1,038,000	-
Total general revenues					<u>32,255,062</u>	<u>20,792</u>
Change in net position					(5,201,387)	(1,219)
Net position—beginning, as restated					<u>45,601,366</u>	<u>1,115,646</u>
Net position—ending					<u>\$ 40,399,979</u>	<u>\$ 1,114,427</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, 2019

	<u>Special Revenue</u>						Total Governmental Funds
	General	Police	Highway Fund - Town Outside Village	Fire Protection District	Capital Projects	Total Nonmajor Funds	
ASSETS							
Cash and cash equivalents	\$ 3,015,056	\$ 743,305	\$ 1,636,226	\$ 249,763	\$ -	\$ 2,726,107	\$ 8,370,457
Restricted cash and cash equivalents	701,823	-	439,694	-	7,994,012	367,646	9,503,175
Restricted investments	-	-	-	4,616,269	-	-	4,616,269
Deposits	17,401	-	-	-	-	-	17,401
Receivables	46,092	1,356	21,322	-	-	155,944	224,714
Intergovernmental receivables	205,296	2,068,677	61,307	-	-	5,198	2,340,478
Due from other funds	3,609	1,867	71,424	-	-	30,401	107,301
Prepaid items	96,455	344,087	63,428	-	-	9,825	513,795
Total assets	<u>\$ 4,085,732</u>	<u>\$ 3,159,292</u>	<u>\$ 2,293,401</u>	<u>\$ 4,866,032</u>	<u>\$ 7,994,012</u>	<u>\$ 3,295,121</u>	<u>\$ 25,693,590</u>
LIABILITIES							
Accounts payable	\$ 323,856	\$ 33,414	\$ 138,882	\$ 39,880	\$ 914,345	\$ 286,340	\$ 1,736,717
Accrued liabilities	145,621	249,052	107,941	-	-	22,492	525,106
Due to other funds	137,053	-	-	-	34,010	-	171,063
Unearned revenues	26,544	-	-	-	-	-	26,544
Bond anticipation notes payable	-	-	-	-	15,655,000	-	15,655,000
Total liabilities	<u>633,074</u>	<u>282,466</u>	<u>246,823</u>	<u>39,880</u>	<u>16,603,355</u>	<u>308,832</u>	<u>18,114,430</u>
FUND BALANCES (DEFICIT)							
Nonspendable	96,455	344,087	63,428	-	-	9,825	513,795
Restricted	675,279	-	439,694	4,616,269	-	367,646	6,098,888
Assigned	551,595	2,532,739	1,543,456	209,883	-	2,608,818	7,446,491
Unassigned	2,129,329	-	-	-	(8,609,343)	-	(6,480,014)
Total fund balances (deficit)	<u>3,452,658</u>	<u>2,876,826</u>	<u>2,046,578</u>	<u>4,826,152</u>	<u>(8,609,343)</u>	<u>2,986,289</u>	<u>7,579,160</u>
Total liabilities and fund balances (deficit)	<u>\$ 4,085,732</u>	<u>\$ 3,159,292</u>	<u>\$ 2,293,401</u>	<u>\$ 4,866,032</u>	<u>\$ 7,994,012</u>	<u>\$ 3,295,121</u>	<u>\$ 25,693,590</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, 2019

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

Total fund balances (deficit)—governmental funds (page 15)		\$ 7,579,160
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$126,302,883 and the accumulated depreciation is \$44,443,560.		81,859,323
Deferred outflows and inflows of resources related to pensions and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$ 1,541,381	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	3,601,445	
Deferred inflows related to pension plans	(1,417,284)	
Deferred inflows related to OPEB liability	<u>(2,273,017)</u>	1,452,525
Net accrued interest expense for serial bonds, installment purchase debt and bond anticipation notes is not reported in the funds.		(422,794)
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	\$ (17,060,000)	
Premium on serial bonds	(1,147,731)	
Installment purchase debt	(1,158,165)	
Compensated absences	(3,010,953)	
OPEB obligation	(16,397,401)	
Net pension liability	(3,784,950)	
Net pension liability-LOSAP	<u>(8,631,354)</u>	(51,190,554)
Internal service funds are used by management to charge the cost of insurance, judgements, claims and related administrative expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>1,122,319</u>
Net position of governmental activities		<u>\$ 40,399,979</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, 2019

	<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	\$ 7,744,049	\$ 3,714,572	\$ 3,813,505	\$ 3,905,836	\$ -	\$ 3,988,755	\$ 23,166,717	
Other property tax items	431,358	189,978	219,575	-	-	27,917	868,828	
Non-property tax items	-	4,853,728	-	-	-	440,855	5,294,583	
Departmental income	299,875	6,610	-	-	-	116,584	423,069	
Intergovernmental charges	17,575	1,222,726	120,541	-	-	33,113	1,393,955	
Use of money and property	357,135	62,992	70,707	20,326	-	230,592	741,752	
Licenses and permits	123,871	-	-	-	-	301,505	425,376	
Fines and forfeitures	236,841	18,713	-	-	-	-	255,554	
Sale of property and compensation for loss	32,928	48,554	89,474	-	-	-	170,956	
Miscellaneous	21,182	342	88,939	282,898	-	289,866	683,227	
State aid	1,111,336	8,400	110,722	-	242,454	131,895	1,604,807	
Federal aid	50,690	21,515	-	-	-	-	72,205	
Total revenues	<u>10,426,840</u>	<u>10,148,130</u>	<u>4,513,463</u>	<u>4,209,060</u>	<u>242,454</u>	<u>5,561,082</u>	<u>35,101,029</u>	
EXPENDITURES								
Current:								
General government support	4,262,739	54,817	40,614	43,788	-	-	4,401,958	
Public safety	164,399	6,760,353	-	3,753,493	-	467,748	11,145,993	
Health	65,278	-	-	-	-	3,260	68,538	
Transportation	170,340	-	3,296,231	-	-	251,573	3,718,144	
Culture and recreation	2,145,377	-	-	-	-	344,096	2,489,473	
Home and community services	531,582	-	-	-	-	2,833,298	3,364,880	
Employee benefits	984,305	2,355,602	484,586	-	-	100,737	3,925,230	
Debt service:								
Principal	1,068,812	-	252,000	-	-	684,000	2,004,812	
Interest and other fiscal charges	413,591	-	133,354	-	-	324,810	871,755	
Capital outlay	-	-	-	-	4,845,199	-	4,845,199	
Total expenditures	<u>9,806,423</u>	<u>9,170,772</u>	<u>4,206,785</u>	<u>3,797,281</u>	<u>4,845,199</u>	<u>5,009,522</u>	<u>36,835,982</u>	
Excess (deficiency) of revenues over expenditures	620,417	977,358	306,678	411,779	(4,602,745)	551,560	(1,734,953)	
OTHER FINANCING SOURCES (USES)								
Transfers in	-	285,000	242,454	-	370,000	16,928	914,382	
Transfers out	(880,260)	(1,207,831)	(759,923)	(140,000)	(259,382)	(391,980)	(3,639,376)	
Total other financing sources (uses)	<u>(880,260)</u>	<u>(922,831)</u>	<u>(517,469)</u>	<u>(140,000)</u>	<u>110,618</u>	<u>(375,052)</u>	<u>(2,724,994)</u>	
Net change in fund balances (deficit)	<u>(259,843)</u>	<u>54,527</u>	<u>(210,791)</u>	<u>271,779</u>	<u>(4,492,127)</u>	<u>176,508</u>	<u>(4,459,947)</u>	
Fund balances (deficit)— beginning, as restated	3,712,501	2,822,299	2,257,369	4,554,373	(4,117,216)	2,809,781	12,039,107	
Fund balances (deficit)—ending	<u>\$ 3,452,658</u>	<u>\$ 2,876,826</u>	<u>\$ 2,046,578</u>	<u>\$ 4,826,152</u>	<u>\$ (8,609,343)</u>	<u>\$ 2,986,289</u>	<u>\$ 7,579,160</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, 2019

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) \$ (4,459,947)

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	\$ 4,509,207	
Depreciation expense	<u>(2,396,961)</u>	2,112,246

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	\$ 2,325,694	
Cost of benefits earned net of employee contributions	(3,094,808)	
OPEB benefit payments and changes in assumptions	<u>(1,464,038)</u>	(2,233,152)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (70,168)

