

**TOWN OF LANCASTER,  
NEW YORK**

*Basic Financial Statements, Required  
Supplementary Information, and Supplemental  
Information for the Year Ended December 31, 2013  
and Independent Auditors' Reports*



**TOWN OF LANCASTER, NEW YORK**  
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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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2013, 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.

***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 Supplemental Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Supplemental 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town's internal control over financial reporting and compliance.



May 30, 2014

**TOWN OF LANCASTER, NEW YORK**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

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As management of the Town of Lancaster, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2013. Certain data from the prior year has been reclassified to conform to the current year presentation. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

- ◆ The assets of the Governmental Activities of the Town exceeded its liabilities at the close of the fiscal year by \$52,670,427 (net position). This consists of \$46,202,297 net investment in capital assets, \$2,489,099 restricted for specific purposes and an unrestricted net position of \$3,979,031.
- ◆ The Town's Governmental Activities increased its net position by \$1,873,313 as a result of this year's activity.
- ◆ At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$9,242,292, a decrease of \$3,787,940 in comparison with the prior year's fund balance of \$13,030,232. The most significant factor in the decrease in fund balance was capital outlay expenditures of \$7,798,518 in the Capital Projects Fund.
- ◆ The General Fund reported a net increase in fund balance this year of \$1,339,974, which was largely the result of one-time revenue related to the sale of a building. At December 31, 2013, unassigned fund balance for the General Fund was \$1,485,321, or 19.0 percent of General Fund expenditures.
- ◆ The Town's total bonded indebtedness increased by \$345,000. During the current year, the Town made scheduled debt payments due totaling \$1,355,000 and issued bonds for \$1,700,000. Additionally, during the year ended December 31, 2013, the Town issued bond anticipation notes for \$6,390,000 to fund various capital projects and equipment purchases.

**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 of 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 and liabilities, 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and 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 and home and community services. The Town does not have any business-type activities.

The government-wide financial statements can be found on pages 12-13 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 statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The Town adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements have been provided for each major fund, except the Capital Projects Fund, to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 14-17 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 basic proprietary fund financial statements can be found on pages 18-20 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town has one fiduciary fund, the Agency Fund, which is used to account for funds held by the Town as an agent for employees' withholdings, monies due to other governments, and other miscellaneous items.

The fiduciary fund financial statement can be found on page 21 of this report.

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided on the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-46 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 budgetary comparison schedules for each major fund with a legally adopted budget and the Town's Schedule of Funding Progress – Other Postemployment Benefits Obligation. Required supplementary information can be found on pages 47-52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, the related budgetary comparison schedules for those funds, and a schedule of changes in assets and liabilities of the Agency Fund are presented in the Supplemental Information section on pages 53-60 of this report.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$52,670,427 at the close of the 2013 fiscal year, as compared to \$50,797,114 at the close of the 2012 fiscal year.

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

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Current assets	\$ 18,446,169	\$ 15,272,132
Capital assets	<u>68,284,562</u>	<u>62,073,376</u>
Total assets	<u>86,730,731</u>	<u>77,345,508</u>
Current liabilities	8,477,829	1,503,769
Long-term liabilities	<u>25,582,475</u>	<u>25,044,625</u>
Total liabilities	<u>34,060,304</u>	<u>26,548,394</u>
Net position:		
Net investment in capital assets	46,202,297	46,460,130
Restricted	2,489,099	1,202,418
Unrestricted	<u>3,979,031</u>	<u>3,134,566</u>
Total net position	<u>\$ 52,670,427</u>	<u>\$ 50,797,114</u>

The largest portion of the Town's net position (87.7 percent) reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, 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 needed 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, \$2,489,099, represents resources that are subject to external restrictions on how they may be used. The remaining component of the Town's net position, \$3,979,031, represents an unrestricted net position and may be used to meet the Town's ongoing obligations to its citizens and creditors.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2013 and 2012:

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

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Program revenues:		
Charges for services	\$ 2,310,760	\$ 2,044,934
Operating grants and contributions	128,719	141,626
Capital grants and contributions	48,084	270,001
General revenues	<u>29,671,927</u>	<u>28,336,947</u>
Total revenues	<u>32,159,490</u>	<u>30,793,508</u>
Program expenses	<u>30,286,177</u>	<u>29,379,854</u>
Change in net position	1,873,313	1,413,654
Net position—beginning	<u>50,797,114</u>	<u>49,383,460</u>
Net position—ending	<u>\$ 52,670,427</u>	<u>\$ 50,797,114</u>

Total revenues for the year ended December 31, 2013 increased 4.4 percent, due primarily to a \$1,289,030 spike in miscellaneous revenues related to donated infrastructure assets placed in service by developers and an increase of \$265,826 in transportation charges for services. Overall expenses increased by 3.1 percent from the year ended December 31, 2012, primarily due to increases in general government support, transportation and public safety of \$431,197, \$403,557 and \$369,038, respectively.

A summary of sources of revenues for the years ended December 31, 2013 and 2012 is presented below in Table 3:

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

	<b>Year Ended December 31,</b>		<b>Increase/(decrease)</b>	
	<b>2013</b>	<b>2012</b>	<b>Dollars</b>	<b>Percent</b>
Charges for services	\$ 2,310,760	\$ 2,044,934	\$ 265,826	13.0
Operating grants and contributions	128,719	141,626	(12,907)	(9.1)
Capital grants and contributions	48,084	270,001	(221,917)	(82.2)
Property and other tax items	21,528,820	21,670,980	(142,160)	(0.7)
Non-property taxes	4,474,652	4,362,565	112,087	2.6
Mortgage tax	961,096	864,346	96,750	11.2
Use of money and property	177,709	198,436	(20,727)	(10.4)
Miscellaneous	2,407,755	1,118,725	1,289,030	115.2
Unrestricted state aid	121,895	121,895	-	-
Total revenues	<u>\$ 32,159,490</u>	<u>\$ 30,793,508</u>	<u>\$ 1,365,982</u>	4.4

As presented in Table 3, the Town's most significant source of revenues is property and other tax items, which accounts for \$21,528,820, or 66.1 percent of total revenues, for the year ended December 31, 2013. The next largest source of revenue for the year ended December 31, 2013 was non-property taxes of \$4,474,652, or 13.9 percent of total revenues.

For the year ended December 31, 2012, the Town's most significant source of revenues is property and other tax items, which accounts for \$21,670,980, or 70.4 percent of total revenues. The next largest source of revenue for the year ended December 31, 2012 was non-property taxes of \$4,362,565, or 14.2 percent of total revenues.

A summary of program expenses for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 4:

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

	<u>Year ended December 31,</u>		<u>Increase/(decrease)</u>	
	<u>2013</u>	<u>2012</u>	<u>Dollars</u>	<u>Percent</u>
General government support	\$ 4,390,265	\$ 3,959,068	\$ 431,197	10.9
Public safety	13,675,544	13,306,506	369,038	2.8
Health	124,032	117,668	6,364	5.4
Transportation	4,836,021	4,432,464	403,557	9.1
Culture and recreation	2,612,595	2,839,917	(227,322)	(8.0)
Home and community services	4,043,078	4,421,915	(378,837)	(8.6)
Interest	604,642	302,316	302,326	100.0
Total program expenses	<u>\$ 30,286,177</u>	<u>\$ 29,379,854</u>	<u>\$ 906,323</u>	3.1

As presented in Table 4, the Town's significant expense items for the year ended December 31, 2013 were public safety (primarily police and fire services) of \$13,675,544, or 45.2 percent of total expenses; transportation of \$4,836,021, or 16.0 percent of total expenses; general government support of \$4,390,265, or 14.5 percent of total expenses; and, home and community services of \$4,043,078, or 13.3 percent of total expenses.

For the year ended December 31, 2012, significant expense items were public safety (primarily police and fire services) of \$13,306,506, or 45.3 percent of total expenses; transportation of \$4,432,464, or 15.1 percent of total expenses; home and community services of \$4,421,915, or 15.1 percent of total expenses; and, general government support of \$3,959,068, or 13.5 percent of total expenses.

## Financial Analysis of the Town's Funds

**Governmental funds.** The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to the special revenue funds* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year 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's Board.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$9,242,292, a decrease of \$3,787,940 from prior year's combined fund balance of \$13,030,232. Approximately 49.3 percent (\$4,560,246) 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 not available for new spending because it has already been committed to fund prepaid retirement, to pay for future capital projects and debt service, or for next year's expenditures.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$1,485,321, while total fund balance was \$3,636,676. The General Fund fund balance increased \$1,339,974 from the prior year, which resulted largely from a one-time sale of a Town building. 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 General Fund expenditures and transfers out. *Unassigned fund balance* represents approximately 17.3 percent of total General Fund expenditures and transfers out, while total fund balance represents 42.3 percent of that same amount.

The Town's Police Fund ending fund balance was \$2,507,178. Approximately 66.0 percent (\$1,654,460) of this amount is *fund balance assigned to specific use*. The Police Fund fund balance decreased by \$37,381 during 2013.

The Town's Highway Fund – Town Outside Village ending fund balance was \$1,464,511. Approximately 76.1 percent (\$1,113,995) of this amount is *fund balance assigned to specific use*. The Highway Fund – Town Outside Village fund balance increased by \$398,033 during 2013.

The Town's Fire Protection District Fund ending fund balance was \$206,247. Approximately 83.0 percent (\$171,247) of this amount is *fund balance assigned to specific use*. The Fire Protection District Fund fund balance increased by \$59,766 during 2013.

The Town's Refuse District Fund ending fund balance was \$672,339. Approximately 77.7 percent (\$522,339) of this amount is *fund balance assigned to specific use*. The Refuse District Fund fund balance increased by \$240,893 during 2013.

