

**TOWN OF LANCASTER,  
NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information and Other  
Information for the Year Ended December 31, 2020 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lancaster, New York (the "Town"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As discussed in Note 2 to the financial statements, the Town has restated its Governmental Activities Net Position as of December 31, 2019. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information and Other Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Drescher & Malecki LLP

June 28, 2021



**TOWN OF LANCASTER, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2020**

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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, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

**Financial Highlights**

- The assets and deferred outflows of resources of the primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,912,099 (*net position*). This consists of \$55,520,740 net investment in capital assets, \$6,224,010 restricted for specific purposes, and an unrestricted net position of \$(16,832,651).
- The Town's primary government net position decreased \$33,914 during the year ended December 31, 2020.
- At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$8,158,950, an increase of \$579,790 in comparison with the prior year's fund balance of \$7,579,160.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,504,739, or approximately 23.8 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 69.3 percent of the General Fund's total fund balance of \$3,616,163 at December 31, 2020.
- During the year ended December 31, 2020, the Town's total serial bonds outstanding increased by \$920,000. During the year the Town issued \$4,090,000 of serial bonds and \$7,005,000 refunding bonds, which along with premiums, refunded \$7,795,000 of previously outstanding serial bonds. Additionally, during the year the Town made total scheduled principal payments of \$2,380,000.

**Overview of the Financial Statements**

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

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

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

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

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

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

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

**Governmental funds**—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources*, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains twelve 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, Capital Projects Fund and Debt Service Fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

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

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

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

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

The fiduciary fund financial statements can be found on pages 22-23 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-52 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town’s net pension liability for the police and fire retirement system and employees retirement system, the change in the Town’s total other postemployment benefits (“OPEB”) obligation and related ratios, the Town’s total pension liability related to its length of service awards program, and the Town’s budgetary comparison schedules for each major fund with a legally adopted budget. Required Supplementary Information and the related notes can be found on pages 53-63 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 64-65.

Finally, budgetary comparison schedules for each nonmajor fund with a legally adopted budget are presented immediately following their respective combining statements in the Other Information section of this report on pages 66-71.

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

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the primary government of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,912,099 at the close of the most recent fiscal year, as compared to \$44,946,013 at the close of the fiscal year ended December 31, 2019, as restated.

Table 1, presented on the following page, shows a condensed statement of net position compared to the prior year.

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

	<u>Governmental Activities</u>	
	<u>December 31,</u>	
	2020	2019 (as restated)
Current assets	\$ 22,045,538	\$ 27,099,049
Capital assets	85,781,297	81,859,323
Total assets	<u>107,826,835</u>	<u>108,958,372</u>
Deferred outflows of resources	<u>15,066,291</u>	<u>9,688,860</u>
Current liabilities	12,368,814	18,519,490
Noncurrent liabilities	64,835,997	51,491,428
Total liabilities	<u>77,204,811</u>	<u>70,010,918</u>
Deferred inflows of resources	<u>776,216</u>	<u>3,690,301</u>
Net position:		
Net investment in capital assets	55,520,740	53,884,084
Restricted	6,224,010	6,098,888
Unrestricted	<u>(16,832,651)</u>	<u>(15,036,959)</u>
Total net position	<u>\$ 44,912,099</u>	<u>\$ 44,946,013</u>

The largest portion of the Town's net position, \$55,520,740, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$6,224,010, represents resources that are subject to external restrictions imposed by creditors, grantors, contributions, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining portion of the Town's net position, \$(16,832,651), is considered to be unrestricted.

Table 2, presented on the following page, shows the changes in net position for the years ended December 31, 2020 and December 31, 2019.

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

	Governmental Activities	
	Year Ended December 31,	
	2020	2019
Program revenues:		
Charges for services	\$ 2,773,314	\$ 2,668,910
Operating grants and contributions	752,342	396,558
Capital grants and contributions	-	242,454
General revenues	<u>32,366,827</u>	<u>32,255,062</u>
Total revenues	<u>35,892,483</u>	<u>35,562,984</u>
Program expenses	<u>35,926,397</u>	<u>40,764,371</u>
Change in net position	(33,914)	(5,201,387)
Net position—beginning, as restated	44,946,013	45,601,366
Restatement	-	4,546,034
Net position—ending	<u>\$ 44,912,099</u>	<u>\$ 44,946,013</u>

**Governmental activities**—Governmental activities decreased the Town’s net position by \$33,914. Overall revenues of the primary government increased 0.9 percent from the prior year, due primarily to an increase in the tax levy in accordance with the 2020 adopted budget, offset by a decrease in interest earnings and capital grants and contributions. Total expenses decreased 11.7 percent from the year ended December 31, 2019 due mainly to the decrease in the net pension liability and related deferred inflows/outflows of resources allocated to all functions.

A summary of sources of revenues for the years ended December 31, 2020 and December 31, 2019 is presented below in Table 3.

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

	Year Ended December 31,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Charges for services	\$ 2,773,314	\$ 2,668,910	\$ 104,404	3.9
Operating grants and contributions	752,342	396,558	355,784	89.7
Capital grants and contributions	-	242,454	(242,454)	(100.0)
Property taxes and tax items	24,682,822	24,035,545	647,277	2.7
Non-property taxes	5,102,528	5,294,583	(192,055)	(3.6)
Use of money and property	385,540	761,189	(375,649)	(49.4)
Miscellaneous	1,065,933	1,125,745	(59,812)	(5.3)
Unrestricted state aid	1,130,004	1,038,000	92,004	8.9
Total revenues	<u>\$ 35,892,483</u>	<u>\$ 35,562,984</u>	<u>\$ 329,499</u>	0.9

The most significant sources of revenues for the year ended December 31, 2020 were property taxes and tax items of \$24,682,822, or 68.8 percent of total revenues, and non-property taxes of \$5,102,528, or 14.2 percent of total revenues. Similarly, for the year ended December 31, 2019, the largest sources of revenues were property taxes and tax items of \$24,035,545, or 67.6 percent of total revenues, and non-property taxes of \$5,294,583, or 14.9 percent of total revenues.

A summary of program expenses for the years ended December 31, 2020 and December 31, 2019 is presented in Table 4 below:

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

	Year Ended December 31,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
General government support	\$ 5,709,926	\$ 6,577,204	\$ (867,278)	(13.2)
Public safety	15,853,325	16,651,370	(798,045)	(4.8)
Health	100,881	101,278	(397)	(0.4)
Transportation	5,134,297	6,893,658	(1,759,361)	(25.5)
Culture and recreation	2,993,027	3,661,975	(668,948)	(18.3)
Home and community services	5,254,241	6,069,316	(815,075)	(13.4)
Interest and other fiscal charges	880,700	809,570	71,130	8.8
Total program expenses	<u>\$ 35,926,397</u>	<u>\$ 40,764,371</u>	<u>\$ (4,837,974)</u>	(11.9)

The most significant expense items for the year ended December 31, 2020 were public safety of \$15,853,325, or 44.1 percent of total expenses, general government support of \$5,709,926, or 15.9 percent of total expenses, home and community services of \$5,254,241, or 14.6 percent of total expenses, and transportation of \$5,134,297, or 14.3 percent of total expenses. For the year ended December 31, 2019, the most significant expense items were public safety of \$16,651,370, or 40.9 percent of total expenses, transportation of \$6,893,658, or 16.9 percent of total expenses, general government support of \$6,577,204, or 16.2 percent of total expenses, and home and community services of \$6,069,316, or 14.9 percent of total expenses.

#### Financial Analysis of Governmental Funds

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

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

At December 31, 2020, the Town’s governmental funds reported combined ending fund balances of \$8,158,950, an increase of \$579,790 from the prior year. Excluding the Capital Projects Fund, the Town’s governmental funds combined ending fund balances totaled \$16,099,862. Approximately 48.8 percent, \$7,862,906, of the combined ending fund balance constitutes either *unassigned fund balance* or *fund balance assigned for specific use*, which is available for spending in accordance with the fund’s purpose. The remainder of fund balance is *nonspendable, restricted, or assigned* for other purposes to indicate that it is: (1) not in spendable form, \$546,685, (2) restricted for particular purposes, \$6,224,010, or (3) assigned for capital improvements, encumbrances and subsequent year’s expenditures, \$1,466,261.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,504,739, while total fund balance increased to \$3,616,163. The total fund balance of the Town’s General Fund increased \$163,505 during the current fiscal year due to the impacts of the COVID-19 pandemic which resulted in reductions in expenditures, namely within culture and recreation. Additionally, the Town reported excess mortgage tax. These items were partially offset by the budget’s planned use of fund balance. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total



expenditures and transfers out. Unassigned fund balance represents approximately 23.8 percent of total General Fund expenditures and transfers out, while total fund balance represents 34.4 percent of that same amount.

The Town’s Police Fund ending fund balance was \$2,383,937. Approximately 76.2 percent, \$1,816,230, of this amount is reported as fund balance assigned for specific police use. During the year ended December 31, 2020, the Police Fund fund balance decreased by \$492,889 as a result of decreased sales tax collections.

The Town’s Highway Fund—Town Outside Village ending fund balance was \$2,366,911. Approximately 64.6 percent, \$1,529,313, of this amount is reported as fund balance assigned for specific highway, Town outside the Village use. During the year ended December 31, 2020, the Highway Fund—Town Outside Village fund balance increased \$320,333 mainly due savings within transportation costs as a result of reduced activity in response to the COVID-19 pandemic.

The Town’s Fire Protection District Fund ending fund balance was \$5,194,312. Approximately 4.4 percent, \$227,896, of this amount is reported as fund balance assigned for specific fire protection use. Additionally, a portion of the fund balance, \$4,966,416 is reported as restricted fund balance and represents monies held in trust for the administration of the Town’s Length of Service Awards Program (“LOSAP”). During the year ended December 31, 2020, the Fire Protection District Fund fund balance increased \$368,160 from the prior year fund balance of \$4,826,152, mainly due to gains on LOSAP assets.

The Town’s Capital Projects Fund ending fund balance increased \$668,431 during the year ended December 31, 2020 due to the issuance of serial bonds. The ending fund balance deficit in the Capital Projects Fund was \$7,940,912, which is anticipated to be remedied through the conversion of bond anticipation notes to long-term financing.

The Town’s Debt Service Fund reported no fund balance at December 31, 2020. This fund was used to account for the accumulation of resources and the payment of debt on the Town’s current refunding bond.

### General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2020 is presented below in Table 5.

**Table 5—General Fund Budget**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues and other financing sources	\$ 10,150,007	\$ 10,150,007	\$ 10,682,110	\$ 532,103
Expenditures and other financing uses	<u>10,681,602</u>	<u>11,081,602</u>	<u>10,518,605</u>	<u>562,997</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (531,595)</u>	<u>\$ (931,595)</u>	<u>\$ 163,505</u>	<u>\$ 1,095,100</u>

**Original budget compared to final budget**—At the close of the fiscal year, the overall budgeted appropriations increased by \$400,000 following the Town Board’s approval of the early payoff of the 2005 bonds. In the 2020 adopted budget, the General Fund appropriated \$440,000 from fund balance and the use of reserves.

**Final budget compared to actual results**—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields certain variances. Total revenues and other financing sources exceeded the final budget by \$532,103. This excess can primarily be attributed to increased state and federal aid related to mortgage tax and federal aid related to the pandemic. Total expenditures and other financing uses were less than the final budget by \$562,997. The most significant savings were realized within culture and recreation, which had budgetary savings of \$596,201 due primarily to closures following the COVID-19 pandemic.

**Capital Asset and Debt Administration**

**Capital assets**—The Town’s investment in capital assets for its primary government as of December 31, 2020, amounted to \$85,781,297 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, infrastructure, buildings and improvements, and machinery and equipment.

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

Capital assets, net of depreciation for the primary government at December 31, 2020 and December 31, 2019 are presented below in Table 6.

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

	Governmental Activities	
	December 31,	
	2020	2019
Land	\$ 1,320,831	\$ 1,320,831
Construction in progress	11,154,485	6,633,765
Land improvements	2,171,165	1,969,444
Infrastructure	45,376,362	46,437,912
Buildings and improvements	20,457,127	20,569,454
Machinery and equipment	<u>5,301,327</u>	<u>4,927,917</u>
Total	<u>\$ 85,781,297</u>	<u>\$ 81,859,323</u>

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

**Long-term liabilities**—At December 31, 2020, the Town had total bonded debt outstanding of \$17,980,000, as compared to \$17,060,000 at December 31, 2019. During the year, the Town issued serial bonds of \$4,090,000 and refunding bonds of \$7,005,000, which along with premiums, refunded \$7,795,000 of previously outstanding serial bonds and made total scheduled principal payments of \$2,380,000.

