

**VILLAGE OF LANCASTER,  
NEW YORK**

*Basic Financial Statements and Required  
Supplementary Information for the  
Year Ended May 31, 2021 and  
Independent Auditors' Reports*



**VILLAGE OF LANCASTER, NEW YORK**  
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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Village Trustees  
Village of Lancaster, New York:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Lancaster, New York (the "Village"), as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

The Village'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, each major fund, and the aggregate remaining fund information of the Village, as of May 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended May 31, 2021, the Village implemented Governmental Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021 on our consideration of the Village’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 the Village’s 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 Village’s internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

October 28, 2021

**VILLAGE OF LANCASTER, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended May 31, 2021**

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As management of the Village of Lancaster, New York (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended May 31, 2021. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the Village'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 \$23,563,016 (*net position*). This consists of \$22,061,424 net investment in capital assets, \$2,577,483 restricted for specific purposes, and an unrestricted net position of \$(1,075,891) at May 31, 2021.
- The Village's primary government net position increased by \$4,397,545 during the year ended May 31, 2021.
- At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$6,726,016, a decrease of \$299,355 in comparison with the prior year's fund balance of \$7,025,371, as restated.
- General Fund fund balance increased \$890,490 from operations during the year ended May 31, 2021. At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,405,133, or approximately 37.5 percent of General Fund expenditures and transfers out. This total amount is available for spending at the Village's discretion and constitutes approximately 31.9 percent of the General Fund's total fund balance of \$7,531,536 at May 31, 2021.
- During the fiscal year ended May 31, 2021, the Village's total serial bonds outstanding decreased \$335,000 as a result of scheduled principal payments of \$425,000 and refunding bond issuances totaling \$2,340,000, which refunded previously issued 2007 and 2012 serial bonds in the amount of \$2,250,000.

**Overview of the Financial Statements**

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

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

The *statement of net position* presents information on all of the Village's assets, liabilities and deferred outflows/inflows of resources, with the differences 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 Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village'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 Village 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 Village include general government support, public safety, transportation, economic assistance and opportunity, culture and recreation, and home and community services. The Village does not engage in any business-type activities.

The government-wide financial statements can be found on pages 11-12 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 Village, 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 Village can be divided into two categories: governmental 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 Village maintains six 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, Sewer Fund, Community Development Fund, Miscellaneous Special Revenue Fund, Capital Projects Fund and Debt Service Fund, all of which are presented as major funds.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement

because the resources of those funds are *not* available to support the Village’s own programs. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Village maintains one fiduciary fund, the Custodial Fund.

The fiduciary fund financial statements can be found on pages 17-18 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 19-46 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village’s net pension liability for the employees retirement system, the Village’s total pension liability related to its length of service awards program, the Village’s total OPEB liability and related ratios, and the Village’s budgetary comparison schedules for the General Fund and Sewer Fund. Required supplementary information and the related notes to the required supplementary information can be found on pages 47-54 of this report.

### Government-wide 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 Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,563,016 at the close of the most recent fiscal year, as compared to \$19,165,471 at the close of the fiscal year ended May 31, 2020, as restated.

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

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

	May 31,	
	2021	2020 (as restated)
Current assets	\$ 11,151,734	\$ 8,856,521
Capital assets	27,521,843	23,015,327
Total assets	<u>38,673,577</u>	<u>31,871,848</u>
Deferred outflows of resources	<u>2,589,480</u>	<u>1,720,887</u>
Current liabilities	4,451,949	4,121,781
Noncurrent liabilities	<u>10,936,771</u>	<u>12,030,301</u>
Total liabilities	<u>15,388,720</u>	<u>16,152,082</u>
Deferred inflows of resources	<u>2,311,321</u>	<u>510,801</u>
Net position:		
Net investment in capital assets	22,061,424	18,578,180
Restricted	2,577,483	2,393,422
Unrestricted	<u>(1,075,891)</u>	<u>(1,806,131)</u>
Total net position	<u>\$ 23,563,016</u>	<u>\$ 19,165,471</u>

The largest portion of the Village’s net position, \$22,061,424, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village’s net position, \$2,577,483, represents resources that are subject to external restrictions on how they may be used. The remaining \$(1,075,891) is considered unrestricted net position. This deficit does not mean that the Village does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the Village’s capital assets and are not expected to be repaid from current resources. These long-term liabilities including compensated absences, other postemployment benefits (“OPEB”) obligations, and net pension liability are funded annually within the funds.