The Town's Capital Project Fund ending fund balance deficit was \$1,578,990. The decrease of \$6,118,400 during 2013 was the result ongoing capital outlay expenditures.

## Budgetary Highlights

The Town adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison schedules for the General Fund and the major funds, except the Capital Projects Fund, have been provided within the Required Supplementary Information section of this report to demonstrate compliance with their budgets. Additionally, budgetary comparison schedules for the Town's nonmajor funds have been provided as supplemental information.

A summary of the General Fund results of operations for the year ended December 31, 2013 is presented in Table 5 below:

**Table 5 – Summary of General Fund Results of Operations**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues and other financing sources	\$ 8,414,697	\$ 8,436,301	\$ 9,930,136	\$ 1,493,835
Expenditures and other financing uses	<u>8,802,276</u>	<u>8,948,879</u>	<u>8,590,162</u>	<u>358,717</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (387,579)</u>	<u>\$ (512,578)</u>	<u>\$ 1,339,974</u>	<u>\$ 1,852,552</u>

**Original budget compared to final budget.** At the close of the fiscal year, the overall budgeted appropriations increased by \$146,603. Significant transfers and amendments to the budget included \$209,050 supplemental appropriations for general government support related to unanticipated expenditures for legal services and other judgments and claims expenses, as well as unforeseen engineering services related to the influx of capital project activity. These budgetary increases were supported by an unexpected reduction in the employee benefits costs and by unanticipated revenues.

**Final budget compared to actual results.** Total revenues and other financing sources exceeded the final budget by \$1,493,835. The major contributors to this positive revenue variance was the sale of property and compensation for loss from the sale of a Town building that was not included in the budget and State aid from the receipt of mortgage tax in excess of expectations. Total expenditures and other financing uses were less than the final budget by \$358,718. The most significant contributors were general government support and home and community services, which had budgetary savings of \$109,230 and \$105,281, respectively.

## Capital Asset and Debt Administration

**Capital assets.** The Town's investment in capital assets for its governmental activities as of December 31, 2013, amounted to \$68,284,562 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment.

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 governmental activities at the years ended December 31, 2013 and 2012 are presented on the following page.

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

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Land	\$ 1,320,831	\$ 1,320,831
Construction in progress	10,777,665	3,925,894
Land improvements	1,402,250	1,468,838
Infrastructure	44,138,660	43,417,777
Buildings and improvements	8,679,752	10,336,698
Machinery and equipment	1,965,404	1,603,338
Total	<u>\$ 68,284,562</u>	<u>\$ 62,073,376</u>

The Town's infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial statements. The Town has elected to depreciate their infrastructure assets.

Significant changes to capital assets for 2013 are in construction in progress, which includes ongoing projects relating to construction of water lines, roads and the police/court building. Additional information on the Town's capital assets can be found in Note 4 of this report.

**Debt.** At December 31, 2013, the Town had total long-term debt outstanding of \$25,582,475 as compared to \$25,044,625 in the prior year. New York State statutes limit the amount of general obligation debt a governmental entity may issue up to 7% of its five year valuation. The current debt-limitation for the Town is in excess of the Town's outstanding general obligation debt.

The Town has a bond rating from Moody's Investor Service of Aa3. Additional information on the Town's long-term debt can be found in Note 11 of this report.

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

The unemployment rate for the Town in December 2013 was 5.6%, which is a decrease from a rate of 6.8% a year ago. This compares favorably to New York State's average unemployment rate of 6.6 and the national average rate of 6.7 percent in December 2013.

The Town's 2014 budget includes the appropriation of \$340,000 of fund balance in the General Fund. The General Fund tax rate is \$2.36 per thousand for the 2014 budget year.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Supervisor's Office, Town of Lancaster, 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, 2013**

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	<u>Primary Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,494,815
Restricted cash and cash equivalents	8,042,559
Receivables	333,751
Deposits	17,401
Intergovernmental receivables	1,895,745
Prepaid items	661,898
Capital assets not being depreciated	12,098,496
Capital assets, net of accumulated depreciation	<u>56,186,066</u>
Total assets	<u>86,730,731</u>
<b>LIABILITIES</b>	
Accounts payable	1,616,309
Accrued liabilities	471,520
Bond anticipation notes payable	6,390,000
Noncurrent liabilities:	
Due within one year	1,798,951
Due in more than one year	<u>23,783,524</u>
Total liabilities	<u>34,060,304</u>
<b>NET POSITION</b>	
Net investment in capital assets	46,202,297
Restricted for:	
Capital purposes	200,000
Debt service	2,289,099
Unrestricted	<u>3,979,031</u>
Total net position	<u>\$ 52,670,427</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, 2013**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary</u> <u>Governmental</u> <u>Activities</u>
<b>Primary government:</b>					
Governmental activities:					
General government support	\$ 4,390,265	\$ 434,362	\$ -	\$ -	\$ (3,955,903)
Public safety	13,675,544	1,404,180	29,140	-	(12,242,224)
Health	124,032	-	-	-	(124,032)
Transportation	4,836,021	303,817	79,519	-	(4,452,685)
Culture and recreation	2,612,595	97,221	20,060	48,084	(2,447,230)
Home and community services	4,043,078	71,180	-	-	(3,971,898)
Interest	604,642	-	-	-	(604,642)
Total primary government	<u>\$30,286,177</u>	<u>\$ 2,310,760</u>	<u>\$ 128,719</u>	<u>\$ 48,084</u>	<u>(27,798,614)</u>
General revenues:					
					21,528,820
					4,474,652
					961,096
					177,709
					2,407,755
					121,895
					<u>29,671,927</u>
					1,873,313
					<u>50,797,114</u>
					<u>\$52,670,427</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, 2013**

	Special Revenue						Total Nonmajor Funds	Total Governmental Funds
	General Fund	Police Fund	Highway Fund - Town Outside Village	Fire Protection District Fund	Refuse District Fund	Capital Projects Fund		
<b>ASSETS</b>								
Cash and cash equivalents	\$2,058,418	\$ 710,675	\$1,091,746	\$ 235,431	\$ 835,321	\$ -	\$1,559,768	\$ 6,491,359
Restricted cash and cash equivalents	1,633,102	-	58,222	-	-	5,753,460	597,775	8,042,559
Receivables	42,311	11,789	69,171	-	1,739	-	208,741	333,751
Due from other funds	232	452	-	-	-	-	-	684
Intergovernmental receivables	31,422	1,547,914	316,310	-	-	-	99	1,895,745
Deposits	17,401	-	-	-	-	-	-	17,401
Prepaid items	128,379	427,718	92,294	-	-	-	13,507	661,898
Total assets	<u>\$3,911,265</u>	<u>\$2,698,548</u>	<u>\$1,627,743</u>	<u>\$ 235,431</u>	<u>\$ 837,060</u>	<u>\$ 5,753,460</u>	<u>\$2,379,890</u>	<u>\$17,443,397</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 207,832	\$ 75,498	\$ 105,837	\$ 29,184	\$ 164,721	\$ 942,218	\$ 37,724	\$ 1,563,014
Accrued liabilities	66,305	115,872	57,395	-	-	-	7,835	247,407
Due to other funds	452	-	-	-	-	232	-	684
Bond anticipation notes payable	-	-	-	-	-	6,390,000	-	6,390,000
Total liabilities	<u>274,589</u>	<u>191,370</u>	<u>163,232</u>	<u>29,184</u>	<u>164,721</u>	<u>7,332,450</u>	<u>45,559</u>	<u>8,201,105</u>
<b>FUND BALANCES (DEFICIT)</b>								
Nonspendable	128,379	427,718	92,294	-	-	-	13,507	661,898
Restricted:								
Capital projects	-	-	-	-	-	200,000	-	200,000
Debt service	1,633,102	-	58,222	-	-	-	597,775	2,289,099
Assigned:								
Subsequent year's expenditures	340,000	425,000	200,000	35,000	150,000	-	292,440	1,442,440
Encumbrances	49,874	-	-	-	-	-	38,735	88,609
Specific use	-	1,654,460	1,113,995	171,247	522,339	-	1,391,874	4,853,915
Unassigned	1,485,321	-	-	-	-	(1,778,990)	-	(293,669)
Total fund balances (deficit)	<u>3,636,676</u>	<u>2,507,178</u>	<u>1,464,511</u>	<u>206,247</u>	<u>672,339</u>	<u>(1,578,990)</u>	<u>2,334,331</u>	<u>9,242,292</u>
Total liabilities and fund balances (deficit)	<u>\$3,911,265</u>	<u>\$2,698,548</u>	<u>\$1,627,743</u>	<u>\$ 235,431</u>	<u>\$ 837,060</u>	<u>\$ 5,753,460</u>	<u>\$2,379,890</u>	<u>\$17,443,397</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Reconciliation of the Balance Sheet of Governmental**  
**Funds to the Statement of Net Position**  
**December 31, 2013**

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Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficit)—governmental funds (page 14)		\$ 9,242,292
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$99,706,916 and the accumulated depreciation is \$31,422,354.		68,284,562
To recognize interest accrual on long term debt, which, for fund reporting purposes, is not recognized as a liability until due.		(46,772)
To recognize long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds, as follows:		
Serial bonds	\$ (19,045,000)	
Premium on serial bonds	(935,830)	
Installment purchase debt	(311,445)	
Due to other governments	(11,000)	
Compensated absences	(2,601,572)	
Other postemployment benefits	<u>(2,677,628)</u>	(25,582,475)
Internal Service Fund fund balance which is due to governmental activities and related charges for services provided.		<u>772,820</u>
Net position of governmental activities		<u>\$ 52,670,427</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, 2013**