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

A summary of the Town’s long-term liabilities at December 31, 2020 and December 31, 2019 is presented in Table 7 below:

**Table 7—Summary of Long-Term Liabilities**

	Governmental Activities	
	December 31,	
	2020	2019
Serial bonds	\$ 17,980,000	\$ 17,060,000
Premium on serial bonds	2,639,549	1,147,731
Installment purchase debt	1,070,329	1,158,165
Compensated absences	3,079,872	3,010,953
OPEB obligation	17,313,106	16,397,401
Workers' compensation	267,115	300,874
Net pension liability	12,322,605	3,784,950
Net pension liability—LOSAP	10,163,421	8,631,354
Total	<u>\$ 64,835,997</u>	<u>\$ 51,491,428</u>

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

**Economic Factors and Next Year’s Budgets and Rates**

On January 31, 2020, the United States Secretary of Health and Human Services (“HHS”) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the Town’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted. Largely as a result of the public health emergency, the unemployment rate, not seasonally adjusted, for Erie County during December 2020 was 7.6 percent, as compared to New York State’s unemployment rate of 8.1 percent and to the national unemployment rate of 6.7 percent.

The Town’s 2021 General Fund budget includes the appropriation of \$260,000 of fund balance. The General Fund tax rate is \$1.97 per thousand of assessed value for the 2021 budget year.

**Requests for Information**

This financial report is designed to provide a general overview of the Town’s finances for all those with interest in the Town’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor’s Office, 21 Central Avenue, Lancaster, NY 14086.

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# BASIC FINANCIAL STATEMENTS



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**TOWN OF LANCASTER, NEW YORK**  
**Statement of Net Position**  
**December 31, 2020**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Lancaster Industrial Development Agency</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,566,407	\$ 1,188,447
Restricted cash and cash equivalents	6,101,654	-
Restricted investments	4,966,416	-
Deposits	17,401	-
Receivables	239,875	-
Intergovernmental receivables	607,100	-
Prepaid items	546,685	-
Capital assets not being depreciated	12,475,316	-
Capital assets, net of accumulated depreciation	<u>73,305,981</u>	<u>-</u>
Total assets	<u>107,826,835</u>	<u>1,188,447</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows—relating to pensions	11,594,973	-
Deferred outflows—relating to OPEB	<u>3,471,318</u>	<u>-</u>
Total deferred outflows of resources	<u>15,066,291</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts payable	1,178,184	-
Accrued liabilities	640,760	-
Unearned revenues	16,108	-
Due to Custodial Fund	63,762	-
Bond anticipation notes payable	10,470,000	-
Noncurrent liabilities:		
Due within one year	2,732,011	-
Due in more than one year	<u>62,103,986</u>	<u>-</u>
Total liabilities	<u>77,204,811</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows—relating to pensions	456,479	-
Deferred inflows—relating to OPEB	<u>319,737</u>	<u>-</u>
Total deferred inflows of resources	<u>776,216</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	55,520,740	-
Restricted for:		
Debt service	1,257,594	-
LOSAP	4,966,416	-
Unrestricted	<u>(16,832,651)</u>	<u>1,188,447</u>
Total net position	<u>\$ 44,912,099</u>	<u>\$ 1,188,447</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, 2020**

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Lancaster Industrial Development Agency
<b>Primary government:</b>					
Governmental activities:					
General government support	\$ 5,709,926	\$ 613,077	\$ 544,722	\$ (4,552,127)	\$ -
Public safety	15,853,325	1,545,514	6,710	(14,301,101)	-
Health	100,881	-	-	(100,881)	-
Transportation	5,134,297	282,451	104,722	(4,747,124)	-
Culture and recreation	2,993,027	227,135	96,188	(2,669,704)	-
Home and community services	5,254,241	105,137	-	(5,149,104)	-
Interest and other fiscal charges	880,700	-	-	(880,700)	-
Total primary government	<u>\$ 35,926,397</u>	<u>\$ 2,773,314</u>	<u>\$ 752,342</u>	<u>(32,400,741)</u>	<u>-</u>
<b>Component unit:</b>					
Lancaster IDA	<u>\$ 48,736</u>	<u>\$ 117,596</u>	<u>\$ -</u>		<u>68,860</u>
General revenues:					
Property taxes and tax items				24,682,822	-
Non-property taxes				5,102,528	-
Use of money and property				735,687	5,160
Miscellaneous				715,786	-
Unrestricted state aid				1,130,004	-
Total general revenues				<u>32,366,827</u>	<u>5,160</u>
Change in net position				(33,914)	74,020
Net position—beginning, as restated				<u>44,946,013</u>	<u>1,114,427</u>
Net position—ending				<u>\$ 44,912,099</u>	<u>\$ 1,188,447</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, 2020**

	<u>Special Revenue</u>							<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Police</b>	<b>Highway Fund - Town Outside Village</b>	<b>Fire Protection District</b>	<b>Capital Projects</b>	<b>Debt Service Fund</b>			
<b>ASSETS</b>									
Cash and cash equivalents	\$ 3,461,812	\$ 1,508,684	\$ 1,971,381	\$ 240,056	\$ -	\$ -	\$ 2,384,474	\$ 9,566,407	
Restricted cash and cash equivalents	517,292	-	344,203	-	2,716,052	-	412,207	3,989,754	
Restricted investments	-	-	-	4,966,416	-	-	-	4,966,416	
Deposits	17,401	-	-	-	-	-	-	17,401	
Receivables	58,372	5,127	-	-	-	-	176,376	239,875	
Intergovernmental receivables	4,555	602,545	-	-	-	-	-	607,100	
Due from other funds	7,259	-	111,516	-	-	-	-	118,775	
Prepaid items	102,469	367,707	67,905	-	-	-	8,604	546,685	
Total assets	<u>\$ 4,169,160</u>	<u>\$ 2,484,063</u>	<u>\$ 2,495,005</u>	<u>\$ 5,206,472</u>	<u>\$ 2,716,052</u>	<u>\$ -</u>	<u>\$ 2,981,661</u>	<u>\$ 20,052,413</u>	
<b>LIABILITIES</b>									
Accounts payable	\$ 316,518	\$ 19,455	\$ 74,530	\$ 12,160	\$ 186,964	\$ -	\$ 429,935	\$ 1,039,562	
Accrued liabilities	45,093	80,671	53,564	-	-	-	5,928	185,256	
Due to other funds	175,278	-	-	-	-	-	7,259	182,537	
Unearned revenues	16,108	-	-	-	-	-	-	16,108	
Bond anticipation notes payable	-	-	-	-	10,470,000	-	-	10,470,000	
Total liabilities	<u>552,997</u>	<u>100,126</u>	<u>128,094</u>	<u>12,160</u>	<u>10,656,964</u>	<u>-</u>	<u>443,122</u>	<u>11,893,463</u>	
<b>FUND BALANCES (DEFICIT)</b>									
Nonspendable	102,469	367,707	67,905	-	-	-	8,604	546,685	
Restricted	501,184	-	344,203	4,966,416	-	-	412,207	6,224,010	
Assigned	507,771	2,016,230	1,954,803	227,896	-	-	2,117,728	6,824,428	
Unassigned	2,504,739	-	-	-	(7,940,912)	-	-	(5,436,173)	
Total fund balances (deficit)	<u>3,616,163</u>	<u>2,383,937</u>	<u>2,366,911</u>	<u>5,194,312</u>	<u>(7,940,912)</u>	<u>-</u>	<u>2,538,539</u>	<u>8,158,950</u>	
Total liabilities and fund balances (deficit)	<u>\$ 4,169,160</u>	<u>\$ 2,484,063</u>	<u>\$ 2,495,005</u>	<u>\$ 5,206,472</u>	<u>\$ 2,716,052</u>	<u>\$ -</u>	<u>\$ 2,981,661</u>	<u>\$ 20,052,413</u>	

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

**TOWN OF LANCASTER, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**December 31, 2020**

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

Total fund balances (deficit)—governmental funds (page 15)		\$ 8,158,950
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$132,701,109 and the accumulated depreciation is \$46,919,812.		85,781,297
Deferred outflows and inflows of resources related to pensions and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$ 1,640,058	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	9,954,915	
Deferred outflows related to OPEB obligation	3,471,318	
Deferred inflows related to pension plans	(456,479)	
Deferred inflows related to OPEB obligation	<u>(319,737)</u>	14,290,075
Net accrued interest expense for serial bonds, installment purchase debt and bond anticipation notes is not reported in the funds.		(425,665)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (17,980,000)	
Premium on serial bonds	(2,639,549)	
Installment purchase debt	(1,070,329)	
Compensated absences	(3,079,872)	
OPEB obligation	(17,313,106)	
Net pension liability	(12,322,605)	
Net pension liability—LOSAP	<u>(10,163,421)</u>	(64,568,882)
Internal service funds are used by management to charge the cost of insurance, judgements, claims and related administrative expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>1,676,324</u>
Net position of governmental activities		<u>\$ 44,912,099</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, 2020**

	<u>Special Revenue</u>							<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Police</b>	<b>Highway</b>	<b>Fire</b>	<b>Capital Projects</b>	<b>Debt Service Fund</b>			
			<b>Fund - Town Outside Village</b>	<b>Protection District</b>					
<b>REVENUES</b>									
Real property taxes	\$ 7,928,547	\$ 3,739,583	\$ 3,960,377	\$ 3,927,168	\$ -	\$ -	\$ 4,212,269	\$ 23,767,944	
Other property tax items	465,794	196,944	221,621	-	-	-	30,519	914,878	
Non-property tax items	-	4,649,494	-	-	-	-	453,034	5,102,528	
Departmental income	157,726	17,605	-	-	-	-	98,940	274,271	
Intergovernmental charges	7,450	1,070,963	124,760	-	629,767	-	33,364	1,866,304	
Use of money and property	197,216	16,470	17,858	361,879	-	-	135,408	728,831	
Licenses and permits	86,003	-	-	-	-	-	315,335	401,338	
Fines and forfeitures	141,158	10,435	-	-	-	-	-	151,593	
Sale of property and compensation for loss	6,522	45,362	27,924	-	-	-	-	79,808	
Miscellaneous	24,396	-	51,983	-	96,744	-	291,472	464,595	
State aid	1,252,076	6,710	78,838	-	-	-	121,895	1,459,519	
Federal aid	412,641	10,186	-	-	-	-	-	422,827	
Total revenues	<u>10,679,529</u>	<u>9,763,752</u>	<u>4,483,361</u>	<u>4,289,047</u>	<u>726,511</u>	<u>-</u>	<u>5,692,236</u>	<u>35,634,436</u>	
<b>EXPENDITURES</b>									
Current:									
General government support	4,011,797	4,515	4,892	4,244	-	-	-	4,025,448	
Public safety	157,602	6,791,727	-	3,776,643	-	-	484,332	11,210,304	
Health	68,864	-	-	-	-	-	3,278	72,142	
Transportation	181,356	-	2,454,324	-	-	-	67,715	2,703,395	
Culture and recreation	1,741,192	-	-	-	-	-	512,428	2,253,620	
Home and community services	573,913	-	-	-	-	-	2,960,027	3,533,940	
Employee benefits	1,079,951	2,500,296	471,021	-	-	-	105,017	4,156,285	
Debt service:									
Principal	1,498,836	-	265,000	-	-	7,795,000	704,000	10,262,836	
Interest and other fiscal charges	322,153	-	131,680	-	-	203,153	472,071	1,129,057	
Capital outlay	-	-	-	-	5,688,544	-	-	5,688,544	
Total expenditures	<u>9,635,664</u>	<u>9,296,538</u>	<u>3,326,917</u>	<u>3,780,887</u>	<u>5,688,544</u>	<u>7,998,153</u>	<u>5,308,868</u>	<u>45,035,571</u>	
Excess (deficiency) of revenues over expenditures	<u>1,043,865</u>	<u>467,214</u>	<u>1,156,444</u>	<u>508,160</u>	<u>(4,962,033)</u>	<u>(7,998,153)</u>	<u>383,368</u>	<u>(9,401,135)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	290,000	-	-	809,464	-	-	1,099,464	
Transfers out	(882,941)	(1,250,103)	(838,458)	(140,000)	-	-	(845,083)	(3,956,585)	
Refunding bonds issued	-	-	-	-	-	7,005,000	-	7,005,000	
Premium on refunding bonds issued	-	-	-	-	-	993,153	-	993,153	
Serial bonds issued	-	-	-	-	4,090,000	-	-	4,090,000	
Premium on serial bonds issued	2,581	-	2,347	-	731,000	-	13,965	749,893	
Total other financing sources (uses)	<u>(880,360)</u>	<u>(960,103)</u>	<u>(836,111)</u>	<u>(140,000)</u>	<u>5,630,464</u>	<u>7,998,153</u>	<u>(831,118)</u>	<u>9,980,925</u>	
Net change in fund balances (deficit)	163,505	(492,889)	320,333	368,160	668,431	-	(447,750)	579,790	
Fund balances (deficit)—beginning	3,452,658	2,876,826	2,046,578	4,826,152	(8,609,343)	-	2,986,289	7,579,160	
Fund balances (deficit)—ending	<u>\$ 3,616,163</u>	<u>\$ 2,383,937</u>	<u>\$ 2,366,911</u>	<u>\$ 5,194,312</u>	<u>\$ (7,940,912)</u>	<u>\$ -</u>	<u>\$ 2,538,539</u>	<u>\$ 8,158,950</u>	