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:

Principal payment on serial bonds	\$ 1,920,000	
Amortization of bond premiums	132,353	
Payment on installment purchase debt	84,812	
Change in compensated absences	(69,136)	
Change in OPEB obligation	<u>(3,128,205)</u>	(1,060,176)

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. 509,810

Change in net position of governmental activities \$ (5,201,387)

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, 2019

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,512,760
Total current assets	<u>1,512,760</u>
LIABILITIES	
Current liabilities:	
Accounts payable	80,671
Accrued health insurance	8,896
Current portion of accrued workers' compensation	<u>226,843</u>
Total current liabilities	<u>316,410</u>
Noncurrent liabilities:	
Accrued workers' compensation	<u>74,031</u>
Total noncurrent liabilities	<u>74,031</u>
Total liabilities	<u>390,441</u>
NET POSITION	
Unrestricted	<u>1,122,319</u>
Total net position	<u>\$ 1,122,319</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, 2019

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating revenues:	
Charges to other funds for services provided	\$ 2,724,994
Health reimbursements	203,148
Insurance recoveries	<u>239,370</u>
Total operating revenues	<u>3,167,512</u>
Operating expenses:	
Administrative fees	165,393
Claims expenses	2,148,560
Excess insurance	<u>363,186</u>
Total operating expenses	<u>2,677,139</u>
Operating income	<u>490,373</u>
Nonoperating revenues:	
Interest income	<u>19,437</u>
Total nonoperating revenues	<u>19,437</u>
Change in net position	509,810
Net position—beginning	<u>612,509</u>
Net position—ending	<u><u>\$ 1,122,319</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, 2019

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from participating funds	\$ 2,844,033
Receipts from health reimbursements and insurance recoveries	442,518
Payments for claims	(2,402,575)
Payments for administration and insurance	(528,579)
Net cash provided by operating activities	<u>355,397</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>19,437</u>
Net cash provided by investing activities	<u>19,437</u>
Net increase in cash and cash equivalents	374,834
Cash and cash equivalents—beginning	<u>1,137,926</u>
Cash and cash equivalents—ending	<u>\$ 1,512,760</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 490,373
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in receivables	119,039
(Decrease) in accounts payable	(66,617)
(Decrease) in accrued liabilities	(187,398)
Net cash provided by operating activities	<u>\$ 355,397</u>

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

TOWN OF LANCASTER, NEW YORK
Statement of Net Position—Fiduciary Fund
December 31, 2019

	Custodial Fund
ASSETS	
Restricted cash and cash equivalents	\$ 358,244
Due from other funds	63,762
Intergovernmental receivables	27,681
Total assets	<u>449,687</u>
LIABILITIES	
Accounts payable and other liabilities	<u>220,868</u>
Total liabilities	<u>220,868</u>
NET POSITION	
Total net position	<u>\$ 228,819</u>

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

TOWN OF LANCASTER, NEW YORK
Statement of Changes in Net Position—Fiduciary Fund
Year Ended December 31, 2019

	Custodial Fund
ADDITIONS	
Funds received on behalf of others	\$ 74,355
Total additions	74,355
 DEDUCTIONS	
Funds distributed to others	42,214
Total deductions	42,214
Change in net position	32,141
Net position—beginning, as restated	196,678
Net position—ending	\$ 228,819

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

TOWN OF LANCASTER, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2019

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 sales taxes and real property taxes.
- *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 *Custodial Fund*. Activities reported in the fiduciary funds include monies from outside entities, controlled and administered by the Town for the benefit of others.

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 and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

Cash and Cash Equivalents—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.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions, unearned revenues, unspent proceeds of debt and amounts held on behalf of others.

Restricted Investments—The Town’s restricted investments consist of annuity contracts related to the Town’s Length of Service Award Program (“LOSAP”).

Receivables—Receivables include amounts due from state and federal governments represent amounts owed to the Town to reimburse it for expenditures incurred pursuant to state and federally funded programs. Receivables are recorded and revenues recognized as earned. Allowances are recorded when appropriate.

Prepaid Items—Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses 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 acquisition value.

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, 2019, 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, 2019, the Town has two items that qualify for reporting in this category. The first 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. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the Town's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

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 Expenditures/Expenses

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 15th a 6.0% penalty; April 16th to 30th 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.

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

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

Other 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures/expenses, assets, liabilities, deferred outflows of resources, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2019, the Town implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (“AROs”). GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Other than matter discussed in Note 2, the implementation of GASB Statements No. 83, 84, 88, 90 and 95 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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2021, and No. 87, *Leases*; No. 91, *Conduit Debt Obligations*; No. 92, *Omnibus 2020*; and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending December 31, 2021, and No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending December 31, 2022. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 92, 93 and 94 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

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

- Prior to September 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, 2019, the Town’s Capital Projects Fund has a deficit fund balance of \$8,609,343. 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/FUND BALANCE

During the year ended December 31, 2019, the Town implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 establishes criteria for identifying fiduciary activities of state and local governments. This Statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

The effect of these restatements to the Town’s governmental funds and activities are summarized as follows:

	Governmental Activities	Fire Protection Fund	Custodial Fund
Net position/fund balance—December 31, 2018, as previously stated	\$ 41,267,995	\$ 221,002	\$ -
GASB Statement No. 84 implementation	<u>4,333,371</u>	<u>4,333,371</u>	<u>196,678</u>
Net position/fund balance—December 31, 2018, as restated	<u>\$ 45,601,366</u>	<u>\$ 4,554,373</u>	<u>\$ 196,678</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, 2019, are as follows:

	Governmental Funds	Proprietary Fund	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 1,900	\$ -	\$ -	\$ 1,900
Deposits	<u>17,871,732</u>	<u>1,512,760</u>	<u>358,244</u>	<u>19,742,736</u>
Total	<u>\$ 17,873,632</u>	<u>\$ 1,512,760</u>	<u>\$ 358,244</u>	<u>\$ 19,744,636</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2019 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>19,562,326</u>	<u>19,492,736</u>
Total	<u>\$ 19,812,326</u>	<u>\$ 19,742,736</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. For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2019, the Town's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Town's name.

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 cash to support fund balance restrictions, unearned revenues, unspent proceeds of debt and amounts held on behalf of others as restricted cash and cash equivalents. At December 31, 2019, the Town reported \$9,503,175 of restricted cash and cash equivalents within its governmental funds and \$358,244 within the Custodial Fund.

Fair Value Measurements—Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Restricted investments—The Town restricted investments consist of annuity contracts related to the Town’s Length of Service Award Program (“LOSAP”), a defined benefit volunteer firefighter award program (see Note 8). These annuities are guaranteed fixed annuities, whereby the reported values are reported daily based on the valuation method disclosed in the annuity contract as calculated by the annuity provider and therefore are considered level 2 inputs for fair value measurement purposes. The interest on each annuity varies but they are all fixed rate with a guaranteed minimum rate for a specific period. The cost and fair value of the contracts amounted to \$4,616,269 as of December 31, 2019, and are recorded within the Fire Protection District Fund.