	<b>Special Revenue</b>					<b>Capital Projects Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Police Fund</b>	<b>Highway Fund - Town Outside Village</b>	<b>Fire Protection District Fund</b>	<b>Refuse District Fund</b>			
<b>REVENUES</b>								
Real property taxes	\$6,293,097	\$4,231,876	\$3,026,960	\$3,752,734	\$2,223,468	\$ -	\$ 1,080,963	\$ 20,609,098
Other property tax items	435,381	257,133	207,661	-	-	-	19,547	919,722
Non-property tax items	-	3,420,841	706,832	-	-	-	346,979	4,474,652
Departmental income	226,521	5,758	-	-	52,192	-	39,988	324,459
Intergovernmental charges	49,779	1,056,181	106,903	-	-	-	27,795	1,240,658
Use of money and property	45,790	6,707	4,166	57,033	3,032	-	59,651	176,379
Sale of property and compensation for loss	1,280,340	42,385	196,914	-	-	-	-	1,519,639
Licenses and permits	82,090	-	-	-	-	-	154,046	236,136
Fines and forfeitures	231,103	28,765	-	-	-	-	-	259,868
Miscellaneous	92,417	13,676	6,659	-	-	201,038	455,045	768,835
State aid	981,156	10,959	79,519	-	-	48,084	121,895	1,241,613
Federal aid	-	18,181	-	-	-	-	-	18,181
Total revenues	<u>9,717,674</u>	<u>9,092,462</u>	<u>4,335,614</u>	<u>3,809,767</u>	<u>2,278,692</u>	<u>249,122</u>	<u>2,305,909</u>	<u>31,789,240</u>
<b>EXPENDITURES</b>								
Current:								
General government support	3,067,759	11,815	8,313	12,600	891	-	2,549	3,103,927
Public safety	121,111	5,840,154	-	3,737,401	-	-	389,189	10,087,855
Health	90,017	-	-	-	-	-	3,089	93,106
Transportation	135,095	-	2,488,025	-	-	-	276,682	2,899,802
Culture and recreation	1,825,928	-	-	-	-	-	25,475	1,851,403
Home and community services	415,283	-	-	-	2,036,908	-	335,198	2,787,389
Employee benefits	1,096,387	2,451,327	779,039	-	-	-	183,599	4,510,352
Debt service:								
Principal	712,000	-	271,515	-	-	-	491,000	1,474,515
Interest	343,373	-	44,920	-	-	-	279,936	668,229
Capital outlay	-	-	-	-	-	7,798,518	-	7,798,518
Total expenditures	<u>7,806,953</u>	<u>8,303,296</u>	<u>3,591,812</u>	<u>3,750,001</u>	<u>2,037,799</u>	<u>7,798,518</u>	<u>1,986,717</u>	<u>35,275,096</u>
Excess (deficiency) of revenues over expenditures	<u>1,910,721</u>	<u>789,166</u>	<u>743,802</u>	<u>59,766</u>	<u>240,893</u>	<u>(7,549,396)</u>	<u>319,192</u>	<u>(3,485,856)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	212,462	260,000	6,318	-	-	-	170,224	649,004
Transfers out	(783,209)	(1,086,547)	(352,087)	-	-	(269,004)	(160,241)	(2,651,088)
Proceeds on serial bond issuance	-	-	-	-	-	1,700,000	-	1,700,000
Total other financing sources (uses)	<u>(570,747)</u>	<u>(826,547)</u>	<u>(345,769)</u>	<u>-</u>	<u>-</u>	<u>1,430,996</u>	<u>9,983</u>	<u>(302,084)</u>
Net change in fund balances	<u>1,339,974</u>	<u>(37,381)</u>	<u>398,033</u>	<u>59,766</u>	<u>240,893</u>	<u>(6,118,400)</u>	<u>329,175</u>	<u>(3,787,940)</u>
Fund balances—beginning	<u>2,296,702</u>	<u>2,544,559</u>	<u>1,066,478</u>	<u>146,481</u>	<u>431,446</u>	<u>4,539,410</u>	<u>2,005,156</u>	<u>13,030,232</u>
Fund balances (deficit)—ending	<u>\$3,636,676</u>	<u>\$2,507,178</u>	<u>\$1,464,511</u>	<u>\$ 206,247</u>	<u>\$ 672,339</u>	<u>\$(1,578,990)</u>	<u>\$2,334,331</u>	<u>\$ 9,242,292</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 of Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2013**

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

Net change in fund balances—total governmental funds (page 16) \$ (3,787,940)

Governmental funds report asset 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. In addition, in the statement of activities, losses on disposal are reported. The net effect of these differences in the treatment of capital assets and related items is as follows:

Capital asset additions	\$ 9,299,040	
Depreciation expense	(1,659,061)	
Capital asset disposals/sales	<u>(1,428,793)</u>	6,211,186

The governmental funds report the repayment of long-term debt as an expenditure and the issuance long-term debt as an other financing source (revenue). Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Issuance of serial bonds	\$ (1,700,000)	
Principal payments of serial bonds	1,355,000	
Amortization of premiums on serial bonds	74,866	
Net activity of installment purchase debt	108,515	
Net activity of amount due to other governments	11,000	
Net change in accrued interest on bonds	<u>(11,279)</u>	(161,898)

In the statement of activities, certain operating expenses—other postemployment benefits obligation and compensated absences (vacation and sick leave)—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).

Net change in postemployment benefits	\$ (339,944)	
Net change in compensated absences	<u>(47,287)</u>	(387,231)

Internal service funds are used by management to charge the cost of insurance, judgements, claims and related administrative expenses to individual funds. The net excess of charges for such services is reported within governmental activities. (804)

Change in net position of governmental activities \$ 1,873,313

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, 2013**

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	<u><b>Governmental Activities</b></u>
	<u><b>Internal Service Fund</b></u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$1,003,456
Total current assets	<u>1,003,456</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	53,295
Accrued liabilities	<u>177,341</u>
Total current liabilities	<u>230,636</u>
<b>NET POSITION</b>	
Restricted for claims	<u>772,820</u>
Total net position	<u><u>\$ 772,820</u></u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenses and Changes in Net Position—**  
**Proprietary Fund**  
**Year Ended December 31, 2013**

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	<u><b>Governmental Activities</b></u>
	<u><b>Internal Service Fund</b></u>
Operating revenues:	
Charges for services	\$2,002,084
Total operating revenues	<u>2,002,084</u>
Operating expenses:	
Administrative fees	96,251
Claims expenses	1,656,025
Excess insurance	<u>266,955</u>
Total operating expenses	<u>2,019,231</u>
Operating loss	<u>(17,147)</u>
Nonoperating revenues:	
Health reimbursements	15,013
Interest income	<u>1,330</u>
Total nonoperating revenues	<u>16,343</u>
Change in net position	(804)
Net position—beginning	<u>773,624</u>
Net position—ending	<u>\$ 772,820</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, 2013**

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	<u><b>Governmental Activities</b></u>
	<u><b>Internal Service Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from participating funds	\$2,002,084
Payments for claims	(1,601,068)
Payments for administration and insurance	<u>(363,206)</u>
Net cash provided by operating activities	<u>37,810</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Health reimbursements	15,013
Interest earnings	<u>1,330</u>
Net cash provided by investing activities	<u>16,343</u>
Net increase in cash and cash equivalents	54,153
Cash and cash equivalents—beginning	<u>949,303</u>
Cash and cash equivalents—ending	<u><u>\$1,003,456</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (17,147)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase in accounts payable	32,490
Increase in accrued liabilities	<u>22,467</u>
Net cash provided by operating activities	<u><u>\$ 37,810</u></u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Net Position—Agency Fund**  
**December 31, 2013**

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	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash	\$ 313,760
Service awards	<u>3,204,865</u>
Total assets	<u>\$ 3,518,625</u>
<b>LIABILITIES</b>	
Agency liabilities	\$ 313,760
Service awards	<u>3,204,865</u>
Total liabilities	<u>\$ 3,518,625</u>

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

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**TOWN OF LANCASTER, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 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 (“GAAP”) 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 normally are 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 certain legally separate component units for which the primary government is financially accountable. The Town reports no component units.

***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 Lancaster and Depew. Public education is provided by the 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.

All governmental activities and functions performed for the Town are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

Considered for inclusion in the reporting entity is the following organization:

***Town of Lancaster Industrial Development Agency.*** The appointment of the Governing Board and the scope of public service are not considered an adequate demonstration of oversight and control. The Town has no authority to approve the Agency's budget nor does it have any responsibility for the debt, financing deficits or fiscal management of the Town of Lancaster Industrial Development Agency. Additionally, the Town does not influence the operation of the Industrial Development Agency in any respect.

***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, an internal service fund and a fiduciary fund, even though the fiduciary fund is excluded from 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 where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental 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 is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- *Police Fund*—This fund records all revenues and expenditures related to police activities.
- *Highway Fund – Town Outside Village*—This fund is used to record revenues and expenditures related to road maintenance and construction outside village boundaries.
- *Fire Protection District Fund*—This fund is used to record all revenues and expenditures related to fire protection district activities.
- *Refuse District Fund*—This fund is used to record all revenues and expenditures related to garbage pick-up and recycling activities.
- *Capital Projects Fund*—This fund is used to record financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Additionally, the Town reports the following fund types:

*Proprietary Fund*—The *Internal Service Fund* is used to account for the activity of the Town's self-insured health plan.