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

**TOWN OF LANCASTER, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended December 31, 2020**

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

Net change in fund balances (deficit)—total governmental funds (page 17) \$ 579,790

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

Capital asset additions	\$ 6,398,226	
Depreciation expense	<u>(2,476,252)</u>	3,921,974

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

Town pension contributions and benefit payments	\$ 2,399,855	
Cost of benefits earned net of employee contributions	(5,056,625)	
OPEB benefit payments and changes in assumptions	<u>878,564</u>	(1,778,206)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (2,871)

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

Refunding bonds issued	\$ (7,005,000)	
Serial bonds issued	(4,090,000)	
Repayment of serial bonds	10,175,000	
Premium on refunding bonds issued	(993,153)	
Premium on serial bonds issued	(749,893)	
Amortization of premiums on bonds	251,228	
Payment on installment purchase debt	87,836	
Change in compensated absences	(68,919)	
Change in OPEB obligation	<u>(915,705)</u>	(3,308,606)

Internal service funds are used by management to charge the cost of insurance, judgments, claims and related administrative expenses to individual funds. The net cost of certain activities is reported within governmental activities. 554,005

Change in net position of governmental activities \$ (33,914)

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, 2020**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets:	
Restricted cash and cash equivalents	\$ 2,111,900
Total current assets	2,111,900
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	138,622
Accrued health insurance	29,839
Current portion of accrued workers' compensation	70,608
Total current liabilities	239,069
Noncurrent liabilities:	
Accrued workers' compensation	196,507
Total noncurrent liabilities	196,507
Total liabilities	435,576
<b>NET POSITION</b>	
Unrestricted	1,676,324
Total net position	\$ 1,676,324

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, 2020**

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	<u><b>Governmental Activities</b></u>
	<u><b>Internal Service Fund</b></u>
Operating revenues:	
Charges to other funds for services provided	\$ 2,857,121
Health reimbursements	240,669
Insurance recoveries	<u>10,522</u>
Total operating revenues	<u>3,108,312</u>
Operating expenses:	
Administrative fees	159,064
Claims expenses	2,021,656
Excess insurance	<u>380,443</u>
Total operating expenses	<u>2,561,163</u>
Operating income	<u>547,149</u>
Nonoperating revenues:	
Interest income	<u>6,856</u>
Total nonoperating revenues	<u>6,856</u>
Change in net position	554,005
Net position—beginning	<u>1,122,319</u>
Net position—ending	<u><u>\$ 1,676,324</u></u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Cash Flows—Proprietary Fund**  
**Year Ended December 31, 2020**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from participating funds	\$ 2,857,121
Receipts from health reimbursements and insurance recoveries	251,191
Payments for claims	(1,976,521)
Payments for administration and insurance	(539,507)
Net cash provided by operating activities	<u>592,284</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earnings	<u>6,856</u>
Net cash provided by investing activities	<u>6,856</u>
Net increase in cash and cash equivalents	599,140
Restricted cash and cash equivalents—beginning	<u>1,512,760</u>
Restricted cash and cash equivalents—ending	<u><u>\$ 2,111,900</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 547,149
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	57,951
(Decrease) in accrued liabilities	(12,816)
Net cash provided by operating activities	<u><u>\$ 592,284</u></u>

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



**TOWN OF LANCASTER, NEW YORK**  
**Statement of Fiduciary Net Position—Fiduciary Fund**  
**December 31, 2020**

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	<b>Custodial Fund</b>
<b>ASSETS</b>	
Restricted cash and cash equivalents	\$ 404,839
Due from other funds	<u>63,762</u>
Total assets	<u>468,601</u>
<b>LIABILITIES</b>	
Accounts payable and other liabilities	<u>212,571</u>
Total liabilities	<u>212,571</u>
<b>NET POSITION</b>	
Total net position	<u>\$ 256,030</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Statement of Changes in Fiduciary Net Position—Fiduciary Fund**  
**Year Ended December 31, 2020**

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	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Funds received on behalf of others	\$ 87,044
Total additions	87,044
 <b>DEDUCTIONS</b>	
Funds distributed to others	59,833
Total deductions	59,833
Change in net position	27,211
Net position—beginning	228,819
Net position—ending	\$ 256,030

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

**TOWN OF LANCASTER, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

***Reporting Entity***

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

Independently elected officials of the Town include:

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

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

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

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

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

**Lancaster Industrial Development Agency**—The Town of Lancaster Industrial Development Agency (the “Agency”) was created in 1972 under Title I Article 18-A of New York State General Municipal Law for the purpose of encouraging financially sound companies to locate and expand in the Town. The Agency is a separate entity and operates independently of the Town.

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

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

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

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

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

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

The Town reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Town and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Police Fund*—This fund records all revenues and expenditures related to police activities. The principal sources of revenue for the Police Fund are sales taxes and real property taxes.
- *Highway Fund – Town Outside Village*—This fund is used to record revenues and expenditures related to road maintenance and construction outside village boundaries. The principal source of revenue for the Highway Fund – Town Outside Village is real property taxes.
- *Fire Protection District Fund*—This fund is used to record all revenues and expenditures related to fire protection district activities. The principal source of revenue for the Fire Protection District Fund is real property taxes.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- *Debt Service Fund*—This fund is used to account for the bond refunding transactions of the Town.

The Town reports the following proprietary fund:

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

Additionally, the Town reports the following fund type:

*Fiduciary Funds*—The Custodial Fund is used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Custodial Fund*. Activities reported in the fiduciary funds include monies from outside entities, controlled and administered by the Town for the benefit of others.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, interest, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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

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

***Cash and Cash Equivalents***—The Town’s cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

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

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

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

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

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

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

	<u>Years</u>
Land improvements	25
Infrastructure	20-100
Buildings and improvements	15-75
Machinery and equipment	2-25

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

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/

expenditure) until then. At December 31, 2020, the Town has two items that qualify for reporting in this category. The first item is related to pensions and is reported in the government-wide financial statements. This represents the effect of the net change in the Town's proportion of the collective net pension liability, the difference during the measurement period between the Town's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date. The second item represents the effects of the change in the Town's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability, and is reported on the government-wide financial statements.

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, 2020, the Town has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Town's proportion of the collective net pension liability and the difference during the measurement periods between the Town's contributions and benefit payments and its proportionate share of the total contributions and benefit payments to the pension systems not included in pension expense and is reported on the government-wide statements. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the Town's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

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

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

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

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

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

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

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

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

Tax payments are due January 1<sup>st</sup> to February 15<sup>th</sup> without penalty; February 16<sup>th</sup> to 28<sup>th</sup> a 1.5% penalty; March 1<sup>st</sup> to 15<sup>th</sup> a 3.0% penalty; March 16<sup>th</sup> to 31<sup>st</sup> a 4.5% penalty; April 1<sup>st</sup> to 15<sup>th</sup> a 6.0% penalty; April 16<sup>th</sup> to 30<sup>th</sup> a 7.5% penalty; and 1.5% added each month thereafter.

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

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

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

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



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

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

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

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

#### **Other**

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

**Adoption of New Accounting Pronouncements**—During the year ended December 31, 2020, the Town implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Additionally, the Town implemented current and future provisions of GASB Statements No. 92, *Omnibus 2020*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32*. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of certain defined contribution plans and enhances the relevance, consistency and comparability of the accounting and reporting for internal Revenue Code Section 457 deferred compensation plans. The implementation of GASB Statements No. 92, 95, and 97 did not have a material impact on the Town's financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending December 31, 2021, No. 87, *Leases*; and No. 91, *Conduit Debt Obligations* effective for the year ending December 31, 2022, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending December 31, 2023. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 93, 94, and 96 will have on its financial position and results of operations when such statements are adopted.

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

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

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

***Deficit Fund Balance***—At December 31, 2020, the Town’s Capital Projects Fund has a deficit fund balance of \$7,940,912. The primary reason for the deficit in this case is that the Town issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenses, and fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

## **2. RESTATEMENT OF NET POSITION**

At December 31, 2019, deferred outflows of resources related to the Other Postemployment Benefits obligation (“OPEB”) was understated by \$4,546,034 and net position was understated by the same amount. As a result, net position—beginning is restated by \$4,546,034 to be \$44,946,013.

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town’s investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into a custodial agreement with the bank which holds their deposits. This agreement authorizes the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at December 31, 2020, are as follows:

	Governmental Funds	Proprietary Fund	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 1,900	\$ -	\$ -	\$ 1,900
Deposits	<u>13,554,261</u>	<u>2,111,900</u>	<u>404,839</u>	<u>16,071,000</u>
Total	<u>\$ 13,556,161</u>	<u>\$ 2,111,900</u>	<u>\$ 404,839</u>	<u>\$ 16,072,900</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2020 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 250,000	\$ 250,000
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>15,865,615</u>	<u>15,821,000</u>
Total	<u>\$ 16,115,615</u>	<u>\$ 16,071,000</u>

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2020, the Town’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Town’s name.

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

**Restricted Cash and Cash Equivalents**—The Town reports cash to support fund balance restrictions, unearned revenues, unspent proceeds of debt, cash held for self-insurance activities and amounts held on behalf of others as restricted cash and cash equivalents. At December 31, 2020, the Town reported \$3,989,754 of restricted cash and cash equivalents within its governmental funds, \$2,111,900 within its Internal Service Fund and \$404,839 within the Custodial Fund.

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

unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Restricted investments**—The Town restricted investments consist of annuity contracts related to the Town’s Length of Service Award Program (“LOSAP”), a defined benefit volunteer firefighter award program (see Note 8). These annuities are guaranteed fixed annuities, whereby the reported values are reported daily based on the valuation method disclosed in the annuity contract as calculated by the annuity provider and therefore are considered level 2 inputs for fair value measurement purposes. The interest on each annuity varies but they are all fixed rate with a guaranteed minimum rate for a specific period. The cost and fair value of the contracts amounted to \$4,966,416 as of December 31, 2020, and are recorded within the Fire Protection District Fund.

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

**Discretely Presented Component Unit**

**Lancaster Industrial Development Agency**—The Agency had unrestricted deposits of \$1,188,447, which were insured or collateralized by securities held by the pledging financial institution’s trust department or agent in the Agency’s name.