Table 2, as presented below, shows the changes in net position for the years ended May 31, 2021 and May 31, 2020.

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

	Year Ended May 31,	
	2021	2020
Program revenues:		
Charges for services	\$ 1,110,327	\$ 1,196,970
Operating grants and contributions	295,214	14,260
Capital grants and contributions	3,352,904	2,093,183
General revenues	<u>6,806,886</u>	<u>6,678,056</u>
Total revenues	<u>11,565,331</u>	<u>9,982,469</u>
Program expenses	<u>7,167,786</u>	<u>8,266,566</u>
Change in net position	4,397,545	1,715,903
Net position—beginning	19,165,471	15,213,949
Restatement	<u>-</u>	<u>2,235,619</u>
Net position—ending	<u>\$ 23,563,016</u>	<u>\$ 19,165,471</u>

Overall revenues increased 15.9 percent from the prior year, primarily due to significant increases in capital grants and contributions related to the reimbursable West Main Street capital project. Total expenses decreased 13.3 percent from the year ended May 31, 2020, primarily due to a decrease in transportation and home and community services expenditures related to a decrease in allocable employee benefits.

A summary of sources of revenues for the years ended May 31, 2021 and May 31, 2020 is presented in Table 3 on the following page.

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

	Year Ended May 31,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Charges for services	\$ 1,110,327	\$ 1,196,970	\$ (86,643)	(7.2)
Operating grants and contributions	295,214	14,260	280,954	1,970.2
Capital grants and contributions	3,352,904	2,093,183	1,259,721	60.2
Real property taxes and tax items	5,114,439	5,040,304	74,135	1.5
Other non-property taxes	1,340,472	1,247,406	93,066	7.5
Use of money and property	3,385	9,200	(5,815)	(63.2)
Sale of property and compensation for loss	20,011	86,144	(66,133)	(76.8)
Miscellaneous	21,453	6,050	15,403	254.6
State aid—unrestricted	307,126	288,952	18,174	6.3
Total revenues	<u>\$ 11,565,331</u>	<u>\$ 9,982,469</u>	<u>\$ 1,582,862</u>	15.9

The most significant sources of revenues for the year ended May 31, 2021 were real property taxes and tax items of \$5,114,439, or 44.2 percent of total revenues, capital grants and contributions of \$3,352,904, or 29.0 percent of total revenues, and other non-property taxes of \$1,340,472, or 11.6 percent of total revenues. Similarly, for the year ended May 31, 2020, the largest sources of revenues were real property taxes and tax items of \$5,040,304, or 50.5 percent of total revenues, capital grants and contributions of \$2,093,183, or 21.0 percent of total revenues, and other non-property taxes of \$1,247,406, or 12.5 percent of total revenues.

A summary of program expenses for the years ended May 31, 2021 and May 31, 2020 is presented below in Table 4.