*Fiduciary Fund*—The *Agency Fund* is used to account for employee payroll tax withholdings and for other money (and/or property) received and held in the capacity of trustee, custodian or agent.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) 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 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, 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, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the

availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

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

### ***Budgetary Information***

***Budgetary Basis of Accounting***—Annual budgets for all governmental funds, except the Capital Projects Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The Capital Projects Fund appropriations are not included in the Town's annual budget. Instead, appropriations are approved through a 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 the budgeted funds lapse at the end of the fiscal year even if they have related 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 expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

***Encumbrances***—The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. There are no encumbrances outstanding that are considered to be significant at December 31, 2013. The Town had outstanding encumbrances totaling \$88,609 at December 31, 2013.

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

***Cash, Cash Equivalents, and Investments***—The Town's cash, cash equivalents and investments are considered to be cash on hand, demand deposits, time deposits and short-term investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. The Town had no investments at December 31, 2013; however, it is the Town's policy to state investments at fair value, when applicable.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represents restricted fund balance. Unspent debt proceeds and other funds that are legally restricted as to their use are reported as restricted cash and cash equivalents.

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

**Capital Assets**—Capital assets, which include property, buildings, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the governmental activities column 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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are incurred. Expenditures reported in the Capital Project Fund are classified as capital outlays. Routine capital expenditures in other funds are included in the appropriate functional category (i.e. purchase of new highway equipment as part of current expenditures—transportation). Additionally, the amount reported as capital outlays in the Capital Projects Fund includes certain non-capitalized costs (i.e. furnishings below the capitalization threshold).

Land and construction in progress are not depreciated. Other property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25
Buildings and improvements	15-75
Machinery and equipment	3-25
Infrastructure	20-100

**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, 2013, the Town does not have any items that qualify for reporting in this category.

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, 2013, the Town does not have any items that qualify for reporting in this category.

**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 authorized the Supervisor to assign fund balance. The Town Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

***Program Revenues***—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***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 costs. Operating expenses for the Internal Service Fund include cost of health claims from providers, excess insurance coverage and administrative costs of third party provider of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

**Compensated Absences**—The Town labor agreements and Town Board rules and regulations provide for sick leave, vacations and miscellaneous other paid absences. Upon retirement, certain eligible employees qualify for paid health insurance and/or payment of fractional values of unused sick leave. These payments are budgeted annually without accrual. At December 31, 2013, the compensated absences liability totaled \$2,601,572 and is reported in the government-wide financial statements.

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

**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 7.

**Insurance**—The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Town purchases commercial insurance to cover such potential risks.

#### **Other**

**Estimates**—The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, and liabilities 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, 2013, the Town implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of GASB Statements No. 54, *Fund Balance*

*Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and No. 66 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. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; No. 69, *Government Combinations and Disposals of Government Operations*; and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are implemented.

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

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

- Prior to September 30, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1. 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.
- Formal annual budgetary accounts are employed as a management control device for the General and Special Revenue Funds.
- 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.
- Annual budgets for governmental funds, except the Capital Projects Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A form of encumbrance accounting is employed as an extension of budgetary control in all governmental funds, under which certain contracts and other commitments outstanding at year-end for the expenditure of monies (encumbrances) are recorded as an assignment of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. On January 1<sup>st</sup>, encumbrance assignments outstanding at year-end are reappropriated to the ensuing year's original budget.
- The Capital Projects Fund appropriations are not included in the Town's annual budget. Instead appropriations are approved through a Town Board resolution at the project's inception and lapse upon termination of the project.

- Total expenditures for each object classification within a department may not legally exceed the total appropriations for that object classification.

**Deficit Fund Balances**—The Capital Projects Fund has a deficit fund balance at December 31, 2013. This deficit will be remedied by future tax revenues, anticipated grants and proceeds from future bond issuances.

## 2. 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 the 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.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Total cash and cash equivalents reported by the Town at December 31, 2013, is as follows:

Governmental Funds	\$14,533,918
Proprietary Fund	1,003,456
Agency Fund	<u>313,760</u>
Total	<u>\$15,851,134</u>

Cash and cash equivalents at year-end consisted of:

Petty cash (uncollateralized)	\$ 1,900
Deposits	<u>15,849,234</u>
Total	<u>\$15,851,134</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2013 as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
FDIC insured	\$ 250,000	\$ 250,000
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>15,640,025</u>	<u>15,599,234</u>
Total	<u>\$ 15,890,025</u>	<u>\$ 15,849,234</u>

**Custodial Credit Risk**—In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of December 31, 2013, none of the Town’s deposits were exposed to custodial credit risk because all deposits were fully insured or collateralized with securities held by the pledging financial institutions 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. At December 31, 2013, the Town had no investments.

**Restricted Cash and Cash Equivalents**—The Town reports restricted cash, totaling \$8,042,559, within the General, Highway-Town Outside Village, Capital Projects, Highway-Townwide and Consolidated Water District Funds. These funds are set aside for future payments of debt service in all of the previously mentioned funds, except for the Capital Projects Fund, where the funds are restricted to use for capital construction purposes.

### 3. RECEIVABLES

Revenues accrued by the Town at December 31, 2013 consist of the following:

**A. Receivables**—Primarily represents franchise fees, various amounts due from other Town departments and other miscellaneous items. Amounts due to the Town at December 31, 2013 are presented below:

General Fund:			
Due from Town Clerk	\$	13,441	
Court Fees		18,726	
Miscellaneous		<u>10,144</u>	\$ 42,311
Police Fund:			
Insurance recoveries			11,789
Highway Fund—Town Outside Village:			
Insurance recoveries		68,848	
Miscellaneous		<u>323</u>	69,171
Refuse District Fund:			
Impact fees			1,739
Other governmental funds:			
Due from Town Clerk		34,818	
Franchise fees		<u>173,923</u>	<u>208,741</u>
Total			<u>\$ 333,751</u>

**B. *Intergovernmental Receivables***—Represents amounts due from other units of government, such as Federal, New York State, County of Erie, school districts or other local governments. Amounts due to the Town at December 31, 2013 are presented below:

General Fund:			
New York State	\$	20,060	
Erie County		1,407	
Miscellaneous		<u>9,955</u>	\$ 31,422
Police Fund:			
Due from Federal		10,048	
Erie County—Sales tax		1,279,364	
Village of Lancaster		223,586	
Lancaster CSD—SRO officer		34,352	
Miscellaneous		<u>564</u>	1,547,914
Highway Fund—Town Outside Village:			
New York State		30	
Erie County—Snow removal		54,241	
Erie County—Sales tax		<u>262,039</u>	316,310
Other governmental funds:			
Miscellaneous			<u>99</u>
Total	\$		<u><u>1,895,745</u></u>

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,320,831	\$ -	\$ -	\$ 1,320,831
Construction in progress	<u>3,925,894</u>	<u>6,851,771</u>	<u>-</u>	<u>10,777,665</u>
Total capital assets, not being depreciated	<u>5,246,725</u>	<u>6,851,771</u>	<u>-</u>	<u>12,098,496</u>
Capital assets, being depreciated:				
Land improvements	1,664,694	-	-	1,664,694
Infrastructure	67,179,088	1,870,642	-	69,049,730
Buildings and improvements	14,229,573	-	(1,673,759)	12,555,814
Machinery and equipment	<u>3,972,480</u>	<u>576,627</u>	<u>(210,925)</u>	<u>4,338,182</u>
Total capital assets, being depreciated	<u>87,045,835</u>	<u>2,447,269</u>	<u>(1,884,684)</u>	<u>87,608,420</u>
Less accumulated depreciation for:				
Land improvements	(195,856)	(66,588)	-	(262,444)
Infrastructure	(23,761,311)	(1,149,759)	-	(24,911,070)
Buildings and improvements	(3,892,875)	(228,153)	244,966	(3,876,062)
Machinery and equipment	<u>(2,369,142)</u>	<u>(214,561)</u>	<u>210,925</u>	<u>(2,372,778)</u>
Total accumulated depreciation	<u>(30,219,184)</u>	<u>(1,659,061)</u>	<u>455,891</u>	<u>(31,422,354)</u>
Total capital assets being depreciated, net	<u>56,826,651</u>	<u>788,208</u>	<u>(1,428,793)</u>	<u>56,186,066</u>
Governmental activities capital assets, net	<u>\$ 62,073,376</u>	<u>\$ 7,639,979</u>	<u>\$ (1,428,793)</u>	<u>\$ 68,284,562</u>

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

Governmental activities:	
General government support	\$ 131,941
Public safety	78,071
Transportation	973,009
Culture and recreation	146,222
Home and community services	<u>329,818</u>
Total depreciation expense, governmental activities	<u>\$ 1,659,061</u>

**5. ACCRUED LIABILITIES**

Accrued liabilities reported by governmental funds at December 31, 2013 were as follows:

	General Fund	Police Fund	Highway— Town Outside Village	Other Governmental Funds	Total
Salary and employee benefits	<u>\$ 66,305</u>	<u>\$ 115,872</u>	<u>\$ 57,395</u>	<u>\$ 7,835</u>	<u>\$ 247,407</u>

**6. PENSION PLANS**

**Plan Description**—The Town participates in the New York and Local Employees’ Retirement System (“ERS”), and the New York State and Local Police and Fire Retirement System (“PFRS”) and the Public Employees’ Group Life Insurance Plan (“Systems”). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

**Funding Policy**— The Systems are noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute three percent (3%) of their annual salary until March 31, 2013, after which the contribution percentage will be based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the New York State Local Retirement Systems fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

	ERS	PFRS
2013	\$ 1,103,395	\$ 1,544,197
2012	1,001,466	1,413,217
2011	927,098	1,044,732

Legislation requires participating employers to make payments on a current basis. The Town’s contributions made to the Systems were equal to 100 percent of the contributions required for each year and has not bonded or amortized any of the excess amounts.