**4. RECEIVABLES**

Major revenues accrued by the Town at December 31, 2020 consisted of the following:

**Receivables**—Represents amounts due from various sources. Receivables at December 31, 2020 are:

General Fund:			
Town Clerk	\$ 35,416		
Town Justices	16,108		
Miscellaneous	<u>6,848</u>	\$ 58,372	
Police Fund:			
Town Clerk		5,127	
Nonmajor funds:			
Town Clerk	59,548		
Cable franchise fees	<u>116,828</u>	<u>176,376</u>	
Total governmental funds		<u>\$ 239,875</u>	

**Intergovernmental Receivables**—Represents amounts due from other units of government, such as Federal, New York State, County of Erie or other local governments. Intergovernmental receivables at December 31, 2020 are:

General Fund:			
Due from local municipalities		\$	4,555
Police Fund:			
Due from Erie County	\$ 339,298		
Due from New York State	6,000		
Due from Village of Lancaster	<u>257,247</u>		<u>602,545</u>
Total governmental funds		\$	<u>607,100</u>

## 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2020 was as follows:

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 1,320,831	\$ -	\$ -	\$ 1,320,831
Construction in progress	<u>6,633,765</u>	<u>5,688,544</u>	<u>1,167,824</u>	<u>11,154,485</u>
Total capital assets, not being depreciated	<u>7,954,596</u>	<u>5,688,544</u>	<u>1,167,824</u>	<u>12,475,316</u>
Capital assets, being depreciated:				
Land improvements	2,815,000	315,831	-	3,130,831
Infrastructure	78,891,996	266,704	-	79,158,700
Buildings and improvements	26,773,425	283,080	-	27,056,505
Machinery and equipment	<u>9,867,866</u>	<u>1,011,891</u>	-	<u>10,879,757</u>
Total capital assets, being depreciated	<u>118,348,287</u>	<u>1,877,506</u>	-	<u>120,225,793</u>
Less accumulated depreciation for:				
Land improvements	845,556	114,110	-	959,666
Infrastructure	32,454,084	1,328,254	-	33,782,338
Buildings and improvements	6,203,971	395,407	-	6,599,378
Machinery and equipment	<u>4,939,949</u>	<u>638,481</u>	-	<u>5,578,430</u>
Total accumulated depreciation	<u>44,443,560</u>	<u>2,476,252</u>	-	<u>46,919,812</u>
Total capital assets, being depreciated, net	<u>73,904,727</u>	<u>(598,746)</u>	-	<u>73,305,981</u>
Governmental activities capital assets, net	<u>\$ 81,859,323</u>	<u>\$ 5,089,798</u>	<u>\$ 1,167,824</u>	<u>\$ 85,781,297</u>

Depreciation expense relating to the year ended December 31, 2020 was charged to the functions and programs of governmental activities as follows:

General government support	\$ 202,248
Public safety	177,395
Transportation	1,440,464
Culture and recreation	232,994
Home and community services	<u>423,151</u>
Total	<u>\$ 2,476,252</u>

## 6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2020 were as follows:

	Governmental Funds				Total Governmental Funds
	General Fund	Police Fund	Highway— Town Outside Village Fund	Nonmajor Funds	
Salary and employee benefits	\$ 45,093	\$ 80,671	\$ 53,564	\$ 5,928	\$ 185,256
Claims and judgements	-	-	-	-	-
Total	<u>\$ 45,093</u>	<u>\$ 80,671</u>	<u>\$ 53,564</u>	<u>\$ 5,928</u>	<u>\$ 185,256</u>

## 7. RETIREMENT SYSTEM PENSION PLANS

### *Plan Descriptions and Benefits Provided*

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

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

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At December 31, 2020, the Town reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2019, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town’s proportion of the net pension liabilities were based on projections of the Town’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Town.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2020	March 31, 2020
Net pension liability	\$ 7,351,057	\$ 4,971,548
Town's portion of the Plan's total net pension liability	0.1375331%	0.0187743%

For the year ended December 31, 2020, the Town recognized pension expenses of \$2,560,475 and \$1,790,357, respectively, for PFRS and ERS. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ 489,503	\$ 292,596	\$ -	\$ -
Changes of assumptions	628,338	100,103	123,129	86,408
Net difference between projected and actual earnings on pension plan investments	3,310,412	2,548,657	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	101,515	231,520	223,202	23,740
Town contributions subsequent to the measurement date	<u>1,012,845</u>	<u>627,213</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,542,613</u>	<u>\$ 3,800,089</u>	<u>\$ 346,331</u>	<u>\$ 110,148</u>

The Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>PFRS</u>	<u>ERS</u>
2021	\$ 877,570	\$ 557,550
2022	980,811	788,803
2023	1,233,516	956,116
2024	1,051,014	760,259
2025	40,526	-

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

	PFRS	ERS
Measurement date	March 31, 2020	March 31, 2020
Actuarial valuation date	April 1, 2019	April 1, 2019
Interest rate	6.80%	6.80%
Salary scale	5.00%	4.20%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.50%	2.50%
Cost-of-living adjustments	1.30%	1.30%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2018. The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2020	
Asset class:		
Domestic equities	36.0 %	4.1 %
International equities	14.0	6.2
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic portfolio	3.0	4.7
Real assets	3.0	6.0
Bonds and mortgages	17.0	0.8
Cash	1.0	0.0
Inflation-indexed bonds	4.0	0.5
Total	100.0 %	

**Discount Rate**—The discount rate used to calculate the total pension liabilities was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart below presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.8%) or one percentage-point higher (7.8%) than the current assumption.

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension liability—PFRS	\$ 13,143,840	\$ 7,351,057	\$ 2,163,489
Employer's proportionate share of the net pension liability—ERS	9,124,194	4,971,548	1,146,943

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2019	April 1, 2019	
Employers' total pension liability	\$ 35,309,017	\$ 194,596,261	\$ 229,905,278
Plan fiduciary net position	<u>29,964,080</u>	<u>168,115,682</u>	<u>198,079,762</u>
Employers' net pension liability	<u>\$ 5,344,937</u>	<u>\$ 26,480,579</u>	<u>\$ 31,825,516</u>
System fiduciary net position as a percentage of total pension liability	84.9%	86.4%	86.2%

## 8. PENSION OBLIGATIONS—LOSAP

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

An eligible Program Participant is defined to be an active volunteer firefighter who is at least 18 years of age and who have completed one year of firefighting service are eligible to participate in the program. The program’s entitlement age is age 62. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. Active participants can earn additional credit after age 62.

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

**Participants Covered by the Benefit Terms**—At the December 31, 2020 measurement date, the participants covered by the benefit terms were as follows:

Inactive participants currently receiving benefit payments	82
Inactive participants entitled to but not yet receiving benefit payments	55
Active participants	<u>132</u>
Total	<u>269</u>

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

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

**Measurement of Total Pension Liability**

The total pension liability at the December 31, 2020 measurement date was determined using an actuarial valuation as of that date.

**Actuarial Assumptions**—The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

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

**Discount Rate**—The discount rate used to measure the total pension liability was 2.00%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index as of December 31, 2020.

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

	<u>Total Pension Liability</u>
Balance as of 12/31/2019 measurement date	<u>\$ 8,631,354</u>
Changes for the year:	
Service cost	239,637
Interest	233,676
Differences between expected and actual experience	23,068
Changes of assumptions or other inputs	1,277,326
Benefit payments	<u>(241,640)</u>
Net changes	<u>1,532,067</u>
Balance as of 12/31/2020 measurement date	<u>\$ 10,163,421</u>

**Sensitivity of the Total Pension Liability to Changes in the Discount Rate**—The following presents the total pension liability of the Town as of the December 31, 2020 measurement date, calculated using the discount rate of 2.0 percent, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.0 percent) or one percentage point higher (3.0 percent) than the current rate:

	1% Decrease (1.0%)	Current Discount Rate (2.0%)	1% Increase (3.0%)
Total pension liability	\$ 11,960,000	\$ 10,163,421	\$ 8,723,000

**Pension Expense and Deferred Outflows of Resources Related to Pension**—For the year ended December 31, 2020, the Town recognized pension expense of \$586,817. At December 31, 2020, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 160,428
Changes of assumptions or other inputs	2,091,843
Total	<u>\$ 2,252,271</u>

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

Year Ending December 31,	
2021	\$ 228,116
2022	228,116
2023	228,116
2024	228,116
2025	228,116
Thereafter	1,111,691

## 9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

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

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

**Employees Covered by Benefit Terms**—At January 1, 2020, the following employees were covered by the benefit terms:

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

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

**Total OPEB Liability**

The Town’s total OPEB liability of \$17,313,106 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2020.

**Actuarial Methods and Assumptions**—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2020 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate is 2.12% effective December 31, 2020. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 7%, while the ultimate healthcare cost trend rate is 5%

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2019 through January 1, 2020.

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

	<u>Total OPEB Liability</u>
Balance at December 31, 2019:	\$ 16,397,401
Changes for the year:	
Service cost	157,780
Interest	441,814
Changes of assumptions	1,183,063
Benefit payments	<u>(866,952)</u>
Net changes	<u>915,705</u>
Balance at December 31, 2020:	<u>\$ 17,313,106</u>

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

	1%	Current	1%
	Decrease	Discount Rate	Increase
	<u>(1.12%)</u>	<u>(2.12%)</u>	<u>(3.12%)</u>
Total OPEB liability	\$ 19,550,244	\$ 17,313,106	\$ 15,469,886

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

	1% Decrease (6.0%/4.0%)	Healthcare Cost Trend Rates (7.0%/5.0%)	1% Increase (8.0%/6.0%)
Total OPEB liability	\$ 15,476,167	\$ 17,313,106	\$ 19,531,396

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 474,526	\$ 5,552
Changes of assumptions	2,996,792	314,185
Total	<u>\$ 3,471,318</u>	<u>\$ 319,737</u>

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

<u>Year Ending December 31,</u>	
2021	\$ 304,502
2022	485,111
2023	551,899
2024	551,899
2025	551,899
Thereafter	706,271

## 10. RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees; and natural disasters. The Town purchases commercial insurance to cover such potential risks. The Town purchases insurance for: automobile, general, professional liability and umbrella liability. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

For the year ended December 31, 2020, automobile insurance is limited to \$1 million per accident. The general liability insurance is limited to \$1 million per occurrence, and an aggregate \$3 million for general and products-completed operations hazards. The professional liability is limited to \$1 million per occurrence and in aggregate. The umbrella liability insurance is limited to \$10 million per occurrence and in aggregate.

**Medical Self-Insurance**—On May 1, 2008, the Town began self-insuring for medical claims. Medical claims are processed through Independent Health for a fee per covered person, per month, while prescription drug claims are processed through ProAct, Inc. However, the responsibility of insuring claims lies with the Town.

In order to insure against larger than expected health care losses associated with the self-insurance plan the Town has entered into a Stop Loss Agreement with the UnitedHealthcare Insurance Company of New York. This agreement includes a “specific deductible” for each covered person. This deductible per covered person is \$110,000 per year, with an unlimited lifetime deductible. In return the Town pays a premium for the stop loss insurance, which amounted to \$248,367 during the year ended December 31, 2020. The plan’s coverage extends to both medical and prescription claims.

The Town is liable for annual claims under \$110,000 for each individual member covered by the Town’s self-insured plan. The maximum aggregate benefit available to the Town per policy term, which is a one year period, is \$1,000,000.

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

In order to insure against larger than expected claims, the Town has entered into a Stop Loss Agreement with the New York Marine and General Insurance Company at an annual premium of \$132,076, which includes Specific Excess and Aggregate Excess Workers’ Compensation and Employers Liability coverage. Limits provided are: Part A – Workers’ Compensation - statutory; Part B – Employer’s Liability - \$1,000,000. The self-insured retention is \$500,000 per accident, except for police, firefighters and first responders which is \$750,000. The Town accrues as a current liability the incurred but not yet reported claims paid within 60 days of the end of the fiscal year and records the remaining claims as a noncurrent liability within the government-wide financial statements.

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

At December 31, 2020, the health insurance liability and workers’ compensation liability are recorded within the Town’s Internal Service Fund. The changes since January 1, 2019 in risk financing activities for health insurance and worker’s compensation claims are presented below.

	Liability, 1/1/2020	Claims and Adjustments	Claims Payments	Liability, 12/31/2020
Health insurance	\$ 8,896	\$ 1,634,046	\$ 1,613,103	\$ 29,839
Workers' compensation	300,874	184,431	218,190	267,115
Total	<u>\$ 309,770</u>	<u>\$ 1,818,477</u>	<u>\$ 1,831,293</u>	<u>\$ 296,954</u>
	Liability, 1/1/2019	Claims and Adjustments	Claims Payments	Liability, 12/31/2019
Health insurance	\$ 40,812	\$ 1,465,816	\$ 1,497,732	\$ 8,896
Workers' compensation	456,356	77,883	233,365	300,874
Total	<u>\$ 497,168</u>	<u>\$ 1,543,699</u>	<u>\$ 1,731,097</u>	<u>\$ 309,770</u>

## 11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The table below is a summary of the Town’s short-term debt for the year ended December 31, 2020.