**Table 4—Summary of Program Expenses**

	Year Ended May 31,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
General government support	\$ 1,728,379	\$ 1,855,425	\$ (127,046)	(6.8)
Public safety	2,220,064	1,741,541	478,523	27.5
Transportation	1,780,439	2,245,971	(465,532)	(20.7)
Culture and recreation	171,235	291,628	(120,393)	(41.3)
Home and community services	1,088,025	1,943,416	(855,391)	(44.0)
Interest and other fiscal charges	179,644	188,585	(8,941)	(4.7)
Total program expenses	<u>\$ 7,167,786</u>	<u>\$ 8,266,566</u>	<u>\$ (1,098,780)</u>	(13.3)

The most significant expense items for the year ended May 31, 2021 were public safety of \$2,220,064, or 31.0 percent of total expenses, transportation of \$1,780,439, or 24.8 percent of total expenses, and general government support of \$1,728,379, or 24.1 percent of total expenses. For the year ended May 31, 2020, the most significant expense items were transportation of \$2,245,971, or 27.2 percent of total expenses, home and community services of \$1,943,416, or 23.5 percent of total expenses, and general government support of \$1,855,425 or 22.4 percent of total expenses.

## Financial Analysis of Governmental Funds

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

**Governmental funds**—The focus of the Village’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village’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 an external party, the Village itself, or a group of individuals that has been delegated authority to assign resources for particular purposes by the Board of Trustees.

At May 31, 2021, the Village’s governmental funds reported combined ending fund balance of \$6,726,016, a decrease of \$299,355 from the prior year, as restated. Excluding the Capital Projects Fund, the Village’s governmental funds combined ending fund balances totaled \$8,856,015. Approximately 27.2 percent, \$2,405,133, constitutes unassigned fund balance within the General Fund which is available for spending at the Village’s discretion. However, the Village reports a total unassigned fund balance of \$275,134 due to the Capital Projects Fund deficit of \$2,129,999. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned*, to indicate that it is: (1) not in spendable form, \$61,332, (2) restricted for particular purposes, \$2,577,483 or (3) assigned for particular purposes, \$3,812,067.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,405,133, while total fund balance increased to \$7,531,536. 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 fund expenditures and transfers out. Unassigned fund balance represents 37.5 percent of total General Fund expenditures and transfers out, while total fund balance represents 117.3 percent of that same amount.

During the annual budget process, the Village did not anticipate utilizing fund balance. As a result of spending less than anticipated, specifically within employee benefits and receiving unanticipated Federal aid, the total fund balance of the Village’s General Fund increased \$890,490 during the current fiscal year.

The Village’s Sewer Fund ending fund balance was \$1,216,256. Approximately 99.7 percent, \$1,212,067, of this amount is assigned for specific (Sewer Fund) use. During the year ended May 31, 2021, the Sewer Fund fund balance increased \$334,063, primarily due to increased departmental income from sewer charges and budgetary savings in home and community services and employee benefits.

The Community Development Fund maintains funds that are received by the State to administer capitalizable projects. As such, revenues are received in the Community Development Fund and are subsequently transferred to the Capital Projects Fund as expenditures are incurred. No fund balance is reported at May 31, 2021.

The Village’s Miscellaneous Special Revenue Fund ending fund balance was \$6,434, reported as nonspendable fund balance. During the year ended May 31, 2021, fund balance increased \$869, primarily due to funds received for beautification projects.

The Village’s Capital Projects Fund ending fund balance was \$(2,129,999). During the year ended May 31, 2021, the Capital Projects Fund fund balance decreased \$1,499,838 as a result of increased capital outlay funded through bond anticipation notes. The fund balance deficit is planned to be remedied through future grant receipts and proceeds from long-term debt issuances.

The Village’s Debt Service Fund ending fund balance was \$101,789. During the year ended May 31, 2021, the Debt Service Fund fund balance decreased \$24,939, primarily due to transfers out to the Sewer Fund for debt service payments.

**General Fund Budgetary Highlights**

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

A summary of the General Fund results of operations for the year ended May 31, 2021 is presented below in Table 5.

**Table 5—General Fund Budget**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues	\$ 6,789,350	\$ 7,228,125	\$ 7,310,912	\$ 82,787
Expenditures and other financing uses	6,789,350	7,265,987	6,420,422	845,565
Excess of revenues over expenditures and other financing uses	\$ -	\$ (37,862)	\$ 890,490	\$ 928,352

**Original budget compared to final budget**—During the fiscal year ended May 31, 2021, the budgeted appropriations increased by \$476,637. This is mainly attributed to increased transfers out for capital projects spending, which were offset by an increase in estimated revenues from sales tax collections and federal aid.