## 7. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

The Town’s annual other postemployment benefits (“OPEB”) cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation as of December 31, 2013:

	Year ending December 31,	
	2013	2012
Annual required contribution ("ARC")	\$ 880,031	\$ 844,061
Interest on net OPEB obligation	93,507	79,714
Adjustment to ARC	<u>(115,494)</u>	<u>(95,677)</u>
Annual OPEB cost (expense)	858,044	828,098
Contributions made	<u>(518,100)</u>	<u>(483,275)</u>
Increase in net OPEB obligation	339,944	344,823
Net OPEB obligation—beginning	<u>2,337,684</u>	<u>1,992,861</u>
Net OPEB obligation—ending	<u>\$ 2,677,628</u>	<u>\$ 2,337,684</u>

**Funding Status and Funding Progress**—As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$12,767,312.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined

regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2013	\$ 880,031	\$ 518,100	58.9%
2012	844,061	483,275	57.3%

As of December 31, 2013, the Town has had two actuarial valuations performed. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

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

In the January 1, 2011 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation date of January 1, 2011 and measurement date of December 31, 2013. The expected investment rate of return on employer’s assets is 4%, which is a change from the prior valuation and measurement date of January 1, 2008 expected investment rate of return on an employer’s assets of 4.25%. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since the Town does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer’s assets. Decrements for mortality, retirement, disability and termination are those developed in the report “*Development of Recommended Actuarial Assumptions for New York State/ SUNY GASB 45*” prepared by the Department of Civil Service’s actuarial consultants. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis, therefore the remaining amortization period at December 31, 2013 was twenty-four years.

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

### Program Description

**Participation, vesting and service credit**—Active volunteer firefighters who have reached the age of 18 and have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with 5 years of service credit or upon attaining the program’s entitlement age. The program’s entitlement age is 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. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

**Benefits**—A participant’s benefit under the program is the actuarial equivalent of \$20 per year of service credit. The number of years of service credit used to compute the benefit cannot exceed forty. Except for of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

### Fiduciary Investment and Control

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

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

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The trust agreement is dated January 1, 1992.

Authority to invest program assets is vested in Hometown Insurance/RSA Consultants, subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” rule. Investments are made in products that have a guaranteed rate of return.

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

## Program Financial Condition

### *Assets and Liabilities*

Actuarial present value of benefits earned at December 31, 2013			\$ 4,246,163
Less: Assets available for benefits			
	<u>% of total</u>		
<i>Cash and short-term investments:</i>			
Cash and money market	10.2%	\$ 327,540	
<i>Other assets:</i>			
Annuities and insurance contracts	89.8%	<u>2,877,325</u>	
Total net assets available for benefits			<u>3,204,865</u>
Total unfunded benefits			<u>\$ 1,041,298</u>

### *Receipts and Disbursements*

Plan assets, January 1, 2013			\$ 2,997,021
Changes during the year:			
Add: Plan contributions		\$ 319,150	
Investment income earned		88,604	
Insurance policies proceeds		20,873	
Whole life insurance policies premiums		(19,856)	
Term life insurance policies premiums		(6,295)	
Change in cash value of life insurance		(10,072)	
Administrative fees		(4,900)	
Less: Plan benefit withdrawals		<u>(179,660)</u>	
Net change			<u>207,844</u>
Plan net assets, December 31, 2013			<u>\$ 3,204,865</u>

### *Contributions and Administrative Fees*

The Town contributed \$324,950 to the Program during the year ended December 31, 2013. Administrative costs are paid within the fiduciary fund.

### **Funding Methodology and Actuarial Assumptions**

#### *Normal Costs*

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the unit credit cost method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits is based on an assumed rate of return on investment is 5.25%.

Mortality tables used for retirement are based on the 1994 Group Annuity Reserving Table for males.

The fair value of these program assets, which are accounted for within the Town's Agency Fund, as of December 31, 2013 is \$3,204,865.

## 9. RISK MANAGEMENT

**Risk Financing**—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 insurance for: automobile, general, professional liability and umbrella liability. For the year ended December 31, 2013, 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 \$15 million per occurrence and in aggregate.

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

In order to insure against larger than expected health care losses associated with the self-insurance plan the Town has entered into a Stop Loss Agreement with the HM Life Insurance Company of New York. This agreement includes a “specific deductible” for each covered person. This deductible per covered person is \$90,000 per year, with a lifetime deductible \$4,920,000. This will cover the individual up to a lifetime maximum specific benefit of \$5,000,000. Above this dollar amount the Town will be liable for the claim. In return the Town pays a premium for the stop loss insurance, which amounted to \$266,955 during the year ended December 31, 2013. The plan’s coverage extends to both medical and prescription claims.

The Town is liable for annual claims under \$90,000 for each individual member covered by the Town’s self-insured plan. The maximum aggregate benefit available to the Town per policy term, which is a one year period, is \$1,000,000. The Town would also be liable for claims over \$5,000,000 over the course of each covered member’s lifetime.

## 10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date.

The following is a summary of the Town’s short-term debt for the year ended December 31, 2013:

Description	Interest Rate	Maturity Date	Balance 1/1/2013	Issued	Redeemed	Balance 12/31/2013
Capital Projects Fund:						
Police court building	0.50%	7/30/2014	\$ -	\$ 3,500,000	\$ -	\$ 3,500,000
Public library improvements	0.50%	7/30/2014	-	225,000	-	225,000
Town storage building	0.50%	7/30/2014	-	865,000	-	865,000
Culverts and road stabilization	0.50%	7/30/2014	-	450,000	-	450,000
Highway construction vehicle	0.50%	7/30/2014	-	250,000	-	250,000
Highway maintenance vehicle and equipment	0.50%	7/30/2014	-	1,100,000	-	1,100,000
Total			<u>\$ -</u>	<u>\$ 6,390,000</u>	<u>\$ -</u>	<u>\$ 6,390,000</u>

## 11. LONG-TERM LIABILITIES

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

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

The Town's outstanding long-term liabilities include bonds payable, installment purchase debt, due to other governments, compensated absences and other postemployment benefits. The bonds payable of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Town's long-term debt at December 31, 2013 follows:

	Balance Outstanding 1/1/2013	Additions	Deletions	Balance Outstanding 12/31/2013	Current Portion
Serial bonds	\$ 18,700,000	\$ 1,700,000	\$ (1,355,000)	\$ 19,045,000	\$ 1,475,000
Premium on serial bonds	1,010,696	-	(74,866)	935,830	74,866
Net serial bonds payable	19,710,696	1,700,000	(1,429,866)	19,980,830	1,549,866
Installment purchase debt	419,960	-	(108,515)	311,445	108,006
Due to other governments	22,000	-	(11,000)	11,000	11,000
Compensated absences	2,554,285	77,229	(29,942)	2,601,572	130,079
OPEB obligation	2,337,684	1,197,988	(858,044)	2,677,628	-
Total	<u>\$ 25,044,625</u>	<u>\$ 2,975,217</u>	<u>\$ (2,437,367)</u>	<u>\$ 25,582,475</u>	<u>\$ 1,798,951</u>

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

On October 16, 2013, the Town issued \$1,700,000 of general obligation bonds for the construction of an indoor training facility. Principal payments begin on October 15, 2014 and mature in 2028. These bonds bear an interest rate ranging between 3.0% and 5.0%.

A schedule of the Town's serial bonds is presented below:

Description	Year of of Issue/ Maturity	Interest Rate (%)	Principal Outstanding 1/1/2013	Additions	Payments	Principal Outstanding 12/31/2013
<b>General Fund:</b>						
Westwood Park	1994/2014	5.6-5.9	\$ 250,000	\$ -	\$ (125,000)	\$ 125,000
Walden Ave. building/land acquisition	2005/2024	3.5-4.0	1,195,000	-	(90,000)	1,105,000
Town Hall addition	2012/2026	2.0-5.0	1,770,000	-	(102,000)	1,668,000
Police/Court building	2012/2026	2.0-5.0	6,325,000	-	(362,000)	5,963,000
OEM Building HVAC System	2012/2015	2.0-3.0	110,000	-	(33,000)	77,000
Indoor training facility	2013/2028	3.0-5.0	-	1,700,000	-	1,700,000
Total General Fund			<u>9,650,000</u>	<u>1,700,000</u>	<u>(712,000)</u>	<u>10,638,000</u>
<b>Highway Fund- Townwide:</b>						
Bridge recon. (1/1/04)	2005/2015	3.5-3.8	65,000	-	(20,000)	45,000
Culverts/bridges	2012/2026	2.0-5.0	1,300,000	-	(75,000)	1,225,000
Total Highway Fund- Townwide			<u>1,365,000</u>	<u>-</u>	<u>(95,000)</u>	<u>1,270,000</u>
<b>Highway Fund- Town Outside Village:</b>						
Highway equipment	2005/2013	3.5-3.8	15,000	-	(15,000)	-
Highway equipment	2012/2023	2.0-5.0	520,000	-	(38,000)	482,000
Siebert Road improvements	2012/2013	2.0	20,000	-	(20,000)	-
Steinfeldt Road improvements	2012/2014	2.0-3.0	45,000	-	(30,000)	15,000
Glendale/Parkdale Road reconstruction	2012/2023	2.0-5.0	495,000	-	(50,000)	445,000
Highway truck dump bodies	2012/2015	2.0-3.0	15,000	-	(10,000)	5,000
Total Highway Fund- Town Outside Village			<u>1,110,000</u>	<u>-</u>	<u>(163,000)</u>	<u>947,000</u>
<b>Special Districts- Consolidated Water District:</b>						
Transit Road water improvements	2012/2026	2.0-5.0	485,000	-	(28,000)	457,000
Townwide water improvements	2012/2026	2.0-5.0	5,190,000	-	(297,000)	4,893,000
Schwartz Road waterline improvements	2012/2026	2.0-5.0	900,000	-	(60,000)	840,000
Total Consolidated Water District			<u>6,575,000</u>	<u>-</u>	<u>(385,000)</u>	<u>6,190,000</u>
Total governmental activities			<u>\$ 18,700,000</u>	<u>\$ 1,700,000</u>	<u>\$ (1,355,000)</u>	<u>\$ 19,045,000</u>