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 \$1,114,427, 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, 2019 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at December 31, 2019 are:

General Fund:		
Town Clerk	\$ 10,062	
Town Justices	32,627	
Miscellaneous	3,403	\$ 46,092
Police Fund:		
Town Clerk	150	
Wage reimbursement	1,206	1,356
Highway Fund—Town Outside Village:		
Refund from vendor charges	13,538	
Wage reimbursement	7,420	
Miscellaneous	364	21,322
Nonmajor funds:		
Town Clerk	40,294	
Cable franchise fees	115,650	155,944
Total governmental funds		\$ 224,714

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, 2019 are:

General Fund:			
Due from New York State	\$ 149,107		
Due from Erie County	54,393		
Due from local municipalities	<u>1,796</u>	\$ 205,296	
Police Fund:			
Due from Erie County	1,815,570		
Due from New York State	7,647		
Due from Village of Lancaster	240,554		
Due from Lancaster CSD	<u>4,906</u>	2,068,677	
Highway Fund—Town Outside Village:			
Due from Erie County		61,307	
Nonmajor governmental funds:			
Due from Village of Lancaster		<u>5,198</u>	
Total governmental funds		<u>\$ 2,340,478</u>	
Custodial Fund:			
Due from New York State		<u>\$ 27,681</u>	

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2019 was as follows:

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	\$ 1,320,831	\$ -	\$ -	\$ 1,320,831
Construction in progress	<u>4,410,931</u>	<u>3,255,906</u>	<u>1,033,072</u>	<u>6,633,765</u>
Total capital assets, not being depreciated	<u>5,731,762</u>	<u>3,255,906</u>	<u>1,033,072</u>	<u>7,954,596</u>
Capital assets, being depreciated:				
Land improvements	2,574,619	240,381	-	2,815,000
Infrastructure	77,130,745	1,761,251	-	78,891,996
Buildings and improvements	26,581,389	192,036	-	26,773,425
Machinery and equipment	<u>9,775,161</u>	<u>92,705</u>	-	<u>9,867,866</u>
Total capital assets, being depreciated	<u>116,061,914</u>	<u>2,286,373</u>	-	<u>118,348,287</u>
Less accumulated depreciation for:				
Land improvements	737,763	107,793	-	845,556
Infrastructure	31,127,250	1,326,834	-	32,454,084
Buildings and improvements	5,817,647	386,324	-	6,203,971
Machinery and equipment	<u>4,363,939</u>	<u>576,010</u>	-	<u>4,939,949</u>
Total accumulated depreciation	<u>42,046,599</u>	<u>2,396,961</u>	-	<u>44,443,560</u>
Total capital assets, being depreciated, net	<u>74,015,315</u>	<u>(110,588)</u>	-	<u>73,904,727</u>
Governmental activities capital assets, net	<u>\$ 79,747,077</u>	<u>\$ 3,145,318</u>	<u>\$ 1,033,072</u>	<u>\$ 81,859,323</u>

Depreciation expense relating to the year ended December 31, 2019 was charged to the functions and programs of governmental activities as follows:

General government support	\$ 196,184
Public safety	180,899
Transportation	1,374,871
Culture and recreation	223,654
Home and community services	421,353
Total	<u>\$ 2,396,961</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2019 were as follows:

	Governmental Funds				Total Governmental Funds
	General Fund	Police Fund	Highway— Town Outside Village Fund	Nonmajor Funds	
Salary and employee benefits	\$ 145,621	\$ 249,052	\$ 107,941	\$ 22,492	\$ 525,106
Claims and judgements	-	-	-	-	-
Total	<u>\$ 145,621</u>	<u>\$ 249,052</u>	<u>\$ 107,941</u>	<u>\$ 22,492</u>	<u>\$ 525,106</u>

7. RETIREMENT SYSTEM PENSION PLANS

Plan Descriptions and Benefits Provided

New York State and Local 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 Deferred Inflows of Resources Related to Pensions—At December 31, 2019, 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, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2018, 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, 2019	March 31, 2019
Net pension liability	\$ 2,477,122	\$ 1,307,828
Town's portion of the Plan's total net pension liability	0.1477059%	0.0184583%

For the year ended December 31, 2019, the Town recognized pension expenses of \$1,581,670 and \$947,148, respectively, for PFRS and ERS. At December 31, 2019, 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	\$ 601,761	\$ 257,539	\$ 264,474	\$ 87,762
Changes of assumptions	900,004	328,735	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	496,107	335,661
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	75,080	258,333	190,070	43,210
Town contributions subsequent to the measurement date	932,837	608,544	-	-
Total	<u>\$ 2,509,682</u>	<u>\$ 1,453,151</u>	<u>\$ 950,651</u>	<u>\$ 466,633</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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows 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>
2020	454,254	354,314
2021	(125,928)	(198,261)
2022	(15,918)	29,005
2023	255,840	192,916
2024	57,946	-

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, 2019	March 31, 2019
Actuarial valuation date	April 1, 2018	April 1, 2018
Interest rate	7.00%	7.00%
Salary scale	5.00%	4.20%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.50%	2.50%
Cost-of-living adjustments	1.3%	1.3%

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, 2018 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	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2019	
Measurement date		
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
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	\$ 8,951,947	\$ 2,477,122	\$ (2,930,109)
Employer's proportionate share of the net pension liability/(asset)—ERS	5,718,033	1,307,828	(2,397,057)

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	April 1, 2018	April 1, 2018	
Employers' total pension liability	\$ 34,128,100	\$ 189,803,429	\$ 223,931,529
Plan fiduciary net position	32,451,037	182,718,124	215,169,161
Employers' net pension liability	<u>\$ 1,677,063</u>	<u>\$ 7,085,305</u>	<u>\$ 8,762,368</u>
System fiduciary net position as a percentage of total pension liability	95.1%	96.3%	96.1%

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.

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 62. 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, 2019 measurement date, the participants covered by the benefit terms were as follows:

Inactive participants currently receiving benefit payments	81
Inactive participants entitled to but not yet receiving benefit payments	53
Active participants	<u>142</u>
Total	<u>276</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, 2019 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions—The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
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 2.75%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index as of December 31, 2019.

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

	<u>Total Pension Liability</u>
Balance as of 12/31/2018 measurement date	<u>\$ 7,262,647</u>
Changes for the year:	
Service cost	174,570
Interest	264,936
Differences between expected and actual experience	62,375
Changes of assumptions or other inputs	1,114,866
Benefit payments	<u>(248,040)</u>
Net changes	<u>1,368,707</u>
Balance as of 12/31/2019 measurement date	<u>\$ 8,631,354</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, 2019 measurement date, calculated using the discount rate of 2.75 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 (1.75 percent) or one percentage point higher (3.75 percent) than the current rate:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Net pension liability	\$ 10,058,000	\$ 8,631,354	\$ 7,475,000

Pension Expense and Deferred Outflows of Resources Related to Pension—For the year ended December 31, 2019, the Town recognized pension expense of \$586,817. At December 31, 2019, 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	\$ 155,783
Changes of assumptions or other inputs	<u>1,024,210</u>
Total	<u>\$ 1,179,993</u>

The amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2020	\$ 113,504
2021	113,504
2022	113,504
2023	113,504
2024	113,504
Thereafter	612,473

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, if hired on or before 1/1/2000. Non-police participants age 55 with 10 years of service may be eligible, if hired before 1/1/1977.

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

Employees Covered by Benefit Terms—At January 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	55
Active employees	<u>51</u>
Total	<u>106</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

Total OPEB Liability

The Town’s total OPEB liability of \$16,397,401 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019.

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 employee and plan members. 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, 2019 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate is 2.74% effective December 31, 2019. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 8%, while the ultimate healthcare cost trend rate is 5%

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2018 through January 1, 2019.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source as shown below.

	Total OPEB Liability
Balance at December 31, 2018:	\$ 13,269,196
Changes for the year:	
Service cost	118,488
Interest	576,047
Difference between expected and actual experience	619,894
Changes of assumptions	2,607,591
Benefit payments	(793,815)
Net changes	<u>3,128,205</u>
Balance at December 31, 2019:	<u>\$ 16,397,401</u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
Net OPEB liability	\$ 18,468,731	\$ 16,397,401	\$ 14,684,800

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (8.0%) and ultimate (5.0%) healthcare cost trend rates.

	1% Decrease (7.0%/4.0%)	Healthcare Cost Trend Rates (8.0%/5.0%)	1% Increase (9.0%/6.0%)
Net OPEB liability	\$ 14,813,513	\$ 16,397,401	\$ 18,297,490

Funding Policy—Authorization for the Town to pay retiree health insurance premiums was enacted by union contracts, which are approved by the Town Board. Police participants are not required to contribute to postemployment 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.

OPEB Expense and Deferred Inflows of Resources Related to OPEB—The Town reports deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the Town’s deferred outflows of resources at December 31, 2019.

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 544,431
Changes of assumptions	1,728,586
Total	<u>\$ 2,273,017</u>

The amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	
2020	\$ 145,485
2021	145,485
2022	326,094
2023	392,883
2024	392,883
Thereafter	870,187

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, 2019, 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 UnitedHealthcare 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 \$234,027 during the year ended December 31, 2019. 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 United Medical Resources, 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 \$129,159, 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, 2019, the health insurance liability and workers’ compensation liability are recorded within the Town’s Internal Service Fund. The changes since January 1, 2018 in risk financing activities for health insurance and worker’s compensation claims are presented below.