Description	Interest Rate	Maturity Date	Balance 1/1/2020	Issues	Redemptions	Balance 12/31/2020
Capital Projects Fund:						
Reconstruction of various bridges/culverts	2.25%	7/24/2020	\$ 650,000	\$ -	\$ 650,000	\$ -
Water main line installations	2.25%	7/24/2020	6,800,000	-	6,800,000	-
Parks, recreation and forestry equipment	2.25%	7/24/2020	300,000	-	300,000	-
Holland and Brunk road improvements	2.25%	7/24/2020	870,000	-	870,000	-
Acquisition of highway equipment	2.25%	7/24/2020	1,200,000	-	1,200,000	-
Street lighting energy EPC	2.25%	7/24/2020	2,810,000	-	2,810,000	-
Refuse and recycling carts	2.25%	7/24/2020	1,500,000	-	1,500,000	-
Erie street culvert replacement	2.25%	7/24/2020	625,000	-	625,000	-
Highway equipment	2.25%	7/24/2020	900,000	-	900,000	-
Partridge Walk Improvements	1.35%	7/23/2021	-	160,000	-	160,000
Water Main Improvements	1.50%	7/23/2021	-	6,675,000	-	6,675,000
Street Lighting Energy EPC	1.50%	7/23/2021	-	2,810,000	-	2,810,000
Erie Street Culvert Replacement	1.50%	7/23/2021	-	625,000	-	625,000
Portable truck lift	1.50%	7/23/2021	-	200,000	-	200,000
Total			<u>\$ 15,655,000</u>	<u>\$ 10,470,000</u>	<u>\$ 15,655,000</u>	<u>\$ 10,470,000</u>

## 12. LONG-TERM LIABILITIES

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

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

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

A summary of changes in the Town’s long-term debt for the year ended December 31, 2020 is presented on the following page.

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Governmental activities:					
Serial bonds	\$ 17,060,000	\$ 11,095,000	\$ 10,175,000	\$ 17,980,000	\$ 2,065,000
Premium on serial bonds	1,147,731	1,743,046	251,228	2,639,549	351,443
Net bonds payable	18,207,731	12,838,046	10,426,228	20,619,549	2,416,443
Installment purchase debt	1,158,165	-	87,836	1,070,329	90,966
Compensated absences*	3,010,953	68,919	-	3,079,872	153,994
OPEB obligation	16,397,401	1,782,657	866,952	17,313,106	-
Workers' compensation	300,874	184,431	218,190	267,115	70,608
Net pension liability*	3,784,950	8,537,655	-	12,322,605	-
Net pension liability—LOSAP	8,631,354	1,773,707	241,640	10,163,421	-
Total governmental activities	\$ 51,491,428	\$ 25,185,415	\$ 11,840,846	\$ 64,835,997	\$ 2,732,011

\*Additions to compensated absences and the net pension liability are shown net of reductions.

**Serial Bonds**—The Town issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds have been issued for governmental funds. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds general are issued as serial bonds with equal amounts of principal maturing each year with original maturities that range from 6 to 20 years.

On May 12, 2020, the Town issued \$7,005,000 in 2020 general obligation current refunding serial bonds, which together with premiums of \$993,153 fully refunded \$7,795,000 of previously issued 2012 serial bonds. The refunding bonds carry an interest rate of 5.0 percent and mature in July 2026. The District deposited \$7,918,188 with an escrow agent and the refunded bonds were called on July 15, 2020. As a result of this current refunding, the payment to escrow agent has been classified as a principal expenditure at December 31, 2020. The refunded bonds were called on July 15, 2020. As a result, the Town reports the transaction as a current refunding. At the time of closing, the escrow agent of the refunded bonds had first lien on all investment income from, and maturing principal of, the 2020 general obligation current refunding serial bonds, along with other available monies held in escrow. The escrow contract shall terminate upon final payment by the escrow holder to the paying agents/fiscal agent for the refunded bonds amounts from the escrow fund adequate for the payment, in full, of the refunded bonds, including interest payable with respect thereto. The refunding plan will permit the Town to realize, as a result of the issuance of the bonds, cumulative dollar and present value debt service savings of \$334,889.

Additionally, on July 23, 2020, the Town issued \$4,090,000 in general obligation serial bonds for various capital improvements. These bonds were issued at a premium of \$749,893, carry an interest rate between 2.0 and 5.0 percent, and mature in July 2034.

A summary of bonded indebtedness transactions for the year ended December 31, 2020 is presented on the following page.



Description	Year of of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020
<b>General Fund:</b>						
Walden Ave. building/land acquisition	2005/2024	3.5-4.0	\$ 500,000	\$ -	\$ 500,000	\$ -
Town hall addition	2012/2026	2.0-5.0	961,000	-	961,000	-
Police/court building	2012/2026	2.0-5.0	3,447,000	-	3,447,000	-
Indoor training facility	2013/2028	3.0-5.0	1,765,000	-	129,000	1,636,000
Police/court building	2016/2031	2.0-5.0	1,130,000	-	105,000	1,025,000
Parks and recreation equipment	2016/2031	2.0-5.0	311,000	-	25,000	286,000
Town storage building	2016/2031	2.0-5.0	719,000	-	57,000	662,000
Parks and recreation equipment	2020/2034	2.0-5.0	-	220,000	-	220,000
Police/Court Building	2020/2026	5.0	-	2,682,000	-	2,682,000
Town Hall addition	2020/2026	5.0	-	747,300	-	747,300
Total General Fund			<u>8,833,000</u>	<u>3,649,300</u>	<u>5,224,000</u>	<u>7,258,300</u>
<b>Highway Fund—Townwide:</b>						
Culverts/bridges	2012/2026	2.0-5.0	706,000	-	706,000	-
Reconstruction of bridges and culverts	2016/2031	2.0-5.0	1,246,000	-	100,000	1,146,000
Lincoln street culvert reconstruction	2016/2031	2.0-5.0	358,000	-	29,000	329,000
Culverts/bridges	2020/2026	5.0	-	548,600	-	548,600
Holland Avenue and Brunk Road Improvement	2020/2034	2.0-5.0	-	450,000	-	450,000
Reconstruction of bridges and culverts	2020/2034	2.0-5.0	-	480,000	-	480,000
Total Highway Fund—Townwide			<u>2,310,000</u>	<u>1,478,600</u>	<u>835,000</u>	<u>2,953,600</u>
<b>Highway Fund—Town Outside Village:</b>						
Highway equipment	2012/2023	2.0-5.0	210,000	-	210,000	-
Highway equipment	2016/2031	2.0-5.0	860,000	-	69,000	791,000
Highway vehicles and equipment	2016/2031	2.0-5.0	573,000	-	57,000	516,000
Highway vehicles and equipment (paver)	2016/2031	2.0-5.0	312,000	-	26,000	286,000
Glendale/Parkdale road reconstruction	2012/2023	2.0-5.0	158,000	-	158,000	-
Culverts and road improvements	2016/2031	2.0-5.0	231,000	-	23,000	208,000
Glendale/Parkdale road reconstruction	2020/2026	5.0	-	104,700	-	104,700
Highway equipment	2020/2026	5.0	-	140,000	-	140,000
Acquisition of Highway Equipment	2020/2034	2.0-5.0	-	940,000	-	940,000
Highway equipment	2020/2034	2.0-5.0	-	754,000	-	754,000
Total Highway Fund—Town Outside Village			<u>2,344,000</u>	<u>1,938,700</u>	<u>543,000</u>	<u>3,739,700</u>
<b>Special Districts - Refuse District:</b>						
Refuse and recycling carts	2020/2034	2.0-5.0	-	1,246,000	-	1,246,000
Total Refuse District			<u>-</u>	<u>1,246,000</u>	<u>-</u>	<u>1,246,000</u>
<b>Special Districts - Consolidated Water District:</b>						
Transit Road water improvements	2012/2026	2.0-5.0	262,000	-	262,000	-
Townwide water improvements	2012/2026	2.0-5.0	2,828,000	-	2,828,000	-
Schwartz Road waterline improvements	2012/2026	2.0-5.0	483,000	-	483,000	-
Transit Road water improvements	2020/2026	5.0	-	204,100	-	204,100
Townwide water improvements	2020/2026	5.0	-	2,200,700	-	2,200,700
Schwartz Road waterline improvements	2020/2026	5.0	-	377,600	-	377,600
Total Consolidated Water District			<u>3,573,000</u>	<u>2,782,400</u>	<u>3,573,000</u>	<u>2,782,400</u>
Total governmental activities			<u>\$ 17,060,000</u>	<u>\$ 11,095,000</u>	<u>\$ 10,175,000</u>	<u>\$ 17,980,000</u>

**Amortization of Bond Premium**—During the year ended December 31, 2020, the Town issued serial bonds and current refunding bonds, which included bond premiums of \$749,893 and \$993,153, respectively. The premiums are being amortized on a straight-line basis over the life of the bonds. Total unamortized bond premiums at December 31, 2020 are \$2,639,549.

**Installment Purchase Debt**—On July 21, 2014, the Town entered into an installment purchase energy performance contract for the installation and maintenance of various Town buildings, machinery and equipment, in an effort to reduce energy costs. The installment purchase debt carries an interest rate of 3.53% and is payable semi-annually, with the final payment due on August 1, 2030. Total outstanding balance at December 31, 2020 was \$1,070,329.

The requirements of the installment purchase agreements are summarized below:

<u>Year ending December 31,</u>	
2021	\$ 127,984
2022	127,984
2023	127,984
2024	127,984
2025	127,984
2026-2030	<u>639,921</u>
Total minimum lease payments	1,279,841
Less: amount representing imputed interest	<u>(209,512)</u>
Present value of minimum lease payments	<u>\$ 1,070,329</u>

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

	<u>Governmental Activities</u>
Assets:	
Buildings and improvements	\$ 1,480,299
Machinery and equipment	453,590
Less: Accumulated depreciation	<u>(450,851)</u>
Total	<u>\$ 1,483,038</u>

**Compensated Absences**—As explained in Note 1, certain Town employees are permitted to accumulate earned but unused vacation and sick benefits. Upon retirement, these employees are entitled to compensation for such unused benefits. The payment in cash or health care benefits depends upon individual options selected upon retirement in accordance with the contractual agreement for union employees and Town Board rules and regulations for non-union employees. The annual budgets of the operating funds provide funding for these benefits as they become payable. The liability for compensated absences at December 31, 2020 amounts to \$3,079,872.

**OPEB Obligation**—As explained in Note 9, the Town provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Town’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability). The long-term OPEB obligation is estimated to be \$17,313,106 at December 31, 2020.

**Workers’ Compensation**—As explained in Note 10, the Town reports workers’ compensation liabilities within its governmental activities. The total workers’ compensation liability outstanding at December 31, 2019 is \$267,115.

**Net Pension Liability**—The Town reports a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employee’s Retirement System. The total net

pension liability is estimated to be \$12,322,605 in the governmental activities. Refer to Note 7 additional information related to the Town's net pension liability.

**Net Pension Liability—LOSAP**—The Town reports a liability for its proportionate share of the net pension liability for the Length of Service Awards Program. The net pension liability is estimated to be \$10,163,421 in the governmental activities. Refer to Note 8 additional information related to the Town's net pension liability for LOSAP.