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

**Installment Purchase Debt**—On July 31, 2012 the Town entered into an installment purchase contract for the acquisition of four vehicles and a gradall excavator. The installment purchase debt carries an interest rate of 1.6129% and is payable in quarterly installments, with the final payment due on July 1, 2017. The vehicles did not meet the Town’s threshold for capitalization. The capitalized assets acquired through the installment purchase contract are as follows:

	<u>Governmental Activities</u>
Assets:	
Gradall excavator	\$ 294,500
Less: accumulated depreciation	<u>(29,450)</u>
Total	<u>\$ 265,050</u>

The requirements of the installment purchase agreement are summarized below:

<u>Year ended December 31,</u>	<u>Governmental Activities</u>
2014	\$ 112,379
2015	99,721
2016	61,748
2017	<u>46,311</u>
Total minimum lease payments	320,159
Less: amount representing interest	<u>(8,714)</u>
Present value of minimum lease payments	<u>\$ 311,445</u>

**Due to Other Governments**—Represents a long-term liability, due to the Village of Lancaster, to reimburse the Village for repairs and improvements related to Central Avenue reconstruction. The amount recorded in the schedule of non-current government liabilities at December 31, 2013, for governmental activities is \$11,000.

**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 value recorded in the schedule of non-current government liabilities at December 31, 2013, for governmental activities is \$2,601,572.

**OPEB Obligation**—As explained in Note 7, the Town provides health insurance coverage for certain retirees. The Town’s annual other postemployment benefit (“OPEB”) cost is calculated based in the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated long-term OPEB liability is estimated to be \$2,677,628 as of December 31, 2013.

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

	Serial Bonds	Installment Purchase Debt	Due to Other Governments	Compensated Absences	OPEB Obligation	Total
2014	\$ 1,475,000	\$ 108,006	\$ 11,000	\$ 130,079	\$ -	\$ 1,724,085
2015	1,360,000	97,101	-	-	-	1,457,101
2016	1,340,000	60,398	-	-	-	1,400,398
2017	1,370,000	45,940	-	-	-	1,415,940
2018	1,390,000	-	-	-	-	1,390,000
2019-2023	7,520,000	-	-	-	-	7,520,000
2024-2028	4,590,000	-	-	-	-	4,590,000
2029-thereafter	-	-	-	2,471,493	2,677,628	5,149,121
	<u>\$ 19,045,000</u>	<u>\$ 311,445</u>	<u>\$ 11,000</u>	<u>\$ 2,601,572</u>	<u>\$ 2,677,628</u>	<u>\$ 24,646,645</u>

Interest requirements on serial bonds payable are as follows:

Year	Interest
2014	694,479
2015	652,275
2016	611,007
2017	569,582
2018	515,507
2019-2023	1,587,901
2024-2028	334,324
	<u>\$ 4,965,074</u>

## 12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. The Town's 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 and remaining unspent debt proceeds reduce the balance in this category. The following schedule presents a reconciliation of the Town's net investment in capital assets:

Capital assets, net of accumulated depreciation		\$ 68,284,562
Less outstanding debt issued for capital acquisition:		
Serial bonds, net of unamortized premium	\$ (19,980,830)	
Bond anticipation notes payable	(6,390,000)	
Installment purchase debt	(311,445)	
Due to other governments	<u>(11,000)</u>	(26,693,275)
Add unspent proceeds of debt issued		<u>4,611,010</u>
Net investment in capital assets		<u>\$ 46,202,297</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 and enabling legislation. At December 31, 2013, the Town reported restricted net position for capital purposes and debt service of \$200,000 and \$2,289,099, respectively.
- ◆ ***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 balances maintained by the Town at December 31, 2013 include:

- ◆ ***Prepays***—Represents amounts prepaid to the New York State and Local Retirement System.

In the fund financial statements, restricted fund balances have external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. Restrictions of the Town at December 31, 2013 include:

- ◆ ***Restricted for Capital Projects***—Represents resources and donated funds that are restricted for capital construction or acquisition of capital assets.
- ◆ ***Restricted for Debt Service***—Represents resources legally restricted for the payment of debt service. Amounts restricted for debt service within the General Fund include a mandatory debt service reserve of \$1,258,000 related to the sale of a building during the year ended December 31, 2013.

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the Town Board, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2013, the following balances were considered to be assigned:

- ◆ ***Assigned to Subsequent Year's Expenditures***—Represents funds to be used to assist in supporting the subsequent year authorized appropriations.
- ◆ ***Assigned to Encumbrances***—Represents funds accumulated for commitments related to unperformed contracts or purchase orders for goods or services. The Town assigned \$88,609 of fund balance for encumbrances at December 31, 2013.
- ◆ ***Assigned to Specific Use***—Represents remaining fund balance of the special revenue funds assigned to that fund's specific purpose.

If the Town must use funds for emergency expenditures the Town 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.

### 13. INTERFUND BALANCES AND ACTIVITY

**Interfund Receivables and Payables**—Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. Interfund receivables and payables of the Town at December 31, 2013 consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ 232	\$ 452
Police Fund	452	-
Capital Projects Fund	<u>-</u>	<u>232</u>
Total	<u>\$ 684</u>	<u>\$ 684</u>

**Interfund Transfers**—Interfund transfers are used primarily to provide funding for the Town’s self-insurance health insurance program, for capital projects and to provide for recreation and police expenditures. The Town made the following transfers during 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ 212,462	\$ 783,209
Police Fund	260,000	1,086,547
Highway Fund-Town Outside Village	6,318	352,087
Capital Projects Fund	-	269,004
Other governmental funds	<u>170,224</u>	<u>160,241</u>
Total governmental funds	649,004	2,651,088
Proprietary Fund	<u>2,002,084</u>	<u>-</u>
Total	<u>\$ 2,651,088</u>	<u>\$ 2,651,088</u>

### 14. LABOR RELATIONS

Town employees are represented by four bargaining units with the balance governed by Town Board rules and regulations. The Cayuga Club Police Benevolent Association, Lancaster Dispatcher Employee Association, CSEA Blue Collar and CSEA White Collar all have contracts which are under negotiation at December 31, 2013.

### 15. CONTINGENCIES

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

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

**Other**—The Town is also involved in litigation arising in the ordinary course of operations. The Town believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Town's financial condition or results of operations.

## **16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 30, 2014, which is the date that financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## **REQUIRED SUPPLEMENTARY INFORMATION**