	Liability, 1/1/2019	Claims and Adjustments	Claims Payments	Liability, 12/31/2019
Health insurance	\$ 40,812	\$ 1,465,816	\$ 1,497,732	\$ 8,896
Workers' compensation	456,356	77,883	233,365	300,874
Total	<u>\$ 497,168</u>	<u>\$ 1,543,699</u>	<u>\$ 1,731,097</u>	<u>\$ 309,770</u>
	Liability, 1/1/2018	Claims and Adjustments	Claims Payments	Liability, 12/31/2018
Health insurance	\$ 66,312	\$ 1,964,126	\$ 1,989,626	\$ 40,812
Workers' compensation	622,635	47,764	214,043	456,356
Total	<u>\$ 688,947</u>	<u>\$ 2,011,890</u>	<u>\$ 2,203,669</u>	<u>\$ 497,168</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, 2019.

Description	Interest Rate	Maturity Date	Balance			Balance 12/31/2019
			1/1/2019	Issues	Redemptions	
Capital Projects Fund:						
Reconstruction of various bridges/culverts	2.75%	7/25/2019	\$ 375,000	\$ -	\$ 375,000	\$ -
Water main line installations	2.75%	7/25/2019	1,625,000	-	1,625,000	-
Parks, recreation and forestry equipment	2.75%	7/25/2019	340,000	-	340,000	-
Holland and Brunk road improvements	2.75%	7/25/2019	1,210,000	-	1,210,000	-
Acquisition of highway equipment	2.75%	7/25/2019	1,290,000	-	1,290,000	-
Reconstruction of various bridges/culverts	2.25%	7/24/2020	-	650,000	-	650,000
Water main line installations	2.25%	7/24/2020	-	6,800,000	-	6,800,000
Parks, recreation and forestry equipment	2.25%	7/24/2020	-	300,000	-	300,000
Holland and Brunk road improvements	2.25%	7/24/2020	-	870,000	-	870,000
Acquisition of highway equipment	2.25%	7/24/2020	-	1,200,000	-	1,200,000
Street lighting energy EPC	2.25%	7/24/2020	-	2,810,000	-	2,810,000
Refuse and recycling carts	2.25%	7/24/2020	-	1,500,000	-	1,500,000
Erie street culvert replacement	2.25%	7/24/2020	-	625,000	-	625,000
Highway equipment	2.25%	7/24/2020	-	900,000	-	900,000
Total			<u>\$ 4,840,000</u>	<u>\$ 15,655,000</u>	<u>\$ 4,840,000</u>	<u>\$ 15,655,000</u>

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent 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 liabilities. 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, 2019 is presented on the following page.

	Balance 1/1/2019	Additions	Reductions	Balance 12/31/2019	Due Within One Year
Governmental activities:					
Serial bonds	\$ 18,980,000	\$ -	\$ 1,920,000	\$ 17,060,000	\$ 1,980,000
Premium on serial bonds	1,280,084	-	132,353	1,147,731	132,353
Net bonds payable	20,260,084	-	2,052,353	18,207,731	2,112,353
Installment purchase debt	1,242,977	-	84,812	1,158,165	87,835
Compensated absences	2,941,817	226,557	157,421	3,010,953	150,548
OPEB obligation	13,269,196	3,922,020	793,815	16,397,401	-
Workers' compensation	456,356	2,566,639	2,722,121	300,874	226,843
Net pension liability*	2,092,596	1,692,354	-	3,784,950	-
Net pension liability—LOSAP	7,262,647	1,616,747	248,040	8,631,354	-
Total governmental activities	\$ 47,525,673	\$ 10,024,317	\$ 6,058,562	\$ 51,491,428	\$ 2,577,579

*Additions to the net pension liability are shown net of reductions.

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, 2019 is presented below:

Description	Year of of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2019	Additions	Reductions	Balance 12/31/2019
General Fund:						
Walden Ave. building/land acquisition	2005/2024	3.5-4.0	\$ 600,000	\$ -	\$ 100,000	\$ 500,000
Town hall addition	2012/2026	2.0-5.0	1,088,000	-	127,000	961,000
Police/court building	2012/2026	2.0-5.0	3,899,000	-	452,000	3,447,000
Indoor training facility	2013/2028	3.0-5.0	1,890,000	-	125,000	1,765,000
Police/court building	2016/2031	2.0-5.0	1,230,000	-	100,000	1,130,000
Parks and recreation equipment	2016/2031	2.0-5.0	335,000	-	24,000	311,000
Town storage building	2016/2031	2.0-5.0	775,000	-	56,000	719,000
Total General Fund			9,817,000	-	984,000	8,833,000
Highway Fund—Townwide:						
Culverts/bridges	2012/2026	2.0-5.0	799,000	-	93,000	706,000
Reconstruction of bridges and culverts	2016/2031	2.0-5.0	1,343,000	-	97,000	1,246,000
Lincoln street culvert reconstruction	2016/2031	2.0-5.0	386,000	-	28,000	358,000
Total Highway Fund—Townwide			2,528,000	-	218,000	2,310,000
Highway Fund—Town Outside Village:						
Highway equipment	2012/2023	2.0-5.0	259,000	-	49,000	210,000
Highway equipment	2016/2031	2.0-5.0	926,000	-	66,000	860,000
Highway vehicles and equipment	2016/2031	2.0-5.0	628,000	-	55,000	573,000
Highway vehicles and equipment (paver)	2016/2031	2.0-5.0	334,000	-	22,000	312,000
Glendale/Parkdale road reconstruction	2012/2023	2.0-5.0	196,000	-	38,000	158,000
Culverts and road improvements	2016/2031	2.0-5.0	253,000	-	22,000	231,000
Total Highway Fund—Town Outside Village			2,596,000	-	252,000	2,344,000
Special Districts- Consolidated Water District:						
Transit Road water improvements	2012/2026	2.0-5.0	297,000	-	35,000	262,000
Townwide water improvements	2012/2026	2.0-5.0	3,199,000	-	371,000	2,828,000
Schwartz Road waterline improvements	2012/2026	2.0-5.0	543,000	-	60,000	483,000
Total Consolidated Water District			4,039,000	-	466,000	3,573,000
Total governmental activities			\$ 18,980,000	\$ -	\$ 1,920,000	\$ 17,060,000

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, 2019 was \$1,147,731.

Installment Purchase Debt—On July 21, 2014, the Town entered into an installment purchase energy performance contract 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, 2019 was \$1,158,165.

The requirements of the installment purchase agreements are summarized below:

Year ending December 31,	
2020	\$ 127,984
2021	127,984
2022	127,984
2023	127,984
2024	127,984
2025-2029	639,921
2030	<u>127,984</u>
Total minimum lease payments	1,407,825
Less: amount representing imputed interest	<u>(249,660)</u>
Present value of minimum lease payments	<u>\$ 1,158,165</u>

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

	Governmental Activities
Assets:	
Buildings and improvements	\$ 1,480,299
Machinery and equipment	453,590
Less: Accumulated depreciation	<u>(310,362)</u>
Total	<u>\$ 1,623,527</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, 2019 amounts to \$3,010,953.

OPEB Obligation—As explained in Note 9, the Town provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Town’s annual postemployment benefit (“OPEB”) cost is 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 OPEB liability). The long-term OPEB obligation is estimated to be \$16,397,401 at December 31, 2019.

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, 2019 is \$300,874.

Net Pension Liability—The Town reports a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employee's Retirement System. The total net pension liability is estimated to be \$3,784,950 in the governmental activities. Refer to Note 7 additional information related to the Town's net pension liability.

Net Pension Liability—LOSAP—The Town reports a liability for its proportionate share of the net pension liability for the Length of Service Awards Program. The net pension liability is estimated to be \$8,631,354 in the governmental activities. Refer to Note 8 additional information related to the Town's net pension liability for LOSAP.