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

Year Ending December 31,	Serial Bonds	Premium on Serial Bonds	Installment			Workers' Compensation	Net Pension Liability	Net Pension	
			Purchase Debt	Compensated Absences	OPEB Obligation			Liability LOSAP	Total
2021	\$ 2,065,000	\$ 351,443	\$ 90,966	\$ 153,994	\$ -	\$ 70,608	\$ -	\$ -	\$ 2,732,011
2022	2,140,000	351,443	94,208	-	-	-	-	-	2,585,651
2023	2,220,000	351,443	97,566	-	-	-	-	-	2,669,009
2024	2,220,000	351,443	101,043	-	-	-	-	-	2,672,486
2025	2,300,000	351,443	104,645	-	-	-	-	-	2,756,088
2026-2030	6,145,000	661,656	581,901	-	-	-	-	-	7,388,557
2031-thereafter	890,000	220,678	-	2,925,878	17,313,106	196,507	12,322,605	10,163,421	44,032,195
<b>Total</b>	<b>\$ 17,980,000</b>	<b>\$ 2,639,549</b>	<b>\$ 1,070,329</b>	<b>\$ 3,079,872</b>	<b>\$ 17,313,106</b>	<b>\$ 267,115</b>	<b>\$ 12,322,605</b>	<b>\$ 10,163,421</b>	<b>\$ 64,835,997</b>

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

Year Ending December 31,	Serial Bonds	Installment
		Purchase Debt
2021	\$ 775,137	\$ 37,018
2022	676,995	33,776
2023	571,001	30,418
2024	460,901	26,941
2025	350,526	23,339
2026-2030	593,656	58,020
2031-thereafter	34,025	-
<b>Total</b>	<b>\$ 3,462,241</b>	<b>\$ 209,512</b>

### 13. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation		\$ 85,781,297
Less: Related debt		
Serial bonds	\$ (17,980,000)	
Unamortized bond premium	(2,639,549)	
Bond anticipation notes issued for capital assets	(10,470,000)	
Installment purchase debt	<u>(1,070,329)</u>	(32,159,878)
Add: Unspent proceeds reported within the Capital Projects Fund		<u>1,899,321</u>
Net investment in capital assets		<u>\$ 55,520,740</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Town at December 31, 2020 includes:

- **Prepaid Items**—Represents amount prepaid to the retirement system that are applicable to future accounting periods. The General, Police, Highway—Town Outside Village and Nonmajor Funds reported amounts of \$102,469, \$367,707, \$67,905 and \$8,604, respectively.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At December 31, 2020, the Town reported restricted fund balance in the General, Highway—Town Outside Village, Fire Protection District and Nonmajor Funds for \$501,184, \$344,203, \$4,966,416 and \$412,207, respectively. Restrictions of the Town at December 31, 2020 include:

- **Restricted for Debt Service**—Represents resources within the General Fund, Highway—Town Outside Village and Nonmajor Funds legally restricted for the payment of debt service in the amounts of \$501,184, \$344,203 and \$412,207, respectively.
- **Restricted for LOSAP**—Represents monies, \$4,966,416, held in trust for the administration of the Town’s LOSAP.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town’s highest level of decision-making authority. As of December 31, 2020, the Town reported no committed fund balance.

The Town Board has authorized the Director of Finance and Administration to make a determination of the assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. In the fund financial statements, assignments by the Town at December 31, 2020 include:

	Subsequent Year's Expenditures	Encumbrances	Capital Improvements	Specific Use	Total Assigned
General Fund	\$ 260,000	\$ 47,771	\$ 200,000	\$ -	\$ 507,771
Police Fund	200,000	-	-	1,816,230	2,016,230
Highway Fund—Town Outside Village	175,000	50,490	200,000	1,529,313	1,954,803
Fire Protection District Fund	-	-	-	227,896	227,896
Nonmajor governmental funds	<u>328,000</u>	<u>5,000</u>	<u>-</u>	<u>1,784,728</u>	<u>2,117,728</u>
Total	<u>\$ 963,000</u>	<u>\$ 103,261</u>	<u>\$ 400,000</u>	<u>\$ 5,358,167</u>	<u>\$ 6,824,428</u>

- **Assigned to Subsequent Year's Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2021 fiscal year.
- **Assigned to Encumbrances**—Represents authorizations related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Capital Improvements**—Represents funds assigned for capital improvements.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents the remaining amounts within funds that are not restricted or committed.

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

#### 14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of December 31, 2020 is as follows:

	Interfund Receivables	Interfund Payables
Governmental funds:		
General Fund	\$ 7,259	\$ 175,278
Highway Fund—Town Outside Village	111,516	-
Nonmajor funds	<u>-</u>	<u>7,259</u>
Total governmental funds	<u>118,775</u>	<u>182,537</u>
Custodial Fund	<u>63,762</u>	<u>-</u>
Total	<u>\$ 182,537</u>	<u>\$ 182,537</u>

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

The Town made the following transfers during the year ended December 31, 2020:

Fund	Transfers in:			Total
	Governmental Funds		Proprietary	
	Police Fund	Capital	Fund	
		Projects	Internal Service	
	Fund	Fund	Fund	
Transfers out:				
General Fund	\$ 290,000	\$ 40,000	\$ 552,941	\$ 882,941
Police Fund	-	-	1,250,103	1,250,103
Highway Fund—Town				
Outside Village	-	154,464	683,994	838,458
Fire Protection Fund	-	-	140,000	140,000
Capital Projects Fund	-	-	-	-
Nonmajor Funds	-	615,000	230,083	845,083
Total	<u>\$ 290,000</u>	<u>\$ 809,464</u>	<u>\$ 2,857,121</u>	<u>\$ 3,956,585</u>

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

## 15. LABOR CONTRACTS

Certain town employees are represented by four bargaining units, with the balance governed by Town Board rules and regulations. The CSEA Blue Collar, CSEA White Collar and Lancaster Dispatch Employee Association have contracts through December 31, 2021, while the Cayuga Club Police Benevolent Association's contract expired on December 31, 2018.

## 16. COMMITMENTS

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

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2020, the Town did not report any significant encumbrances.

## 17. TAX ABATEMENTS

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

stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by LIDA, the Town collected \$821,416 during 2020 in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$1,135,540 in property taxes.

## 18. CONTINGENCIES

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

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

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

## 19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2021, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION



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

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.1375331%	0.1477059%	0.1473120%	0.1732448%	0.1636966%	0.1655090%	0.1655090%
Town's proportionate share of the net pension liability	<u>\$ 7,351,057</u>	<u>\$ 2,477,122</u>	<u>\$ 1,488,966</u>	<u>\$ 3,590,761</u>	<u>\$ 4,846,709</u>	<u>\$ 455,579</u>	<u>\$ 689,030</u>
Town's covered payroll	\$ 4,528,588	\$ 4,574,331	\$ 4,635,426	\$ 4,681,838	\$ 5,043,157	\$ 4,298,778	\$ 4,309,866
Town's proportionate share of the net pension liability as a percentage of its covered payroll	162.3%	54.2%	32.1%	76.7%	96.1%	10.6%	16.0%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	98.5%

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

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

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$1,326,431	\$1,259,103	\$1,292,029	\$1,437,157	\$1,419,360	\$1,407,843	\$1,536,145
Contributions in relation to the contractually required contribution	<u>(1,326,431)</u>	<u>(1,259,103)</u>	<u>(1,292,029)</u>	<u>(1,437,157)</u>	<u>(1,419,360)</u>	<u>(1,407,843)</u>	<u>(1,536,145)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$4,751,654	\$4,799,651	\$4,556,269	\$4,574,880	\$4,537,832	\$5,019,342	\$4,340,421
Contributions as a percentage of covered payroll	27.9%	26.2%	28.4%	31.4%	31.3%	28.0%	35.4%

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

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

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0187743%	0.0184583%	0.0187030%	0.0169944%	0.0189275%	0.0191263%	0.0191263%
Town's proportionate share of the net pension liability	<u>\$ 4,971,548</u>	<u>\$ 1,307,828</u>	<u>\$ 603,630</u>	<u>\$ 1,596,833</u>	<u>\$ 3,037,916</u>	<u>\$ 646,132</u>	<u>\$ 864,289</u>
Town's covered payroll	\$ 5,821,610	\$ 5,880,414	\$ 5,654,475	\$ 5,603,180	\$ 5,188,608	\$ 5,348,133	\$ 5,227,702
Town's proportionate share of the net pension liability as a percentage of its covered payroll	85.4%	22.2%	10.7%	28.5%	58.5%	12.1%	16.5%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

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

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

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 831,784	\$ 818,551	\$ 821,419	\$ 777,960	\$ 820,238	\$ 953,021	\$1,004,006
Contributions in relation to the contractually required contribution	<u>(831,784)</u>	<u>(818,551)</u>	<u>(821,419)</u>	<u>(777,960)</u>	<u>(820,238)</u>	<u>(953,021)</u>	<u>(1,004,006)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 5,973,468	\$ 6,033,806	\$ 5,855,978	\$ 5,494,943	\$ 5,343,615	\$ 5,250,411	\$ 5,381,538
Contributions as a percentage of covered payroll	13.9%	13.6%	14.0%	14.2%	15.3%	18.2%	18.7%

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Changes in the Town's Total OPEB Liability and Related Ratios**  
**Last Three Fiscal Years\***

	Year Ended December 31,		
	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 157,780	\$ 118,488	\$ 98,073
Interest	441,814	576,047	488,461
Differences between expected and actual experience	-	619,894	-
Changes of assumptions	1,183,063	2,607,591	(1,056,376)
Benefit payments	(866,952)	(793,815)	(718,502)
Net changes in total OPEB liability	<u>915,705</u>	<u>3,128,205</u>	<u>(1,188,344)</u>
Total OPEB liability—beginning	<u>16,397,401</u>	<u>13,269,196</u>	<u>14,457,540</u>
Total OPEB liability—ending	<u>\$ 17,313,106</u>	<u>\$ 16,397,401</u>	<u>\$ 13,269,196</u>
<b>Plan Fiduciary Net Position</b>			
Contributions—employer	\$ 866,952	\$ 793,815	\$ 718,502
Benefit payments	(866,952)	(793,815)	(718,502)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Town's net OPEB liability—ending</b>	<u>\$ 17,313,106</u>	<u>\$ 16,397,401</u>	<u>\$ 13,269,196</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll		N/A	N/A
Town's net OPEB liability as a percentage of covered-employee payroll		N/A	N/A

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

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



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

	Year Ended December 31,			
	2020	2019	2018	2017
<b>Total Pension Liability</b>				
Service cost	\$ 239,637	\$ 174,570	\$ 199,356	\$ 184,389
Interest	233,676	264,936	245,286	249,491
Differences between expected and actual experience	23,068	62,375	504	131,446
Changes of assumptions or other inputs	1,277,326	1,114,866	(472,406)	525,586
Benefit payments	(241,640)	(248,040)	(241,092)	(216,440)
Net changes in total pension liability	1,532,067	1,368,707	(268,352)	874,472
Total pension liability—beginning	8,631,354	7,262,647	7,530,999	6,656,527
Total pension liability—ending	<u>\$ 10,163,421</u>	<u>\$ 8,631,354</u>	<u>\$ 7,262,647</u>	<u>\$ 7,530,999</u>
Covered-employee payroll	N/A	N/A	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

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

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 7,928,547	\$ 7,928,547	\$ 7,928,547	\$ -
Other property tax items	432,000	432,000	465,794	33,794
Departmental income	246,500	246,500	157,726	(88,774)
Intergovernmental charges	4,000	4,000	7,450	3,450
Use of money and property	305,635	305,635	197,216	(108,419)
Licenses and permits	91,500	91,500	86,003	(5,497)
Fines and forfeitures	276,200	276,200	141,158	(135,042)
Sale of property and compensation for loss	7,000	7,000	6,522	(478)
Miscellaneous	10,000	10,000	24,396	14,396
State aid	848,625	848,625	1,252,076	403,451
Federal aid	-	-	412,641	412,641
Total revenues	<u>10,150,007</u>	<u>10,150,007</u>	<u>10,679,529</u>	<u>529,522</u>
<b>EXPENDITURES</b>				
Current:				
General government support	3,872,713	3,872,713	4,011,797	(139,084)
Public safety	174,600	174,600	157,602	16,998
Health	88,000	88,000	68,864	19,136
Transportation	196,008	196,008	181,356	14,652
Culture and recreation	2,337,393	2,337,393	1,741,192	596,201
Home and community services	606,325	606,325	573,913	32,412
Employee benefits	1,031,158	1,031,158	1,079,951	(48,793)
Debt service:				
Principal	1,098,836	1,498,836	1,498,836	-
Interest and other fiscal charges	363,569	363,569	322,153	41,416
Total expenditures	<u>9,768,602</u>	<u>10,168,602</u>	<u>9,635,664</u>	<u>532,938</u>
Excess (deficiency) of revenues over expenditures	<u>381,405</u>	<u>(18,595)</u>	<u>1,043,865</u>	<u>1,062,460</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(913,000)	(913,000)	(882,941)	30,059
Premium on serial bonds	-	-	2,581	2,581
Total other financing sources (uses)	<u>(913,000)</u>	<u>(913,000)</u>	<u>(880,360)</u>	<u>32,640</u>
Net change in fund balances*	(531,595)	(931,595)	163,505	1,095,100
Fund balances—beginning	3,452,658	3,452,658	3,452,658	-
Fund balances—ending	<u>\$ 2,921,063</u>	<u>\$ 2,521,063</u>	<u>\$ 3,616,163</u>	<u>\$ 1,095,100</u>

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

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Police Fund**  
**Year Ended December 31, 2020**