**TOWN OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 6,293,097	\$6,293,097	\$6,293,097	\$ -
Other property tax items	431,000	431,000	435,381	4,381
Departmental income	193,000	193,000	226,521	33,521
Intergovernmental charges	46,500	46,500	49,779	3,279
Use of money and property	42,600	42,600	45,790	3,190
Sale of property and compensation for loss	3,000	3,000	1,280,340	1,277,340
Licenses and permits	68,500	68,500	82,090	13,590
Fines and forfeitures	182,000	182,000	231,103	49,103
Miscellaneous	65,000	86,604	92,417	5,813
State aid	770,000	770,000	981,156	211,156
Total revenues	<u>8,094,697</u>	<u>8,116,301</u>	<u>9,717,674</u>	<u>1,601,373</u>
<b>EXPENDITURES</b>				
Current:				
General government support	2,967,939	3,176,989	3,067,759	109,230
Public safety	125,777	125,837	121,111	4,726
Health	91,033	91,033	90,017	1,016
Transportation	133,630	137,184	135,095	2,089
Culture and recreation	1,888,203	1,881,226	1,825,928	55,298
Home and community services	530,335	520,564	415,283	105,281
Employee benefits	1,201,486	1,152,174	1,096,387	55,787
Debt service:				
Principal	712,000	712,000	712,000	-
Interest	343,373	343,373	343,373	-
Total expenditures	<u>7,993,776</u>	<u>8,140,380</u>	<u>7,806,953</u>	<u>333,427</u>
Excess (deficiency) of revenues over expenditures	<u>100,921</u>	<u>(24,079)</u>	<u>1,910,721</u>	<u>1,934,800</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	120,000	120,000	212,462	92,462
Transfers out	(808,500)	(808,500)	(783,209)	25,291
Total other financing sources (uses)	<u>(688,500)</u>	<u>(688,500)</u>	<u>(570,747)</u>	<u>117,753</u>
Net change in fund balances*	(587,579)	(712,579)	1,339,974	2,052,553
Fund balances—beginning	<u>2,296,702</u>	<u>2,296,702</u>	<u>2,296,702</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,709,123</u>	<u>\$1,584,123</u>	<u>\$3,636,676</u>	<u>\$ 2,052,553</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—Police Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 4,231,876	\$4,231,876	\$4,231,876	\$ -
Other property tax items	247,000	247,000	257,133	10,133
Non-property tax items	3,270,000	3,270,000	3,420,841	150,841
Departmental income	5,500	5,500	5,758	258
Intergovernmental charges	1,021,000	1,021,000	1,056,181	35,181
Use of money and property	10,000	10,000	6,707	(3,293)
Sale of property and compensation for loss	10,000	10,000	42,385	32,385
Fines and forfeitures	10,000	10,000	28,765	18,765
Miscellaneous	1,000	4,874	13,676	8,802
State aid	-	-	10,959	10,959
Federal aid	-	17,000	18,181	1,181
Total revenues	<u>8,806,376</u>	<u>8,827,250</u>	<u>9,092,462</u>	<u>265,212</u>
<b>EXPENDITURES</b>				
Current:				
General government support	36,814	36,814	11,815	24,999
Public safety	5,719,503	5,840,762	5,840,154	608
Employee benefits	<u>2,510,059</u>	<u>2,473,884</u>	<u>2,451,327</u>	<u>22,557</u>
Total expenditures	<u>8,266,376</u>	<u>8,351,460</u>	<u>8,303,296</u>	<u>48,164</u>
Excess (deficiency) of revenues over expenditures	<u>540,000</u>	<u>475,790</u>	<u>789,166</u>	<u>313,376</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	260,000	260,000	260,000	-
Transfers out	<u>(1,200,000)</u>	<u>(1,135,790)</u>	<u>(1,086,547)</u>	<u>49,243</u>
Total other financing sources (uses)	<u>(940,000)</u>	<u>(875,790)</u>	<u>(826,547)</u>	<u>49,243</u>
Net change in fund balances*	(400,000)	(400,000)	(37,381)	362,619
Fund balances—beginning	<u>2,544,559</u>	<u>2,544,559</u>	<u>2,544,559</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,144,559</u>	<u>\$2,144,559</u>	<u>\$2,507,178</u>	<u>\$ 362,619</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—Highway Fund – Town Outside Village**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 3,026,960	\$3,026,960	\$3,026,960	\$ -
Other property tax items	201,000	201,000	207,661	6,661
Non-property tax items	670,000	670,000	706,832	36,832
Intergovernmental charges	100,000	100,000	106,903	6,903
Use of money and property	5,000	5,000	4,166	(834)
Sale of property and compensation for loss	8,000	8,000	196,914	188,914
Miscellaneous	100	100	6,659	6,559
State aid	65,000	65,000	79,519	14,519
Total revenues	<u>4,076,060</u>	<u>4,076,060</u>	<u>4,335,614</u>	<u>259,554</u>
<b>EXPENDITURES</b>				
Current:				
General government support	8,314	8,314	8,313	1
Transportation	2,677,613	2,632,763	2,488,025	144,738
Employee benefits	752,419	797,269	779,039	18,230
Debt service:				
Principal	270,083	271,920	271,515	405
Interest	44,931	44,931	44,920	11
Total expenditures	<u>3,753,360</u>	<u>3,755,197</u>	<u>3,591,812</u>	<u>163,385</u>
Excess (deficiency) of revenues over expenditures	<u>322,700</u>	<u>320,863</u>	<u>743,802</u>	<u>422,939</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,837	6,318	4,481
Transfers out	<u>(392,000)</u>	<u>(392,000)</u>	<u>(352,087)</u>	<u>39,913</u>
Total other financing sources (uses)	<u>(392,000)</u>	<u>(390,163)</u>	<u>(345,769)</u>	<u>44,394</u>
Net change in fund balances*	(69,300)	(69,300)	398,033	467,333
Fund balances—beginning	<u>1,066,478</u>	<u>1,066,478</u>	<u>1,066,478</u>	<u>-</u>
Fund balances—ending	<u>\$ 997,178</u>	<u>\$ 997,178</u>	<u>\$1,464,511</u>	<u>\$ 467,333</u>

\* The net change in fund balances was included in the budget as the re-appropriation of prior year's encumbrances and the use of reserved fund balances.

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—Fire Protection District Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 3,752,734	\$3,752,734	\$3,752,734	\$ -
Use of money and property	<u>7,500</u>	<u>7,500</u>	<u>57,033</u>	<u>49,533</u>
Total revenues	<u>3,760,234</u>	<u>3,760,234</u>	<u>3,809,767</u>	<u>49,533</u>
<b>EXPENDITURES</b>				
Current:				
General government support	12,602	12,602	12,600	2
Public safety	<u>3,747,632</u>	<u>3,747,632</u>	<u>3,737,401</u>	<u>10,231</u>
Total expenditures	<u>3,760,234</u>	<u>3,760,234</u>	<u>3,750,001</u>	<u>10,233</u>
Net change in fund balances	-	-	59,766	39,300
Fund balances—beginning	<u>146,481</u>	<u>146,481</u>	<u>146,481</u>	<u>-</u>
Fund balances—ending	<u>\$ 146,481</u>	<u>\$ 146,481</u>	<u>\$ 206,247</u>	<u>\$ 39,300</u>

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—Refuse District Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 2,223,467	\$2,223,467	\$2,223,468	\$ 1
Departmental income	20,000	20,000	52,192	32,192
Use of money and property	4,000	4,000	3,032	(968)
Total revenues	<u>2,247,467</u>	<u>2,247,467</u>	<u>2,278,692</u>	<u>31,225</u>
<b>EXPENDITURES</b>				
Current:				
General government support	892	892	891	1
Home and community services	<u>2,346,575</u>	<u>2,346,575</u>	<u>2,036,908</u>	<u>309,667</u>
Total expenditures	<u>2,347,467</u>	<u>2,347,467</u>	<u>2,037,799</u>	<u>309,668</u>
Net change in fund balances*	(100,000)	(100,000)	240,893	340,893
Fund balances—beginning	<u>431,446</u>	<u>431,446</u>	<u>431,446</u>	<u>-</u>
Fund balances—ending	<u>\$ 331,446</u>	<u>\$ 331,446</u>	<u>\$ 672,339</u>	<u>\$ 340,893</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Funding Progress—Other Postemployment Benefits Obligation**  
**Year Ended December 31, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability ("AAL")</b>	<b>Unfunded AAL ("UAAL")</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
As of January 1, 2011	\$ -	\$ 12,767,312	\$ 12,767,312	-	\$ 930,394	13.72
As of January 1, 2008	-	13,891,968	13,891,968	-	705,170	19.70

# **SUPPLEMENTAL INFORMATION**



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**TOWN OF LANCASTER, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**December 31, 2013**

	<u>Special Revenue</u>					<b>Total Nonmajor Governmental Funds</b>
	<b>General Town Outside Village</b>	<b>Highway Townwide</b>	<b>Lighting District</b>	<b>Consolidated Water District</b>	<b>Miscellaneous Special Revenue</b>	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 112,767	\$ 117,427	\$ 221,812	\$ 89,590	\$1,018,172	\$1,559,768
Restricted cash and cash equivalents	-	51,582	-	546,193	-	597,775
Receivables	186,241	-	-	-	22,500	208,741
Intergovernmental receivables	-	-	-	-	99	99
Prepaid items	13,507	-	-	-	-	13,507
Total assets	<u>\$ 312,515</u>	<u>\$ 169,009</u>	<u>\$ 221,812</u>	<u>\$635,783</u>	<u>\$1,040,771</u>	<u>\$2,379,890</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 8,367	\$ -	\$ 29,357	\$ -	\$ -	\$ 37,724
Accrued liabilities	7,835	-	-	-	-	7,835
Total liabilities	<u>16,202</u>	<u>-</u>	<u>29,357</u>	<u>-</u>	<u>-</u>	<u>45,559</u>
<b>FUND BALANCES</b>						
Nonspendable	13,507	-	-	-	-	13,507
Restricted:						
Debt service	-	51,582	-	546,193	-	597,775
Assigned:						
Subsequent year's expenditures	60,000	15,000	40,000	-	177,440	292,440
Encumbrances	38,735	-	-	-	-	38,735
Specific use	184,071	102,427	152,455	89,590	863,331	1,391,874
Total fund balances	<u>296,313</u>	<u>169,009</u>	<u>192,455</u>	<u>635,783</u>	<u>1,040,771</u>	<u>2,334,331</u>
Total liabilities and fund balances	<u>\$ 312,515</u>	<u>\$ 169,009</u>	<u>\$ 221,812</u>	<u>\$635,783</u>	<u>\$1,040,771</u>	<u>\$2,379,890</u>

**TOWN OF LANCASTER, NEW YORK**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2013**

	Special Revenue					Total Nonmajor Governmental Funds
	General	Highway Townwide	Lighting District	Consolidated Water District	Miscellaneous Special Revenue	
	Town Outside Village					
<b>REVENUES</b>						
Real property taxes	\$ 163,176	\$ 135,910	\$ 234,866	\$547,011	\$ -	\$1,080,963
Other property tax items	11,280	8,267	-	-	-	19,547
Non-property tax items	346,979	-	-	-	-	346,979
Departmental income	39,988	-	-	-	-	39,988
Intergovernmental charges	23,000	-	-	4,795	-	27,795
Use of money and property	56,250	798	589	1,339	675	59,651
Licenses and permits	154,046	-	-	-	-	154,046
Miscellaneous	3,554	-	-	-	451,491	455,045
State aid	121,895	-	-	-	-	121,895
Total revenues	<u>920,168</u>	<u>144,975</u>	<u>235,455</u>	<u>553,145</u>	<u>452,166</u>	<u>2,305,909</u>
<b>EXPENDITURES</b>						
Current:						
General government support	-	80	866	1,603	-	2,549
Public safety	388,788	-	-	-	401	389,189
Health	3,089	-	-	-	-	3,089
Transportation	-	16,421	260,261	-	-	276,682
Culture and recreation	-	-	-	-	25,475	25,475
Home and community services	312,383	-	-	-	22,815	335,198
Employee benefits	183,395	204	-	-	-	183,599
Debt service:						
Principal	-	106,000	-	385,000	-	491,000
Interest	-	48,530	-	231,406	-	279,936
Total expenditures	<u>887,655</u>	<u>171,235</u>	<u>261,127</u>	<u>618,009</u>	<u>48,691</u>	<u>1,986,717</u>
Excess (deficiency) of revenues over expenditures	<u>32,513</u>	<u>(26,260)</u>	<u>(25,672)</u>	<u>(64,864)</u>	<u>403,475</u>	<u>319,192</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	170,224	-	170,224
Transfers out	(40,241)	-	-	-	(120,000)	(160,241)
Total other financing sources and uses	<u>(40,241)</u>	<u>-</u>	<u>-</u>	<u>170,224</u>	<u>(120,000)</u>	<u>9,983</u>
Net change in fund balances	(7,728)	(26,260)	(25,672)	105,360	283,475	329,175
Fund balances—beginning	<u>304,041</u>	<u>195,269</u>	<u>218,127</u>	<u>530,423</u>	<u>757,296</u>	<u>2,005,156</u>
Fund balances—ending	<u>\$ 296,313</u>	<u>\$ 169,009</u>	<u>\$ 192,455</u>	<u>\$635,783</u>	<u>\$1,040,771</u>	<u>\$2,334,331</u>