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

Year Ending December 31,	Serial Bonds	Premium on Serial Bonds	Installment		OPEB Obligation	Workers' Compensation	Net Pension Liability	Net Pension Liability	
			Purchase Debt	Compensated Absences				LOSAP	Total
2020	\$ 1,980,000	\$ 132,353	\$ 87,835	\$ 150,548	\$ -	\$ 226,843	\$ -	\$ -	\$ 2,577,579
2021	2,040,000	132,353	90,966	-	-	-	-	-	2,263,319
2022	2,085,000	132,353	94,208	-	-	-	-	-	2,311,561
2023	2,135,000	132,353	97,566	-	-	-	-	-	2,364,919
2024	2,100,000	132,353	101,043	-	-	-	-	-	2,333,396
2025-2029	5,995,000	399,734	561,874	-	-	-	-	-	6,956,608
2030-thereafter	725,000	86,232	124,673	2,860,405	16,397,401	74,031	3,784,950	8,631,354	32,684,046
Total	<u>\$ 17,060,000</u>	<u>\$ 1,147,731</u>	<u>\$ 1,158,165</u>	<u>\$ 3,010,953</u>	<u>\$ 16,397,401</u>	<u>\$ 300,874</u>	<u>\$ 3,784,950</u>	<u>\$ 8,631,354</u>	<u>\$ 51,491,428</u>

Interest requirements on serial bonds and installment purchase debt are as follows:

Year Ending December 31,	Installment	
	Serial Bonds	Purchase Debt
2020	\$ 607,182	\$ 40,149
2021	573,620	37,018
2022	538,720	33,776
2023	348,075	30,418
2024	270,325	26,941
2025-2029	488,951	78,047
2030-2031	19,450	3,313
Total	<u>\$ 2,846,323</u>	<u>\$ 249,662</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 on the following page.

Capital assets, net of accumulated depreciation		\$ 81,859,323
Less: Related debt		
Serial bonds	\$ (17,060,000)	
Unamortized bond premium	(1,147,731)	
Bond anticipation notes issued for capital assets	(15,655,000)	
Installment purchase debt	<u>(1,158,165)</u>	(35,020,896)
Add: Unspent proceeds reported within the Capital Projects Fund		<u>7,045,657</u>
Net investment in capital assets		<u>\$ 53,884,084</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.
- **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, 2019 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 Nonmajor Funds reported amounts of \$96,455, \$344,087, \$63,428 and \$9,825, 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, 2019, the Town reported restricted fund balance in the General, Highway—Town Outside Village, Fire Protection District and Nonmajor Funds for \$675,279, \$439,694, \$4,616,269 and \$367,646, respectively. Restrictions of the Town at December 31, 2019 include:

- **Restricted for Debt Service**—Represents resources within the General Fund, Highway—Town Outside Village and Nonmajor Funds legally restricted for the payment of debt service in the amounts of \$675,279, \$439,694 and \$367,646, respectively.
- **Restricted for LOSAP**—Represents monies, \$4,616,269, held in trust for the administration of the Town’s LOSAP.

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, 2019, 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, 2019 include:

	Subsequent Year's Expenditures	Encumbrances	Capital Improvements	Specific Use	Total Assigned
General Fund	\$ 260,000	\$ 91,595	\$ 200,000	\$ -	\$ 551,595
Police Fund	250,000	-	-	2,282,739	2,532,739
Highway Fund—Town Outside Village	385,000	-	200,000	958,456	1,543,456
Fire Protection District Fund	-	-	-	209,883	209,883
Nonmajor governmental funds	412,500	-	-	2,196,318	2,608,818
Total	<u>\$ 1,307,500</u>	<u>\$ 91,595</u>	<u>\$ 400,000</u>	<u>\$ 5,647,396</u>	<u>\$ 7,446,491</u>

- **Assigned to Subsequent Year's Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2020 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, 2019 is as follows:

	Interfund Receivables	Interfund Payables
Governmental funds:		
General Fund	\$ 3,609	\$ 137,053
Police Fund	1,867	-
Highway Fund—Town Outside Village	71,424	-
Capital Projects Fund	-	34,010
Nonmajor funds	30,401	-
Total governmental funds	<u>107,301</u>	<u>171,063</u>
Custodial Fund	<u>63,762</u>	<u>-</u>
Total	<u>\$ 171,063</u>	<u>\$ 171,063</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, 2019:

Fund	Transfers in:					Total	
	Governmental Funds				Proprietary		
	Police Fund	Highway Fund—Town		Capital Projects Fund	Nonmajor Funds		Fund
		Outside Village	-				Internal
Service Fund							
Transfers out:							
General Fund	\$ 285,000	\$ -	\$ 40,000	\$ -	\$ 555,260	\$ 880,260	
Police Fund	-	-	-	-	1,207,831	1,207,831	
Highway Fund—Town							
Outside Village	-	-	90,000	-	669,923	759,923	
Fire Protection Fund	-	-	-	-	140,000	140,000	
Capital Projects Fund	-	242,454	-	16,928	-	259,382	
Nonmajor Funds	-	-	240,000	-	151,980	391,980	
Total	<u>\$ 285,000</u>	<u>\$ 242,454</u>	<u>\$ 370,000</u>	<u>\$ 16,928</u>	<u>\$ 2,724,994</u>	<u>\$ 3,639,376</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 police expenditures.

15. 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 year ended December 31, 2019.

16. 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, 2019.

17. COMMITMENTS

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

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. Significant encumbrances as of December 31, 2019, are as listed below:

Fund	Purpose	Amount Encumbered
General	Fabric topsoil facility	\$ 90,095

18. 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 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 assessed 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 \$782,981 during 2019 in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$890,138 in property taxes.

19. 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.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 22, 2020, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.1477059%	0.1473120%	0.1732448%	0.1636966%	0.1655090%	0.1655090%
Town's proportionate share of the net pension liability	<u>\$ 2,477,122</u>	<u>\$ 1,488,966</u>	<u>\$ 3,590,761</u>	<u>\$ 4,846,709</u>	<u>\$ 455,579</u>	<u>\$ 689,030</u>
Town's covered payroll	\$ 4,574,331	\$ 4,635,426	\$ 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 payroll	54.2%	32.1%	76.7%	96.1%	10.6%	16.0%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	96.9%	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 Six Fiscal Years*

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$1,259,103	\$1,292,029	\$1,437,157	\$1,419,360	\$1,407,843	\$1,536,145
Contributions in relation to the contractually required contribution	<u>(1,259,103)</u>	<u>(1,292,029)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$4,799,651	\$4,556,269	\$4,574,880	\$4,537,832	\$5,019,342	\$4,340,421
Contributions as a percentage of covered payroll	26.2%	28.4%	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 Six Fiscal Years*

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0184583%	0.0187030%	0.0169944%	0.0189275%	0.0191263%	0.0191263%
Town's proportionate share of the net pension liability	<u>\$ 1,307,828</u>	<u>\$ 603,630</u>	<u>\$ 1,596,833</u>	<u>\$ 3,037,916</u>	<u>\$ 646,132</u>	<u>\$ 864,289</u>
Town's covered payroll	\$ 5,880,414	\$ 5,654,475	\$ 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 payroll	22.2%	10.7%	28.5%	58.5%	12.1%	16.5%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	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 Six Fiscal Years*

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 818,551	\$ 821,419	\$ 777,960	\$ 820,238	\$ 953,021	\$1,004,006
Contributions in relation to the contractually required contribution	<u>(818,551)</u>	<u>(821,419)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 6,033,806	\$ 5,855,978	\$ 5,494,943	\$ 5,343,615	\$ 5,250,411	\$ 5,381,538
Contributions as a percentage of covered payroll	13.6%	14.0%	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 OPEB Liability and Related Ratios
Last Two Fiscal Years*

	Year Ended December 31,	
	2019	2018
Total OPEB Liability		
Service cost	\$ 118,488	\$ 98,073
Interest	576,047	488,461
Differences between expected and actual experience	619,894	-
Changes of assumptions	2,607,591	(1,056,376)
Benefit payments	(793,815)	(718,502)
Net changes in total OPEB liability	<u>3,128,205</u>	<u>(1,188,344)</u>
Total OPEB liability—beginning	<u>13,269,196</u>	<u>14,457,540</u>
Total OPEB liability—ending	<u>\$ 16,397,401</u>	<u>\$ 13,269,196</u>
Plan Fiduciary Net Position		
Contributions—employer	\$ 793,815	\$ 718,502
Benefit payments	(793,815)	(718,502)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>
Town's net OPEB liability—ending	<u>\$ 16,397,401</u>	<u>\$ 13,269,196</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered-employee payroll	N/A	N/A
Town's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A

*Information prior to the year ended December 31, 2018 is not available.