	<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	\$ 3,739,583	\$ 3,739,583	\$ 3,739,583	\$ -
Other property tax items	190,000	190,000	196,944	6,944
Non-property tax items	4,875,000	4,875,000	4,649,494	(225,506)
Departmental income	5,500	5,500	17,605	12,105
Intergovernmental charges	1,202,500	1,202,500	1,070,963	(131,537)
Use of money and property	50,000	50,000	16,470	(33,530)
Fines and forfeitures	20,000	20,000	10,435	(9,565)
Sale of property and compensation for loss	10,000	37,636	45,362	7,726
Miscellaneous	500	500	-	(500)
State aid	-	-	6,710	6,710
Federal aid	-	-	10,186	10,186
Total revenues	<u>10,093,083</u>	<u>10,120,719</u>	<u>9,763,752</u>	<u>(356,967)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	29,516	29,516	4,515	25,001
Public safety	6,807,833	6,835,469	6,791,727	43,742
Employee benefits	2,463,734	2,463,734	2,500,296	(36,562)
Total expenditures	<u>9,301,083</u>	<u>9,328,719</u>	<u>9,296,538</u>	<u>32,181</u>
Excess of revenues over expenditures	<u>792,000</u>	<u>792,000</u>	<u>467,214</u>	<u>(324,786)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	290,000	290,000	290,000	-
Transfers out	<u>(1,332,000)</u>	<u>(1,332,000)</u>	<u>(1,250,103)</u>	<u>81,897</u>
Total other financing sources (uses)	<u>(1,042,000)</u>	<u>(1,042,000)</u>	<u>(960,103)</u>	<u>81,897</u>
Net change in fund balances*	(250,000)	(250,000)	(492,889)	(242,889)
Fund balances—beginning	<u>2,876,826</u>	<u>2,876,826</u>	<u>2,876,826</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,626,826</u>	<u>\$ 2,626,826</u>	<u>\$ 2,383,937</u>	<u>\$ (242,889)</u>

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

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Highway Fund – Town Outside Village**  
**Year Ended December 31, 2020**

	<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	\$ 3,960,377	\$ 3,960,377	\$ 3,960,377	\$ -
Other property tax items	216,000	216,000	221,621	5,621
Intergovernmental charges	120,000	120,000	124,760	4,760
Use of money and property	70,000	70,000	17,858	(52,142)
Sale of property and compensation for loss	13,000	13,000	27,924	14,924
Miscellaneous	95,100	95,100	51,983	(43,117)
State aid	98,000	98,000	78,838	(19,162)
Total revenues	<u>4,572,477</u>	<u>4,572,477</u>	<u>4,483,361</u>	<u>(89,116)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	4,893	4,893	4,892	1
Transportation	3,282,623	3,282,623	2,454,324	828,299
Employee benefits	517,282	517,284	471,021	46,263
Debt service:				
Principal	265,000	265,000	265,000	-
Interest and other fiscal charges	134,179	134,179	131,680	2,499
Total expenditures	<u>4,203,977</u>	<u>4,203,979</u>	<u>3,326,917</u>	<u>877,062</u>
Excess of revenues over expenditures	<u>368,500</u>	<u>368,498</u>	<u>1,156,444</u>	<u>787,946</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(853,500)	(853,500)	(838,458)	15,042
Premium on serial bonds issued	-	-	2,347	2,347
Total other financing sources (uses)	<u>(853,500)</u>	<u>(853,500)</u>	<u>(836,111)</u>	<u>17,389</u>
Net change in fund balances*	(485,000)	(485,002)	320,333	805,335
Fund balances—beginning	<u>2,046,578</u>	<u>2,046,578</u>	<u>2,046,578</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,561,578</u>	<u>\$ 1,561,576</u>	<u>\$ 2,366,911</u>	<u>\$ 805,335</u>

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

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Fire Protection District Fund**  
**Year Ended December 31, 2020**

	<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	\$ 3,927,168	\$ 3,927,168	\$ 3,927,168	\$ -
Use of money and property	<u>15,500</u>	<u>15,500</u>	<u>361,879</u>	<u>346,379</u>
Total revenues	<u>3,942,668</u>	<u>3,942,668</u>	<u>4,289,047</u>	<u>346,379</u>
<b>EXPENDITURES</b>				
Current:				
General government support	4,244	4,244	4,244	-
Public safety	<u>3,798,424</u>	<u>3,798,424</u>	<u>3,776,643</u>	<u>21,781</u>
Total expenditures	<u>3,802,668</u>	<u>3,802,668</u>	<u>3,780,887</u>	<u>21,781</u>
Excess of revenues over expenditures	<u>140,000</u>	<u>140,000</u>	<u>508,160</u>	<u>368,160</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Total other financing uses	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Net change in fund balances	-	-	368,160	368,160
Fund balances—beginning	<u>4,826,152</u>	<u>4,826,152</u>	<u>4,826,152</u>	<u>-</u>
Fund balances—ending	<u>\$ 4,826,152</u>	<u>\$ 4,826,152</u>	<u>\$ 5,194,312</u>	<u>\$ 368,160</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Notes to the Required Supplementary Information**  
**Year Ended December 31, 2020**

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**1. OPEB LIABILITY**

*Changes of Assumptions*—The actuarial cost method used in the January 1, 2020 valuation was the Entry Age Normal Level Percent of Pay method as prescribed under GASB 75. The rate used to discount future plan cash flows decreased from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020 based on a review of the Bond Buyer’s 20 Bond Index.

The mortality assumption was revised as of January 1, 2020 to the RPH-2014 Total Dataset mortality table projected fully generationally using projection scale MP-2019.

**2. PENSION LIABILITY—LOSAP**

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

December 31, 2019	2.75%
December 31, 2020	2.00%

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

**3. BUDGETARY INFORMATION**

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

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Actual results of operations presented in accordance with GAAP and the Town’s accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances, if any, are disclosed in the notes to the financial statements.

*Excess of Expenditures over Appropriations*—For the year ended December 31, 2020, unfavorable variances existed in various Town governmental funds’ appropriations. The General Fund has unfavorable variances of \$139,084 within general government support due to unanticipated repairs and \$48,793 within employee benefits due to unanticipated retirement sellbacks. The Police Fund has an unfavorable variance of \$36,562 within employee benefits due to medical insurance expenditures.

## SUPPLEMENTARY INFORMATION





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**TOWN OF LANCASTER, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**December 31, 2020**

	<b>Special Revenue</b>						
	<b>General</b>				<b>Consolidated</b>	<b>Miscellaneous</b>	<b>Total</b>
	<b>Fund - Town</b>	<b>Highway</b>	<b>Refuse</b>	<b>Lighting</b>			
	<b>Outside</b>	<b>Fund -</b>	<b>District</b>	<b>District</b>	<b>District</b>	<b>Revenue</b>	<b>Funds</b>
	<b>Village</b>	<b>Townwide</b>	<b>District</b>	<b>District</b>	<b>District</b>	<b>District</b>	<b>District</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 722,098	\$ 174,012	\$ 630,440	\$ 139,128	\$ 106,405	\$ 612,391	\$ 2,384,474
Restricted cash and cash equivalents	-	93,413	2,510	76,027	240,257	-	412,207
Receivables	143,861	-	4,015	-	-	28,500	176,376
Prepaid items	8,604	-	-	-	-	-	8,604
Total assets	<u>\$ 874,563</u>	<u>\$ 267,425</u>	<u>\$ 636,965</u>	<u>\$ 215,155</u>	<u>\$ 346,662</u>	<u>\$ 640,891</u>	<u>\$ 2,981,661</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 25,993	\$ -	388,184	\$ 15,758	\$ -	\$ -	\$ 429,935
Accrued liabilities	5,928	-	-	-	-	-	5,928
Due to other funds	-	-	-	-	-	7,259	7,259
Total liabilities	<u>31,921</u>	<u>-</u>	<u>388,184</u>	<u>15,758</u>	<u>-</u>	<u>7,259</u>	<u>443,122</u>
<b>FUND BALANCES</b>							
Nonspendable	8,604	-	-	-	-	-	8,604
Restricted	-	93,413	2,510	76,027	240,257	-	412,207
Assigned	834,038	174,012	246,271	123,370	106,405	633,632	2,117,728
Total fund balances	<u>842,642</u>	<u>267,425</u>	<u>248,781</u>	<u>199,397</u>	<u>346,662</u>	<u>633,632</u>	<u>2,538,539</u>
Total liabilities and fund balances	<u>\$ 874,563</u>	<u>\$ 267,425</u>	<u>\$ 636,965</u>	<u>\$ 215,155</u>	<u>\$ 346,662</u>	<u>\$ 640,891</u>	<u>\$ 2,981,661</u>

**TOWN OF LANCASTER, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2020**

	Special Revenue						Total Nonmajor Funds
	General		Refuse District	Lighting District	Consolidated Water District	Miscellaneous Special Revenue	
	Fund - Town Outside Village	Highway Fund - Townwide					
<b>REVENUES</b>							
Real property taxes	\$ 138,478	\$ 469,543	\$ 2,474,360	\$ 295,013	\$ 834,875	\$ -	\$ 4,212,269
Other property tax items	7,744	22,775	-	-	-	-	30,519
Non-property tax items	453,034	-	-	-	-	-	453,034
Departmental income	59,991	-	38,949	-	-	-	98,940
Intergovernmental charges	27,325	-	-	-	6,039	-	33,364
Use of money and property	94,065	4,702	7,648	7,679	16,413	4,901	135,408
Licenses and permits	315,335	-	-	-	-	-	315,335
Miscellaneous	-	6,756	-	30,377	72,157	182,182	291,472
State aid	121,895	-	-	-	-	-	121,895
Total revenues	<u>1,217,867</u>	<u>503,776</u>	<u>2,520,957</u>	<u>333,069</u>	<u>929,484</u>	<u>187,083</u>	<u>5,692,236</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	434,249	-	-	-	-	50,083	484,332
Health	3,278	-	-	-	-	-	3,278
Transportation	-	2,450	-	65,265	-	-	67,715
Culture and recreation	-	-	-	-	-	512,428	512,428
Home and community services	489,385	-	2,455,484	-	3,266	11,892	2,960,027
Employee benefits	104,858	159	-	-	-	-	105,017
Debt service:							
Principal	-	225,000	-	-	479,000	-	704,000
Interest and other fiscal charges	-	124,602	33,750	63,225	250,494	-	472,071
Total expenditures	<u>1,031,770</u>	<u>352,211</u>	<u>2,489,234</u>	<u>128,490</u>	<u>732,760</u>	<u>574,403</u>	<u>5,308,868</u>
Excess (deficiency) of revenues over expenditures	<u>186,097</u>	<u>151,565</u>	<u>31,723</u>	<u>204,579</u>	<u>196,724</u>	<u>(387,320)</u>	<u>383,368</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out	(230,083)	(175,000)	(140,000)	(175,000)	(125,000)	-	(845,083)
Premium on serial bonds issued	-	5,514	-	8,451	-	-	13,965
Total other financing sources (uses)	<u>(230,083)</u>	<u>(169,486)</u>	<u>(140,000)</u>	<u>(166,549)</u>	<u>(125,000)</u>	<u>-</u>	<u>(831,118)</u>
Net change in fund balances	(43,986)	(17,921)	(108,277)	38,030	71,724	(387,320)	(447,750)
Fund balances—beginning	886,628	285,346	357,058	161,367	274,938	1,020,952	2,986,289
Fund balances—ending	<u>\$ 842,642</u>	<u>\$ 267,425</u>	<u>\$ 248,781</u>	<u>\$ 199,397</u>	<u>\$ 346,662</u>	<u>\$ 633,632</u>	<u>\$ 2,538,539</u>

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## OTHER INFORMATION



**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—General Fund - Town Outside Village**  
**Year Ended December 31, 2020**