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**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 163,176	\$ 163,176	\$ 163,176	\$ -
Real property tax items	10,100	10,100	11,280	1,180
Non-property tax items	340,000	340,000	346,979	6,979
Departmental income	29,000	29,000	39,988	10,988
Intergovernmental charges	23,000	23,000	23,000	-
Use of money and property	51,000	51,000	56,250	5,250
Licenses and permits	142,000	142,000	154,046	12,046
Miscellaneous	200	3,754	3,554	(200)
State aid	<u>120,000</u>	<u>120,000</u>	<u>121,895</u>	<u>1,895</u>
Total revenues	<u>878,476</u>	<u>882,030</u>	<u>920,168</u>	<u>38,138</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	413,398	388,834	388,788	46
Health	3,200	3,200	3,089	111
Home and community services	312,037	352,787	312,383	40,404
Employee benefits	<u>174,841</u>	<u>184,120</u>	<u>183,395</u>	<u>725</u>
Total expenditures	<u>903,476</u>	<u>928,941</u>	<u>887,655</u>	<u>41,286</u>
Excess (deficiency) of revenues over expenditures	<u>(25,000)</u>	<u>(46,911)</u>	<u>32,513</u>	<u>79,424</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(50,000)</u>	<u>(43,139)</u>	<u>(40,241)</u>	<u>2,898</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(43,139)</u>	<u>(40,241)</u>	<u>2,898</u>
Net change in fund balances*	(75,000)	(90,050)	(7,728)	82,322
Fund balances—beginning	<u>304,041</u>	<u>304,041</u>	<u>304,041</u>	<u>-</u>
Fund balances—ending	<u>\$ 229,041</u>	<u>\$ 213,991</u>	<u>\$ 296,313</u>	<u>\$ 82,322</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spend down) 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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 135,910	\$ 135,910	\$ 135,910	\$ -
Other property tax items	7,550	7,550	8,267	717
Use of money and property	300	300	798	498
Total revenues	<u>143,760</u>	<u>143,760</u>	<u>144,975</u>	<u>1,215</u>
<b>EXPENDITURES</b>				
Current:				
General government support	81	81	80	1
Transportation	48,000	48,000	16,421	31,579
Employee benefits	1,148	1,148	204	944
Debt service:				
Principal	106,000	106,000	106,000	-
Interest	48,531	48,531	48,530	1
Total expenditures	<u>203,760</u>	<u>203,760</u>	<u>171,235</u>	<u>32,525</u>
Net change in fund balances*	<u>(60,000)</u>	<u>(60,000)</u>	<u>(26,260)</u>	<u>33,740</u>
Fund balances—beginning	<u>195,269</u>	<u>195,269</u>	<u>195,269</u>	<u>-</u>
Fund balances—ending	<u>\$ 135,269</u>	<u>\$ 135,269</u>	<u>\$ 169,009</u>	<u>\$ 33,740</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—Lighting District Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 234,866	\$ 234,866	\$ 234,866	\$ -
Use of money and property	<u>1,000</u>	<u>1,000</u>	<u>589</u>	<u>(411)</u>
Total revenues	<u>235,866</u>	<u>235,866</u>	<u>235,455</u>	<u>(411)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	866	866	866	-
Transportation	<u>270,000</u>	<u>270,000</u>	<u>260,261</u>	<u>9,739</u>
Total expenditures	<u>270,866</u>	<u>270,866</u>	<u>261,127</u>	<u>9,739</u>
Net change in fund balances*	(35,000)	(35,000)	(25,672)	9,328
Fund balances—beginning	<u>218,127</u>	<u>218,127</u>	<u>218,127</u>	<u>-</u>
Fund balances—ending	<u>\$ 183,127</u>	<u>\$ 183,127</u>	<u>\$ 192,455</u>	<u>\$ 9,328</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—Consolidated Water District Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 547,011	\$ 547,011	\$ 547,011	\$ -
Intergovernmental charges	4,500	4,500	4,795	295
Use of money and property	1,500	1,500	1,339	(161)
Total revenues	<u>553,011</u>	<u>553,011</u>	<u>553,145</u>	<u>134</u>
<b>EXPENDITURES</b>				
Current:				
General government support	1,604	1,604	1,603	1
Home and community services	15,000	15,000	-	15,000
Debt service:				
Principal	385,000	385,000	385,000	-
Interest	231,407	231,407	231,406	1
Total expenditures	<u>633,011</u>	<u>633,011</u>	<u>618,009</u>	<u>15,002</u>
Excess (deficiency) of revenues over expenditures	<u>(80,000)</u>	<u>(80,000)</u>	<u>(64,864)</u>	<u>15,136</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	170,224	170,224
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>170,224</u>	<u>170,224</u>
Net change in fund balances*	(80,000)	(80,000)	105,360	185,360
Fund balances—beginning	<u>530,423</u>	<u>530,423</u>	<u>530,423</u>	<u>-</u>
Fund balances—ending	<u>\$ 450,423</u>	<u>\$ 450,423</u>	<u>\$ 635,783</u>	<u>\$ 185,360</u>

\* The net change in fund balance was included in the budget 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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ 2,550	\$ 2,550	\$ 675	\$ (1,875)
Miscellaneous	90,265	114,605	451,491	336,886
Total revenues	<u>92,815</u>	<u>117,155</u>	<u>452,166</u>	<u>335,011</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	9,800	9,800	401	9,399
Culture and recreation	2,000	26,340	25,475	865
Home and community services	30,000	30,000	22,815	7,185
Total expenditures	<u>41,800</u>	<u>66,140</u>	<u>48,691</u>	<u>17,449</u>
Excess (deficiency) of revenues over expenditures	<u>51,015</u>	<u>51,015</u>	<u>403,475</u>	<u>352,460</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Net change in fund balances*	(68,985)	(68,985)	283,475	352,460
Fund balances—beginning	<u>757,296</u>	<u>757,296</u>	<u>757,296</u>	<u>-</u>
Fund balances—ending	<u>\$ 688,311</u>	<u>\$ 688,311</u>	<u>\$1,040,771</u>	<u>\$ 352,460</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Fiduciary Fund**  
**Schedule of Changes in Assets and Liabilities—Agency Fund**  
**Year Ended December 31, 2013**

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
<b>ASSETS</b>				
Cash	\$ 221,856	\$ 12,660,296	\$ (12,568,392)	\$ 313,760
Due from other funds	1,267	-	(1,267)	-
Service awards	<u>2,997,021</u>	<u>428,627</u>	<u>(220,783)</u>	<u>3,204,865</u>
Total assets	<u>\$ 3,220,144</u>	<u>\$ 13,088,923</u>	<u>\$ (12,790,442)</u>	<u>\$ 3,518,625</u>
<b>LIABILITIES</b>				
Agency liabilities	\$ 223,123	\$ 9,868,875	\$ (9,778,238)	\$ 313,760
Service awards	<u>2,997,021</u>	<u>428,627</u>	<u>(220,783)</u>	<u>3,204,865</u>
Total liabilities	<u>\$ 3,220,144</u>	<u>\$ 10,297,502</u>	<u>\$ (9,999,021)</u>	<u>\$ 3,518,625</u>

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Certified Public Accountants

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

Honorable Town Board  
Town of Lancaster, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 30, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying Schedule of Findings as item 2013-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

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

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

## **Purpose of this Report**

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



May 30, 2014

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Findings**  
**Year Ended December 31, 2013**

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

**Finding 2013-001—Information Technology Controls**

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

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

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

Effect or Potential Effect—The absence of a formal written information security policy prevents the Town from holding employees accountable should they use their computers for personal business or accessing inappropriate websites. In addition, not having a formal written policy regarding financial data increases the risk of misappropriation of this data. The Town does not have a formal written backup policy, and although backups are performed, if the employee who performs the backups were to become unavailable for an extended length of time, other employees would not have a written guide to back up the system. A formal written disaster recovery policy is essential in the event of a disaster so that the Town will be able to function in the event of this scenario. The current access to the financial system by those personnel involved in bookkeeping functions exposes the Town to risk of fraudulent reporting and the potential for the misappropriation of assets. Finally, the absence of conducting formal information technology risk assessments increases the Town’s exposure to risk from internal and external information technology threats.

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

Management’s Response—Management plans on formalizing its informal policies and will consider assessing its information technology system.

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