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

TOWN OF LANCASTER, NEW YORK
Schedule of Changes in the Town's Total Pension Liability—LOSAP
Last Three Fiscal Years*

	Year Ended December 31,		
	2019	2018	2017
Total Pension Liability			
Service cost	\$ 174,570	\$ 199,356	\$ 184,389
Interest	264,936	245,286	249,491
Differences between expected and actual experience	62,375	504	131,446
Changes of assumptions or other inputs	1,114,866	(472,406)	525,586
Benefit payments	<u>(248,040)</u>	<u>(241,082)</u>	<u>(216,440)</u>
Net changes in total pension liability	1,368,707	(268,342)	874,472
Total pension liability—beginning	<u>7,262,657</u>	<u>7,530,999</u>	<u>6,656,527</u>
Total pension liability—ending	<u>\$ 8,631,364</u>	<u>\$ 7,262,657</u>	<u>\$ 7,530,999</u>
 Covered-employee payroll	 N/A	 N/A	 N/A
 Total pension liability as a percentage of covered-employee payroll	 N/A	 N/A	 N/A

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

The notes to the required supplementary information are 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, 2019

	<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	\$ 7,744,049	\$ 7,744,049	\$ 7,744,049	\$ -
Other property tax items	436,700	436,700	431,358	(5,342)
Departmental income	241,000	241,000	299,875	58,875
Intergovernmental charges	4,000	8,000	17,575	9,575
Use of money and property	305,635	305,635	357,135	51,500
Licenses and permits	88,500	88,500	123,871	35,371
Fines and forfeitures	301,200	301,200	236,841	(64,359)
Sale of property and compensation for loss	3,000	3,000	32,928	29,928
Miscellaneous	10,000	10,000	21,182	11,182
State aid	823,625	1,078,325	1,111,336	33,011
Total revenues	<u>9,957,709</u>	<u>10,267,822</u>	<u>10,426,840</u>	<u>159,018</u>
EXPENDITURES				
Current:				
General government support	3,915,916	4,628,198	4,262,739	365,459
Public safety	190,894	190,894	164,399	26,495
Health	70,200	70,200	65,278	4,922
Transportation	194,300	194,300	170,340	23,960
Culture and recreation	2,322,794	2,399,892	2,145,377	254,515
Home and community services	588,535	617,719	531,582	86,137
Employee benefits	999,447	1,005,947	984,305	21,642
Debt service:				
Principal	1,068,812	1,068,812	1,068,812	-
Interest and other fiscal charges	413,593	413,593	413,591	2
Total expenditures	<u>9,764,491</u>	<u>10,589,555</u>	<u>9,806,423</u>	<u>783,132</u>
Excess (deficiency) of revenues over expenditures	<u>193,218</u>	<u>(321,733)</u>	<u>620,417</u>	<u>942,150</u>
OTHER FINANCING USES				
Transfers out	<u>(851,000)</u>	<u>(851,000)</u>	<u>(880,260)</u>	<u>(29,260)</u>
Total other financing uses	<u>(851,000)</u>	<u>(851,000)</u>	<u>(880,260)</u>	<u>(29,260)</u>
Net change in fund balances*	(657,782)	(1,172,733)	(259,843)	912,890
Fund balances—beginning	<u>3,712,501</u>	<u>3,712,501</u>	<u>3,712,501</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,054,719</u>	<u>\$ 2,539,768</u>	<u>\$ 3,452,658</u>	<u>\$ 912,890</u>

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

The notes to the required supplementary information are 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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 3,714,572	\$ 3,714,572	\$ 3,714,572	\$ -
Other property tax items	199,700	199,700	189,978	(9,722)
Non-property tax items	4,700,000	4,700,000	4,853,728	153,728
Departmental income	5,500	5,500	6,610	1,110
Intergovernmental charges	1,202,500	1,202,500	1,222,726	20,226
Use of money and property	45,000	45,000	62,992	17,992
Fines and forfeitures	20,000	20,000	18,713	(1,287)
Sale of property and compensation for loss	10,000	46,000	48,554	2,554
Miscellaneous	500	500	342	(158)
State aid	-	8,400	8,400	-
Federal aid	-	18,000	21,515	3,515
Total revenues	<u>9,897,772</u>	<u>9,960,172</u>	<u>10,148,130</u>	<u>187,958</u>
EXPENDITURES				
Current:				
General government support	79,817	103,872	54,817	49,055
Public safety	6,593,808	6,800,207	6,760,353	39,854
Employee benefits	<u>2,469,110</u>	<u>2,469,110</u>	<u>2,355,602</u>	<u>113,508</u>
Total expenditures	<u>9,142,735</u>	<u>9,373,189</u>	<u>9,170,772</u>	<u>202,417</u>
Excess of revenues over expenditures	<u>755,037</u>	<u>586,983</u>	<u>977,358</u>	<u>390,375</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	285,000	285,000	285,000	-
Transfers out	<u>(1,275,000)</u>	<u>(1,275,000)</u>	<u>(1,207,831)</u>	<u>67,169</u>
Total other financing sources (uses)	<u>(990,000)</u>	<u>(990,000)</u>	<u>(922,831)</u>	<u>67,169</u>
Net change in fund balances*	(234,963)	(403,017)	54,527	457,544
Fund balances—beginning	<u>2,822,299</u>	<u>2,822,299</u>	<u>2,822,299</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,587,336</u>	<u>\$ 2,419,282</u>	<u>\$ 2,876,826</u>	<u>\$ 457,544</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are 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, 2019

	<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	\$ 3,813,505	\$ 3,813,505	\$ 3,813,505	\$ -
Other property tax items	215,500	215,500	219,575	4,075
Intergovernmental charges	120,000	120,000	120,541	541
Use of money and property	60,000	60,000	70,707	10,707
Sale of property and compensation for loss	13,000	13,000	89,474	76,474
Miscellaneous	82,100	82,100	88,939	6,839
State aid	98,000	98,000	110,722	12,722
Total revenues	<u>4,402,105</u>	<u>4,402,105</u>	<u>4,513,463</u>	<u>111,358</u>
EXPENDITURES				
Current:				
General government support	40,615	40,615	40,614	1
Transportation	3,138,285	3,379,924	3,296,231	83,693
Employee benefits	522,851	522,853	484,586	38,267
Debt service:				
Principal	252,000	252,000	252,000	-
Interest and other fiscal charges	133,354	133,354	133,354	-
Total expenditures	<u>4,087,105</u>	<u>4,328,746</u>	<u>4,206,785</u>	<u>121,961</u>
Excess of revenues over expenditures	<u>315,000</u>	<u>73,359</u>	<u>306,678</u>	<u>233,319</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	242,454	242,454
Transfers out	<u>(735,000)</u>	<u>(762,000)</u>	<u>(759,923)</u>	<u>2,077</u>
Total other financing sources (uses)	<u>(735,000)</u>	<u>(762,000)</u>	<u>(517,469)</u>	<u>244,531</u>
Net change in fund balances*	(420,000)	(688,641)	(210,791)	477,850
Fund balances—beginning	<u>2,257,369</u>	<u>2,257,369</u>	<u>2,257,369</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,837,369</u>	<u>\$ 1,568,728</u>	<u>\$ 2,046,578</u>	<u>\$ 477,850</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 are 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, 2019

	<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	\$ 3,905,836	\$ 3,905,836	\$ 3,905,836	\$ -
Use of money and property	15,500	15,500	20,326	4,826
Miscellaneous	-	-	282,898	282,898
Total revenues	<u>3,921,336</u>	<u>3,921,336</u>	<u>4,209,060</u>	<u>287,724</u>
EXPENDITURES				
Current:				
General government support	43,788	43,788	43,788	-
Public safety	<u>3,752,548</u>	<u>3,752,548</u>	<u>3,753,493</u>	<u>(945)</u>
Total expenditures	<u>3,796,336</u>	<u>3,796,336</u>	<u>3,797,281</u>	<u>(945)</u>
Excess of revenues over expenditures	<u>125,000</u>	<u>125,000</u>	<u>411,779</u>	<u>286,779</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*	(15,000)	(15,000)	271,779	286,779
Fund balances—beginning, as restated	<u>4,554,373</u>	<u>4,554,373</u>	<u>4,554,373</u>	<u>-</u>
Fund balances—ending	<u>\$ 4,539,373</u>	<u>\$ 4,539,373</u>	<u>\$ 4,826,152</u>	<u>\$ 286,779</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 are an integral part of this schedule.