**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. Actual expenditures were less than final budgeted appropriations, primarily within employee benefits due to decreases in state retirement and hospital and medical insurance expenditures.

**Capital Asset and Debt Administration**

**Capital assets**—The Village’s investment in capital assets for its governmental activities as of May 31, 2021, amounted to \$27,521,843 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Village’s capital asset policy.

Capital assets, net of depreciation for the governmental activities at May 31, 2021 and May 31, 2020 are presented on the following page in Table 6.

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

	May 31,	
	2021	2020
Land	\$ 402,186	\$ 222,717
Buildings and improvements	2,165,825	2,208,182
Machinery and equipment	1,938,589	1,984,942
Infrastructure	<u>23,015,243</u>	<u>18,599,486</u>
Total	<u>\$ 27,521,843</u>	<u>\$ 23,015,327</u>

Additional information on the Village’s capital assets can be found in Note 5 of this report.

**Long-term liabilities**—At May 31, 2021, the Village had total bonded debt outstanding of \$3,375,000, as compared to \$3,710,000 in the prior year. During the year ended May 31, 2021, the Village’s total serial bonds outstanding decreased \$335,000 as a result of scheduled principal payments of \$425,000 and refunding bond issuances totaling \$2,340,000, which refunded previously issued 2007 and 2012 serial bonds in the amount of \$2,250,000.

A summary of the Village’s long-term liabilities at May 31, 2021 and May 31, 2020 is presented below in Table 7.

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

	May 31,	
	2021	2020
Serial bonds	\$ 3,375,000	\$ 3,710,000
Capital lease	189,715	247,682
Compensated absences	251,713	255,655
OPEB obligation	1,087,476	1,024,334
Net pension liability	6,625	1,654,463
Net pension liability - LOSAP	<u>6,026,242</u>	<u>5,138,167</u>
Total	<u>\$ 10,936,771</u>	<u>\$ 12,030,301</u>

Additional information on the Village’s long-term debt can be found in Note 13 to the financial statements.

### **Economic Factors**

The unemployment rate, not seasonally adjusted, for the region at May 31, 2021 was 5.4 percent. This compares to New York State’s average unemployment rate of 7.8 percent. These factors, along with others, are considered in preparing the Village’s budget. The Village’s total appropriations within the 2021-2022 adopted budget are \$8,034,222, an increase of 2.3 percent from the 2020-2021 adopted budget. The Village did not appropriate any fund balance for spending in the subsequent year.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Village’s finances and to show the Village’s accountability for the money it receives. Questions concerning any of the information in this report, or request for additional financial information should be directed to the Mayor’s Office, Village of Lancaster, 5423 Broadway, Lancaster, NY 14086.

# BASIC FINANCIAL STATEMENTS



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**VILLAGE OF LANCASTER, NEW YORK**  
**Statement of Net Position**  
**May 31, 2021**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,183,708
Restricted cash and cash equivalents	1,444,300
Restricted investments	2,444,619
Receivables	213,659
Intergovernmental receivables	1,810,550
Prepaid items	54,898
Capital assets not being depreciated	402,186
Capital assets, net of accumulated depreciation	<u>27,119,657</u>
Total assets	<u>38,673,577</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows—relating to pensions	<u>2,589,480</u>
Total deferred outflows of resources	<u>2,589,480</u>
<b>LIABILITIES</b>	
Accounts payable	838,904
Accrued liabilities	157,035
Intergovernmental payables	255,310
Bond anticipation notes payable	2,950,000
Unearned revenue	250,700
Noncurrent liabilities:	
Due within one year	493,112
Due within more than one year	<u>10,443,659</u>
Total liabilities	<u>15,388,720</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows—relating to pensions	<u>2,311,321</u>
Total deferred inflows of resources	<u>2,311,321</u>
<b>NET POSITION</b>	
Net investment in capital assets	22,061,424
Restricted for:	
Repairs	31,075
Debt service	101,789
LOSAP	2,444,619
Unrestricted	<u>(1,075,891)</u>
Total net position	<u>\$ 23,563,016</u>