	<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	\$ 138,478	\$ 138,478	\$ 138,478	\$ -
Other property tax items	7,700	7,700	7,744	44
Non-property tax items	420,000	420,000	453,034	33,034
Departmental income	40,000	40,000	59,991	19,991
Intergovernmental charges	27,250	27,250	27,325	75
Use of money and property	75,000	75,000	94,065	19,065
Licenses and permits	217,000	217,000	315,335	98,335
Miscellaneous	200	200	-	(200)
State aid	120,000	120,000	121,895	1,895
Total revenues	<u>1,045,628</u>	<u>1,045,628</u>	<u>1,217,867</u>	<u>172,239</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	531,837	531,837	434,249	97,588
Health	3,260	3,260	3,278	(18)
Home and community services	416,385	416,385	489,385	(73,000)
Employee benefits	117,146	117,146	104,858	12,288
Total expenditures	<u>1,068,628</u>	<u>1,068,628</u>	<u>1,031,770</u>	<u>36,858</u>
Excess (deficiency) of revenues over expenditures	<u>(23,000)</u>	<u>(23,000)</u>	<u>186,097</u>	<u>209,097</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(167,000)</u>	<u>(167,000)</u>	<u>(230,083)</u>	<u>(63,083)</u>
Total other financing uses	<u>(167,000)</u>	<u>(167,000)</u>	<u>(230,083)</u>	<u>(63,083)</u>
Net change in fund balances*	(190,000)	(190,000)	(43,986)	146,014
Fund balances—beginning	<u>886,628</u>	<u>886,628</u>	<u>886,628</u>	<u>-</u>
Fund balances—ending	<u>\$ 696,628</u>	<u>\$ 696,628</u>	<u>\$ 842,642</u>	<u>\$ 146,014</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Highway Fund - Townwide**  
**Year Ended December 31, 2020**

	<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	\$ 469,543	\$ 469,543	\$ 469,543	\$ -
Other property tax items	22,500	22,500	22,775	275
Use of money and property	8,000	8,000	4,702	(3,298)
Miscellaneous	-	-	6,756	6,756
Total revenues	<u>500,043</u>	<u>500,043</u>	<u>503,776</u>	<u>3,733</u>
<b>EXPENDITURES</b>				
Current:				
General government support	318	318	-	318
Transportation	54,000	54,000	2,450	51,550
Employee benefits	1,224	1,224	159	1,065
Debt service:				
Principal	225,000	225,000	225,000	-
Interest and other fiscal charges	129,501	129,501	124,602	4,899
Total expenditures	<u>410,043</u>	<u>410,043</u>	<u>352,211</u>	<u>57,832</u>
Excess of revenues over expenditures	<u>90,000</u>	<u>90,000</u>	<u>151,565</u>	<u>61,565</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(175,000)	(175,000)	(175,000)	-
Premium on serial bonds issued	-	-	5,514	5,514
Total other financing sources (uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(169,486)</u>	<u>5,514</u>
Net change in fund balances*	(85,000)	(85,000)	(17,921)	67,079
Fund balances—beginning	<u>285,346</u>	<u>285,346</u>	<u>285,346</u>	<u>-</u>
Fund balances—ending	<u>\$ 200,346</u>	<u>\$ 200,346</u>	<u>\$ 267,425</u>	<u>\$ 67,079</u>

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



**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Refuse District Fund**  
**Year Ended December 31, 2020**

	<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	\$ 2,474,360	\$ 2,474,360	\$ 2,474,360	\$ -
Departmental income	37,000	37,000	38,949	1,949
Use of money and property	<u>20,000</u>	<u>20,000</u>	<u>7,648</u>	<u>(12,352)</u>
Total revenues	<u>2,531,360</u>	<u>2,531,360</u>	<u>2,520,957</u>	<u>(10,403)</u>
<b>EXPENDITURES</b>				
Current:				
Home and community services	2,412,610	2,412,610	2,455,484	(42,874)
Debt service:				
Interest and other fiscal charges	<u>33,750</u>	<u>33,750</u>	<u>33,750</u>	<u>-</u>
Total expenditures	<u>2,446,360</u>	<u>2,446,360</u>	<u>2,489,234</u>	<u>(42,874)</u>
Excess of revenues over expenditures	<u>85,000</u>	<u>85,000</u>	<u>31,723</u>	<u>(53,277)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Total other financing uses	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Net change in fund balances*	(55,000)	(55,000)	(108,277)	(53,277)
Fund balances—beginning	<u>357,058</u>	<u>357,058</u>	<u>357,058</u>	<u>-</u>
Fund balances—ending	<u>\$ 302,058</u>	<u>\$ 302,058</u>	<u>\$ 248,781</u>	<u>\$ (53,277)</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Lighting District Fund**  
**Year Ended December 31, 2020**

	<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	\$ 295,013	\$ 295,013	\$ 295,013	\$ -
Use of money and property	2,500	2,500	7,679	5,179
Miscellaneous	-	-	30,377	30,377
Total revenues	<u>297,513</u>	<u>297,513</u>	<u>333,069</u>	<u>35,556</u>
<b>EXPENDITURES</b>				
Current:				
General government support	9,288	9,288	-	9,288
Transportation	75,000	75,000	65,265	9,735
Debt service:				
Interest and other fiscal charges	63,225	63,225	63,225	-
Total expenditures	<u>147,513</u>	<u>147,513</u>	<u>128,490</u>	<u>19,023</u>
Excess of revenues over expenditures	<u>150,000</u>	<u>150,000</u>	<u>204,579</u>	<u>54,579</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(175,000)	(175,000)	(175,000)	-
Premium on serial bonds issued	-	-	8,451	8,451
Total other financing sources (uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(166,549)</u>	<u>8,451</u>
Net change in fund balances	(25,000)	(25,000)	38,030	63,030
Fund balances—beginning	<u>161,367</u>	<u>161,367</u>	<u>161,367</u>	<u>-</u>
Fund balances—ending	<u>\$ 136,367</u>	<u>\$ 136,367</u>	<u>\$ 199,397</u>	<u>\$ 63,030</u>

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

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Consolidated Water District Fund**  
**Year Ended December 31, 2020**

	<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	\$ 834,875	\$ 834,875	\$ 834,875	\$ -
Intergovernmental charges	5,000	5,000	6,039	1,039
Use of money and property	10,000	10,000	16,413	6,413
Miscellaneous	-	-	72,157	72,157
Total revenues	<u>849,875</u>	<u>849,875</u>	<u>929,484</u>	<u>79,609</u>
<b>EXPENDITURES</b>				
Current:				
General government support	527	527	-	527
Home and community services	15,000	15,000	3,266	11,734
Debt service:				
Principal	479,000	479,000	479,000	-
Interest and other fiscal charges	<u>275,348</u>	<u>275,348</u>	<u>250,494</u>	<u>24,854</u>
Total expenditures	<u>769,875</u>	<u>769,875</u>	<u>732,760</u>	<u>37,115</u>
Excess of revenues over expenditures	<u>80,000</u>	<u>80,000</u>	<u>196,724</u>	<u>116,724</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Total other financing uses	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net change in fund balances*	(45,000)	(45,000)	71,724	116,724
Fund balances—beginning	<u>274,938</u>	<u>274,938</u>	<u>274,938</u>	<u>-</u>
Fund balances—ending	<u>\$ 229,938</u>	<u>\$ 229,938</u>	<u>\$ 346,662</u>	<u>\$ 116,724</u>

\* The net change in fund balances was included in the budget as a 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, 2020**

	<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	\$ 11,000	\$ 11,000	\$ 4,901	\$ (6,099)
Miscellaneous	99,500	99,500	182,182	82,682
Total revenues	<u>110,500</u>	<u>110,500</u>	<u>187,083</u>	<u>76,583</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	46,000	46,000	50,083	(4,083)
Culture and recreation	152,000	557,147	512,428	44,719
Home and community services	25,000	25,000	11,892	13,108
Total expenditures	<u>223,000</u>	<u>628,147</u>	<u>574,403</u>	<u>53,744</u>
Net change in fund balances*	(112,500)	(517,647)	(387,320)	130,327
Fund balances—beginning	<u>1,020,952</u>	<u>1,020,952</u>	<u>1,020,952</u>	<u>-</u>
Fund balances—ending	<u>\$ 908,452</u>	<u>\$ 503,305</u>	<u>\$ 633,632</u>	<u>\$ 130,327</u>

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

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Certified Public Accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lancaster, New York (the "Town") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated June 28, 2021. We have also audited the financial statements of the Town of Lancaster Industrial Development Agency (the "Agency"). This report does not include the results of our testing of internal control over financial reporting and compliance and other matters of the Agency, which are reported on separately in our report dated March 9, 2021.

**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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2020-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

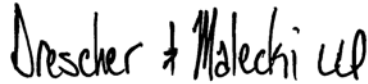
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as item 2020-002.

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

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

## **Purpose of this Report**

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



June 28, 2021

**TOWN OF LANCASTER, NEW YORK**  
**Schedule of Findings**  
**Year Ended December 31, 2020**

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

**Finding 2020-001—Bank Reconciliations and Year-end Closing**

Criteria—A formal policy should be established regarding the preparation and review of bank reconciliations. This policy should include the preparer signing off and dating the bank reconciliation as completed, and the reviewer signing off and dating the bank reconciliation as reviewed. The procedures should also enforce a timely completion and review of bank reconciliation procedures. Additionally, the Town should adhere to its formal policy surrounding journal entries to ensure that all entries posted to the general ledger are posted in the correct period, have a legitimate business purpose, and represent the appropriate activity of the Town. Finally, the Town should have standardized procedures to close the year-end and prepare for the external audit.

Condition and Context—During the first six months of the fiscal year, the Town experienced significant employee turnover within the Finance Office. The staff transition was coupled with the COVID-19 pandemic to cause some significant delays in the completion of critical accounting functions, closing procedures, and year-end audit preparedness. As a result, during our audit, we found that bank reconciliations had not been performed for several months and several large unreconciled balances existed at year-end. Additionally, when bank reconciliations were performed, there was no indication of the timing of completion or a reviewer signing off as an oversight function. Further, as indicated by several proposed audit journal entries for the year ended December 31, 2020, the Town lacked year-end closing procedures, placing undue reliance on the Town’s external audit function.

Cause—Currently there is no formal policy for the preparation and review of bank reconciliations. Additionally, the Town also has not followed its formal journal entry policy. Finally, the Town lacks formal procedures for the year-end closing and audit preparation.

Effect or Potential Effect—The lack of bank reconciliations, timely journal entries and formal procedures to close the fiscal year puts the Town at risk of misstated general ledger account balances, exposes the Town to increased risks of errors in reporting and creates the opportunity for fraud.

Recommendation—We recommend that the Town adopt a policy regarding the preparation of bank reconciliations, which requires the preparer signing off and dating the bank reconciliation as completed and the reviewer signing off and dating the bank reconciliation as reviewed within one month of receipt of the bank statement. We further recommend that the Town follow its existing journal entry policy whereby all non-recurring journal entries and all entries that affect cash or a miscellaneous revenue/expenditure account be reviewed by the Director of Administration & Finance, or the Assistant to the Supervisor should it be prepared by the Director of Administration & Finance. Further both the preparer and reviewer are required to date and sign the entry and according to the policy, “every effort will be made to post entries in a timely manner, defined as within 10 days”. Finally, we also recommend that the Town formalize procedures for the year-end by identifying all journal entries required to be recorded and accrued for before the earlier of the external audit or prior to filing the State’s Annual Update Document which is due May 1<sup>st</sup>.

*View of Responsible Officials and Corrective Action Plan*—As referenced in the finding, staff transition, the COVID-19 pandemic and the implementation of a new accounting software caused some interruption in various Town processes including bank reconciliations and journal entries during 2020. In an effort to add consistency on the performance on those critical accounting functions, the Town implemented a

policy surrounding the performance and review of journal entries. The Town is also in the process of implementing a formal bank reconciliation policy to ensure all bank reconciliations are performed and reviewed within 30 days of receipt. This should also facilitate the timely performance and review of journal entries.

Further, journal entries and bank reconciliations may require additional accounting skills on behalf of two different individuals (the preparer and the reviewer) to ensure accuracy and timeliness, while maintaining appropriate segregation of duties. The Town is considering hiring an individual within the Finance Office who would supplement the existing staff and possess these skills to be a preparer of both bank reconciliations and journal entries. The Director of Administration and Finance would then be tasked to review and signoff on all bank reconciliations, as well as the non-recurring journal entries (i.e., entries involving cash, year-end accruals, and entries to miscellaneous revenue accounts). A separate individual within the Finance Office without an accounting background could be responsible to perform a review of all other journal entries.

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

### **Finding 2020-002—Budgetary Noncompliance**

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

*Condition and Context*—We noted that there are overspent budget lines during 2020. Budgeted appropriations were overspent across various functions of the General Fund, the Police Fund, the General – Town Outside Village Fund, the Refuse Fund, and the Miscellaneous Special Revenue Fund.

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

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

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

*View of Responsible Officials and Corrective Action Plan*—The Town acknowledges the budgetary noncompliance as a deficiency for year ended December 31, 2020. Moving forward all budget lines will be monitored on a regular basis to ensure any transfers, if required, are made in a timely manner and presented to the Board for approval.