TOWN OF LANCASTER, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2019

1. OPEB LIABILITY

Changes of Assumptions—The actuarial cost method used in the January 1, 2019 valuation was the Entry Age Normal Level Percent of Pay method as prescribed under GASB 75. The rate used to discount future plan cash flows decreased from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019 based on a review of the Bond Buyer’s 20 Bond Index.

The mortality assumption was revised as of January 1, 2019 to the RPH-2014 Total Dataset mortality table projected fully generationally using projection scale MP-2019.

2. 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, 2018	3.71%
December 31, 2019	2.75%

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.

3. 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.

Excess of Expenditures over Appropriations—For the year ended December 31, 2019, unfavorable variances existed in the Town’s major governmental funds’ appropriations. The General Fund has an unfavorable variance of \$29,260 within transfers out due to more than anticipated health insurance contributions to the self-insurance funds, while the Fire Protection Fund has an unfavorable variance of \$945 within public safety.

SUPPLEMENTARY INFORMATION

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TOWN OF LANCASTER, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2019

	Special Revenue						
	General		Refuse District	Lighting District	Consolidated Water District	Miscellaneous Special Revenue	Total Nonmajor Funds
	Fund - Town Outside Village	Highway Fund - Townwide					
ASSETS							
Cash and cash equivalents	\$ 773,021	\$ 189,061	\$ 527,557	\$ 118,338	\$ 55,796	\$ 1,062,334	\$ 2,726,107
Restricted cash and cash equivalents	-	113,861	12,510	41,202	200,073	-	367,646
Receivables	132,939	-	3,505	-	-	19,500	155,944
Intergovernmental receivables	-	-	5,198	-	-	-	5,198
Due from other funds	-	2,920	-	8,412	19,069	-	30,401
Prepaid items	9,825	-	-	-	-	-	9,825
Total assets	<u>\$ 915,785</u>	<u>\$ 305,842</u>	<u>\$ 548,770</u>	<u>\$ 167,952</u>	<u>\$ 274,938</u>	<u>\$ 1,081,834</u>	<u>\$ 3,295,121</u>
LIABILITIES							
Accounts payable	\$ 6,665	\$ 20,496	191,712	\$ 6,585	\$ -	\$ 60,882	\$ 286,340
Accrued liabilities	22,492	-	-	-	-	-	22,492
Total liabilities	<u>29,157</u>	<u>20,496</u>	<u>191,712</u>	<u>6,585</u>	<u>-</u>	<u>60,882</u>	<u>308,832</u>
FUND BALANCES							
Nonspendable	9,825	-	-	-	-	-	9,825
Restricted	-	113,861	12,510	41,202	200,073	-	367,646
Assigned	876,803	171,485	344,548	120,165	74,865	1,020,952	2,608,818
Total fund balances	<u>886,628</u>	<u>285,346</u>	<u>357,058</u>	<u>161,367</u>	<u>274,938</u>	<u>1,020,952</u>	<u>2,986,289</u>
Total liabilities and fund balances	<u>\$ 915,785</u>	<u>\$ 305,842</u>	<u>\$ 548,770</u>	<u>\$ 167,952</u>	<u>\$ 274,938</u>	<u>\$ 1,081,834</u>	<u>\$ 3,295,121</u>

TOWN OF LANCASTER, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2019

	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	\$ 138,345	\$ 411,935	\$ 2,395,610	\$ 295,500	\$ 747,365	\$ -	\$ 3,988,755
Other property tax items	7,983	19,934	-	-	-	-	27,917
Non-property tax items	440,855	-	-	-	-	-	440,855
Departmental income	59,764	-	56,820	-	-	-	116,584
Intergovernmental charges	26,750	-	-	-	6,363	-	33,113
Use of money and property	100,697	18,169	17,218	21,711	48,796	24,001	230,592
Licenses and permits	301,505	-	-	-	-	-	301,505
Miscellaneous	305	17,890	12,530	23,435	56,712	178,994	289,866
State aid	121,895	-	-	-	-	10,000	131,895
Total revenues	<u>1,198,099</u>	<u>467,928</u>	<u>2,482,178</u>	<u>340,646</u>	<u>859,236</u>	<u>212,995</u>	<u>5,561,082</u>
EXPENDITURES							
Current:							
Public safety	411,929	-	-	-	-	55,819	467,748
Health	3,260	-	-	-	-	-	3,260
Transportation	-	23,534	-	228,039	-	-	251,573
Culture and recreation	-	-	-	-	-	344,096	344,096
Home and community services	501,845	-	2,300,452	-	14,235	16,766	2,833,298
Employee benefits	100,646	91	-	-	-	-	100,737
Debt service:							
Principal	-	218,000	-	-	466,000	-	684,000
Interest and other fiscal charges	-	134,476	-	-	190,334	-	324,810
Total expenditures	<u>1,017,680</u>	<u>376,101</u>	<u>2,300,452</u>	<u>228,039</u>	<u>670,569</u>	<u>416,681</u>	<u>5,009,522</u>
Excess (deficiency) of revenues over expenditures	<u>180,419</u>	<u>91,827</u>	<u>181,726</u>	<u>112,607</u>	<u>188,667</u>	<u>(203,686)</u>	<u>551,560</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	16,928	-	-	-	-	16,928
Transfers out	<u>(151,980)</u>	<u>(115,000)</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>(391,980)</u>
Total other financing sources (uses)	<u>(151,980)</u>	<u>(98,072)</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>(375,052)</u>
Net change in fund balances	28,439	(6,245)	181,726	112,607	63,667	(203,686)	176,508
Fund balances—beginning	<u>858,189</u>	<u>291,591</u>	<u>175,332</u>	<u>48,760</u>	<u>211,271</u>	<u>1,224,638</u>	<u>2,809,781</u>
Fund balances—ending	<u>\$ 886,628</u>	<u>\$ 285,346</u>	<u>\$ 357,058</u>	<u>\$ 161,367</u>	<u>\$ 274,938</u>	<u>\$ 1,020,952</u>	<u>\$ 2,986,289</u>

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OTHER INFORMATION

TOWN OF LANCASTER, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund - Town Outside Village
Year Ended December 31, 2019

	<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	\$ 138,345	\$ 138,345	\$ 138,345	\$ -
Other property tax items	7,700	7,700	7,983	283
Non-property tax items	400,000	400,000	440,855	40,855
Departmental income	35,000	35,000	59,764	24,764
Intergovernmental charges	26,500	26,500	26,750	250
Use of money and property	75,000	75,000	100,697	25,697
Licenses and permits	167,000	167,000	301,505	134,505
Miscellaneous	200	200	305	105
State aid	<u>120,000</u>	<u>120,000</u>	<u>121,895</u>	<u>1,895</u>
Total revenues	<u>969,745</u>	<u>969,745</u>	<u>1,198,099</u>	<u>228,354</u>
EXPENDITURES				
Current:				
Public safety	508,363	509,227	411,929	97,298
Health	3,260	3,260	3,260	-
Home and community services	373,160	506,360	501,845	4,515
Employee benefits	<u>109,962</u>	<u>109,962</u>	<u>100,646</u>	<u>9,316</u>
Total expenditures	<u>994,745</u>	<u>1,128,809</u>	<u>1,017,680</u>	<u>111,129</u>
Excess (deficiency) of revenues over expenditures	<u>(25,000)</u>	<u>(159,064)</u>	<u>180,419</u>	<u>339,483</u>
OTHER FINANCING USES				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(151,980)</u>	<u>(1,980)</u>
Total other financing uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>(151,980)</u>	<u>(1,980)</u>
Net change in fund balances*	(175,000)	(309,064)	28,439	337,503
Fund balances—beginning	<u>858,189</u>	<u>858,189</u>	<u>858,189</u>	<u>-</u>
Fund balances—ending	<u>\$ 683,189</u>	<u>\$ 549,125</u>	<u>\$ 886,628</u>	<u>\$ 337,503</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, 2019