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

**VILLAGE OF LANCASTER, NEW YORK**  
**Statement of Activities**  
**Year Ended May 31, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Governmental</u>
					<u>Activities</u>
<b>Primary government:</b>					
Governmental activities:					
General government support	\$ 1,728,379	\$ 23,655	\$ -	\$ -	\$ (1,704,724)
Public safety	2,220,064	19,963	295,214	18,232	(1,886,655)
Transportation	1,780,439	5,887	-	522,837	(1,251,715)
Culture and recreation	171,235	-	-	63,225	(108,010)
Home and community services	1,088,025	1,060,822	-	2,748,610	2,721,407
Interest and other fiscal charges	179,644	-	-	-	(179,644)
Total primary government	<u>\$ 7,167,786</u>	<u>\$ 1,110,327</u>	<u>\$ 295,214</u>	<u>\$ 3,352,904</u>	<u>(2,409,341)</u>
General revenues:					
Real property taxes and other tax items					5,114,439
Non-property tax items					1,340,472
Use of money and property					3,385
Sale of property and compensation for loss					20,011
Miscellaneous					21,453
State aid—unrestricted					307,126
Total general revenues					<u>6,806,886</u>
Change in net position					4,397,545
Net position—beginning, as restated					<u>19,165,471</u>
Net position—ending					<u>\$ 23,563,016</u>

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

**VILLAGE OF LANCASTER, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**May 31, 2021**

	<u>Special Revenue</u>						<b>Total Governmental Funds</b>
	<b>General</b>	<b>Sewer</b>	<b>Community Development</b>	<b>Miscellaneous Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 4,108,575	\$ 1,075,133	\$ -	\$ -	\$ -	\$ -	\$ 5,183,708
Restricted cash and cash equivalents	31,775	-	250,006	6,434	1,070,537	85,548	1,444,300
Restricted investments	2,444,619	-	-	-	-	-	2,444,619
Receivables	49,840	124,682	-	-	39,137	-	213,659
Intergovernmental receivables	624,806	-	-	-	1,185,744	-	1,810,550
Due from other funds	951,483	56,466	-	-	33,882	16,241	1,058,072
Prepaid items	50,709	4,189	-	-	-	-	54,898
<b>Total assets</b>	<b><u>\$ 8,261,807</u></b>	<b><u>\$ 1,260,470</u></b>	<b><u>\$ 250,006</u></b>	<b><u>\$ 6,434</u></b>	<b><u>\$ 2,329,300</u></b>	<b><u>\$ 101,789</u></b>	<b><u>\$ 12,209,806</u></b>
<b>LIABILITIES</b>							
Accounts payable	\$ 352,384	\$ 35,293	\$ -	\$ -	\$ 451,227	\$ -	\$ 838,904
Accrued liabilities	121,883	8,921	-	-	-	-	130,804
Intergovernmental payables	255,304	-	6	-	-	-	255,310
Due to other funds	-	-	-	-	1,058,072	-	1,058,072
Bond anticipation notes payable	-	-	-	-	2,950,000	-	2,950,000
Unearned revenue	700	-	250,000	-	-	-	250,700
<b>Total liabilities</b>	<b><u>730,271</u></b>	<b><u>44,214</u></b>	<b><u>250,006</u></b>	<b><u>-</u></b>	<b><u>4,459,299</u></b>	<b><u>-</u></b>	<b><u>5,483,790</u></b>
<b>FUND BALANCES (DEFICIT)</b>							
Nonspendable	50,709	4,189	-	6,434	-	-	61,332
Restricted	2,475,694	-	-	-	-	101,789	2,577,483
Assigned	2,600,000	1,212,067	-	-	-	-	3,812,067
Unassigned	2,405,133	-	-	-	(2,129,999)	-	275,134
<b>Total fund balances (deficit)</b>	<b><u>7,531,536</u></b>	<b><u>1,216,256</u></b>	<b><u>-</u></b>	<b><u>6,434</u></b>	<b><u>(2,129,999)</u></b>	<b><u>101,789</u></b>	<b><u>6,726,016</u></b>
<b>Total liabilities and     fund balances (deficit)</b>	<b><u>\$ 8,261,807</u></b>	<b><u>\$ 1,260,470</u></b>	<b><u>\$ 250,006</u></b>	<b><u>\$ 6,434</u></b>	<b><u>\$ 2,329,300</u></b>	<b><u>\$ 101,789</u></b>	<b><u>\$ 12,209,806</u></b>

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

**VILLAGE OF LANCASTER, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**May 31, 2021**

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances (deficit)—governmental funds (page 13)	\$ 6,726,016
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$42,654,492 and the accumulated depreciation is \$15,132,649.	27,521,843
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:

Deferred outflows related to employer contributions	\$ 47,005	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	2,542,475	
Deferred inflows of resources related to pensions—ERS	(1,967,356)	
Deferred inflows of resources related to pensions—LOSAP	(343,965)	278,159

Net accrued interest expense for serial bonds, capital lease and bond anticipation notes is not reported in the fund statements.	(26,231)
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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	\$ (3,375,000)	
Capital lease	(189,715)	
Compensated absences	(251,713)	
Other postemployment benefits ("OPEB") obligation	(1,087,476)	
Net pension liability—ERS	(6,625)	
Net pension liability—LOSAP	(6,026,242)	(10,936,771)

Net position of governmental activities	\$ 23,563,016
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LANCASTER, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Deficit)—Governmental Funds**  
**Year Ended May 31, 2021**

	<u>Special Revenue</u>					<u>Debt Service</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Sewer</u>	<u>Community Development</u>	<u>Miscellaneous Special Revenue</u>	<u>Capital Projects</u>		
<b>REVENUES</b>							
Real property taxes and tax items	\$ 5,114,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,114,439
Non-property tax items	1,340,472	-	-	-	-	-	1,340,472
Departmental income	21,898	1,060,822	-	-	-	-	1,082,720
Intergovernmental charges	5,887	-	-	-	-	-	5,887
Use of money and property	1,702	107	-	-	5	1,571	3,385
Licenses and permits	1,757	-	-	-	-	-	1,757
Fines and forfeitures	19,963	-	-	-	-	-	19,963
Sale of property and compensation for loss	20,011	-	-	-	-	-	20,011
Miscellaneous	17,675	503	-	3,275	-	-	21,453
State aid	471,894	-	2,034,223	-	795,844	-	3,301,961
Federal aid	295,214	-	-	-	358,069	-	653,283
Total revenues	<u>7,310,912</u>	<u>1,061,432</u>	<u>2,034,223</u>	<u>3,275</u>	<u>1,153,918</u>	<u>1,571</u>	<u>11,565,331</u>
<b>EXPENDITURES</b>							
Current:							
General government support	1,209,039	5,400	-	-	-	-	1,214,439
Public safety	1,559,919	-	-	-	-	-	1,559,919
Transportation	1,224,388	-	-	-	-	-	1,224,388
Culture and recreation	117,911	-	-	2,406	-	-	120,317
Home and community services	491,765	272,730	-	-	-	-	764,495
Employee benefits	1,342,051	80,661	-	-	-	-	1,422,712
Debt service:							
Principal	-	57,967	-	-	-	2,675,000	2,732,967
Interest and other fiscal charges	-	26,737	-	-	-	181,688	208,425
Capital outlay	-	-	-	-	4,957,024	-	4,957,024
Total expenditures	<u>5,945,073</u>	<u>443,495</u>	<u>-</u>	<u>2,406</u>	<u>4,957,024</u>	<u>2,856,688</u>	<u>14,204,686</u>
Excess (deficiency) of revenues over expenditures	<u>1,365,839</u>	<u>617,937</u>	<u>2,034,223</u>	<u>869</u>	<u>(3,803,106)</u>	<u>(2,855,117)</u>	<u>(2,639,355)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	26,510	-	-	2,303,268	516,688	2,846,466
Transfers out	(475,349)	(310,384)	(2,034,223)	-	-	(26,510)	(2,846,466)
Current refunding bonds issued	-	-	-	-	-	2,340,000	2,340,000
Total other financing sources (uses)	<u>(475,349)</u>	<u>(283,874)</u>	<u>(2,034,223)</u>	<u>-</u>	<u>2,303,268</u>	<u>2,830,178</u>	<u>2,340,000</u>
Net change in fund balances (deficit)	890,490	334,063	-	869	(1,499,838)	(24,939)	(299,355)
Fund balances (deficit)—beginning, as restated	6,641,046	882,193	-	5,565	(630,161)	126,728	7,025,371
Fund balances (deficit)—ending	<u>\$ 7,531,536</u>	<u>\$ 1,216,256</u>	<u>\$ -</u>	<u>\$ 6,434</u>	<u>\$ (2,129,999)</u>	<u>\$ 101,789</u>	<u>\$ 6,726,016</u>