	<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	\$ 411,935	\$ 411,935	\$ 411,935	\$ -
Other property tax items	20,500	20,500	19,934	(566)
Use of money and property	5,000	5,000	18,169	13,169
Miscellaneous	-	-	17,890	17,890
Total revenues	<u>437,435</u>	<u>437,435</u>	<u>467,928</u>	<u>30,493</u>
EXPENDITURES				
Current:				
General government support	1,235	1,235	-	1,235
Transportation	52,500	52,500	23,534	28,966
Employee benefits	1,224	1,224	91	1,133
Debt service:				
Principal	218,000	218,000	218,000	-
Interest and other fiscal charges	134,476	134,476	134,476	-
Total expenditures	<u>407,435</u>	<u>407,435</u>	<u>376,101</u>	<u>31,334</u>
Excess (deficiency) of revenues over expenditures	<u>30,000</u>	<u>30,000</u>	<u>91,827</u>	<u>61,827</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	16,928	16,928
Transfers out	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(115,000)</u>	<u>(115,000)</u>	<u>(98,072)</u>	<u>16,928</u>
Net change in fund balances*	(85,000)	(85,000)	(6,245)	78,755
Fund balances—beginning	<u>291,591</u>	<u>291,591</u>	<u>291,591</u>	<u>-</u>
Fund balances—ending	<u>\$ 206,591</u>	<u>\$ 206,591</u>	<u>\$ 285,346</u>	<u>\$ 78,755</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 Fund
Year Ended December 31, 2019

	<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	\$ 2,395,610	\$ 2,395,610	\$ 2,395,610	\$ -
Departmental income	40,000	40,000	56,820	16,820
Use of money and property	15,000	15,000	17,218	2,218
Miscellaneous	-	-	12,530	12,530
Total revenues	<u>2,450,610</u>	<u>2,450,610</u>	<u>2,482,178</u>	<u>31,568</u>
EXPENDITURES				
Current:				
Home and community services	2,497,660	2,497,660	2,300,452	197,208
Debt service:				
Interest and other fiscal charges	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Total expenditures	<u>2,515,660</u>	<u>2,515,660</u>	<u>2,300,452</u>	<u>215,208</u>
Net change in fund balances*	(65,050)	(65,050)	181,726	246,776
Fund balances—beginning	<u>175,332</u>	<u>175,332</u>	<u>175,332</u>	<u>-</u>
Fund balances—ending	<u>\$ 110,282</u>	<u>\$ 110,282</u>	<u>\$ 357,058</u>	<u>\$ 246,776</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

TOWN OF LANCASTER, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Lighting District Fund
Year Ended December 31, 2019

	<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	\$ 295,500	\$ 295,500	\$ 295,500	\$ -
Use of money and property	2,500	2,500	21,711	19,211
Miscellaneous	-	-	23,435	23,435
Total revenues	<u>298,000</u>	<u>298,000</u>	<u>340,646</u>	<u>42,646</u>
EXPENDITURES				
Current:				
General government support	3,000	3,000	-	3,000
Transportation	250,000	250,000	228,039	21,961
Debt service:				
Interest and other fiscal charges	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total expenditures	<u>298,000</u>	<u>298,000</u>	<u>228,039</u>	<u>69,961</u>
Net change in fund balances	-	-	112,607	112,607
Fund balances—beginning	<u>48,760</u>	<u>48,760</u>	<u>48,760</u>	<u>-</u>
Fund balances—ending	<u>\$ 48,760</u>	<u>\$ 48,760</u>	<u>\$ 161,367</u>	<u>\$ 112,607</u>

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, 2019

	<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	\$ 747,366	\$ 747,366	\$ 747,365	\$ (1)
Intergovernmental charges	5,000	5,000	6,363	1,363
Use of money and property	5,000	5,000	48,796	43,796
Miscellaneous	-	-	56,712	56,712
Total revenues	<u>757,366</u>	<u>757,366</u>	<u>859,236</u>	<u>101,870</u>
EXPENDITURES				
Current:				
General government support	6,030	6,030	-	6,030
Home and community services	15,000	15,000	14,235	765
Debt service:				
Principal	466,000	466,000	466,000	-
Interest and other fiscal charges	190,336	190,336	190,334	2
Total expenditures	<u>677,366</u>	<u>677,366</u>	<u>670,569</u>	<u>6,797</u>
Excess (deficiency) of revenues over expenditures	<u>80,000</u>	<u>80,000</u>	<u>188,667</u>	<u>108,667</u>
OTHER FINANCING USES				
Transfers out	(125,000)	(125,000)	(125,000)	-
Total other financing uses	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net change in fund balances*	(45,000)	(45,000)	63,667	108,667
Fund balances—beginning	211,271	211,271	211,271	-
Fund balances—ending	<u>\$ 166,271</u>	<u>\$ 166,271</u>	<u>\$ 274,938</u>	<u>\$ 108,667</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, 2019

	<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	\$ 9,000	\$ 9,000	\$ 24,001	\$ 15,001
Miscellaneous	97,500	97,500	178,994	81,494
State aid	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total revenues	<u>106,500</u>	<u>106,500</u>	<u>212,995</u>	<u>106,495</u>
EXPENDITURES				
Current:				
Public safety	46,000	71,250	55,819	15,431
Culture and recreation	152,000	733,527	344,096	389,431
Home and community services	<u>20,000</u>	<u>20,000</u>	<u>16,766</u>	<u>3,234</u>
Total expenditures	<u>218,000</u>	<u>824,777</u>	<u>416,681</u>	<u>408,096</u>
Net change in fund balances*	(111,500)	(718,277)	(203,686)	514,591
Fund balances—beginning	<u>1,224,638</u>	<u>1,224,638</u>	<u>1,224,638</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,113,138</u>	<u>\$ 506,361</u>	<u>\$ 1,020,952</u>	<u>\$ 514,591</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, 2019, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated May 22, 2020 (which report includes an emphasis of matter paragraph regarding the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*). 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 10, 2020.

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 Town'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.

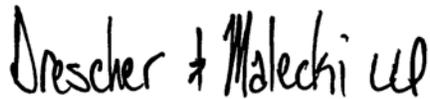
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as item 2019-001.

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.



May 22, 2020

TOWN OF LANCASTER, NEW YORK
Schedule of Findings
Year Ended December 31, 2019

We consider the deficiency presented below to be a reportable instance of noncompliance.

Finding 2019-001—Budgetary Noncompliance

Criteria—Per Town Law, Article 8, §117, “Except as authorized by law, no officer, board, department or commission shall during any fiscal year expend or contract to be expended any money or incur any liability or enter into any contract which by its terms involves the expenditure of money for any purpose, unless provision therefor shall have been made in the annual budget, and in no case in excess of the amount appropriated for such year...”

Condition and Context—We noted that there are overspent budget lines during 2019. Budgeted appropriations were overspent in total with the Fire Protection District Fund and overspent across various functions of the General Fund and the General – Town Outside Village Fund.

Cause—The Town did not adequately monitor the budget and make necessary adjustments during the year.

Effect or Potential Effect—The Town is not in compliance with Town Law. Further, the practice of overspending budgeted appropriations creates the risk of the Town not having funds available to pay vendors, potential to create or continue operating deficits within funds, and also increases the risk of misappropriation. Lack of monitoring departmental budgets increases the risk that spending could become frivolous and unnecessary.

Recommendation—We recommend obtaining Town Board approval before the legal level of budgetary control is exceeded. Therefore, we recommend that the Town Board institutes a policy where department heads must monitor their budget. When a department head realizes a line will be overspent, they should fill out a form to request a transfer from one of their budget lines that is under spent to the line that they will over spend as a result of the transaction. Only after the funds are available should the purchase be made.

View of Responsible Officials and Corrective Action Plan—The Town acknowledges the budgetary noncompliance as a deficiency for year ended December 31, 2019. Moving forward all budget lines will be monitored on a regular basis to ensure any transfers, if required, are made in a timely manner and presented to the Board for approval.

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