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

**VILLAGE 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 May 31, 2021**

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

Net change in fund balances (deficit)—total governmental funds (page 15) \$ (299,355)

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 and loss on disposals in the current period.

Capital asset additions	\$ 5,572,557	
Loss on disposal of capital asset	(2,865)	
Depreciation expense	<u>(1,063,176)</u>	4,506,516

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

Village pension contributions	\$ 364,564	
Cost of benefits earned net of employee contributions	<u>(536,728)</u>	(172,164)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 28,781

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

Current refunding bonds issued	\$ (2,340,000)	
Refunded bonds	2,250,000	
Repayment of serial bonds	425,000	
Repayment of capital lease	57,967	
Change in compensated absences	3,942	
Change in OPEB obligation	<u>(63,142)</u>	<u>333,767</u>

Change in net position of governmental activities \$ 4,397,545

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

**VILLAGE OF LANCASTER, NEW YORK**  
**Statement of Fiduciary Net Position—Custodial Fund**  
**May 31, 2021**

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	<b><u>Custodial Fund</u></b>
<b>ASSETS</b>	
Restricted cash and cash equivalents	\$ 700
Total assets	<u>700</u>
<b>NET POSITION</b>	
Restricted for bail deposits	<u>\$ 700</u>

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

**VILLAGE OF LANCASTER, NEW YORK**  
**Statement of Changes in Fiduciary Net Position—Custodial Fund**  
**May 31, 2021**

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	<u><b>Custodial Fund</b></u>
<b>ADDITIONS</b>	
Funds received on behalf of others	\$ -
Total additions	<u>-</u>
<b>DEDUCTIONS</b>	
Funds distributed on behalf of others	<u>-</u>
Total deductions	<u>-</u>
Change in fiduciary net position	-
Net position—beginning, as restated	<u>700</u>
Net position—ending	<u><u>\$ 700</u></u>

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

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**VILLAGE OF LANCASTER, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended May 31, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Village of Lancaster, New York (the "Village") 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 Village's accounting policies are described below.

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

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

***Reporting Entity***

The Village, which was established in 1849, is governed by its Charter, Village law, other general laws of the State of New York and various local laws. The Village Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as Chief Executive Officer and the Village Clerk-Treasurer serves as Chief Fiscal Officer.

The following basic services are provided: fire protection, highway maintenance, sewer, street lighting, parks, justice court and general administration. The Police Department ceased on March 31, 2003 when the Village's police functions were transferred from the Village to the Town of Lancaster. The Village's water services were transferred from the Village to the Erie County Water Authority ("ECWA") on December 31, 2002. These basic services are financed by various taxes, state and federal aid and departmental revenue (which is primarily comprised of service fees and various types of program-related).

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

***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, and a fiduciary fund, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Village'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 Village's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. At May 31, 2021, all of the Village's funds are considered major funds.

The Village reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Village and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property tax.
- *Sewer Fund*—The Sewer Fund is used to record all revenues and expenditures related to operation and maintenance of the Village's sewer districts.
- *Community Development Fund*— The Community Development Fund is used to account for financial resources used to promote job creation and/or retention and enhance business activity within the Village.
- *Miscellaneous Special Revenue Fund*—The Miscellaneous Special Revenue Fund is used to account for specific purposes that were created to benefit the Village, generally funded through gifts and donations.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities.
- *Debt Service Fund*—The Debt Service Fund is used to account for and report the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the Village reports the following fund type:

*Fiduciary Fund*—These funds are used to account for assets held by the Village 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 held on behalf of others.

During the course of operations the Village 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 the 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when the 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, non-property taxes, franchise taxes, licenses, interest and state and federal aid associated with the current fiscal period are all considered to be susceptible to accrual and 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 the amount is received during the period or within the availability. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Custodial Fund is 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 Village’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represent amounts to support unearned revenues, restricted fund balance, restricted grants, unspent debt proceeds, gifts and donations reported within the Miscellaneous Special Revenue Fund, and amounts held on behalf of others.

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

***Receivables***—Receivables are recorded and revenues are recognized as earned. Allowances are recorded when appropriate. No allowance for uncollectable accounts has been provided since it is believed that such an allowance would not be material.

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

***Capital Assets***—Capital assets, which include land improvements, buildings, building improvements, machinery and equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of \$2,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. 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. Major outlays of capital assets and improvements are capitalized as projects are completed.

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

<u>Class of Assets</u>	<u>Estimated Useful Life (Years)</u>
Buildings	50
Building improvements	20
Machinery and equipment	5 - 10
Infrastructure	10 - 30

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 May 31, 2021, the Village has one item that qualifies for reporting in this category. This item represents

the effect of the net change in the Village's proportion of the collective net pension liabilities, the difference during the measurement period between the Village's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At May 31, 2021, the Village has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Village's proportion of the collective net pension liabilities and the difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and it is reported on the government-wide statements.

***Net Position Flow Assumption***—Sometimes the Village 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 Village's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance Flow Assumption***—Sometimes the Village 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 Village'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 Village 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 Village's highest level of decision-making authority. The Village Board of Trustees is the highest level of decision-making authority for the Village that can, by Village Board 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 Village for specific purposes, but do not meet the criteria to be classified as committed. The Village Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue 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 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***—Village real property taxes are levied annually on June 1<sup>st</sup>. The Village tax rate is based on the amount per \$1,000 assessed valuation. Delinquent accounts of sewer billings are transferred to the Village real property tax roll annually for re-levy and collection. Taxes may be paid to the Village between June 1st and October 31st. Tax payments are due July 1st without penalty; a 7.5% penalty is imposed on July 1st; and 1.5% added on the first day of each month thereafter.

Outstanding taxes as of November 1 are forwarded to Erie County for re-levy and collection. The County pays the Village the amount of its outstanding taxes prior to the end of the Village's fiscal year.

***Unearned Revenue***—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At May 31, 2021, the Village reported \$700 and \$250,000 of unearned revenues within the General Fund and Community Development Fund, respectively. The Village received certain fees and grant proceeds in advance but has not performed the associated services and therefore recognizes a liability.

***Compensated Absences***—Pursuant to resolutions of the Village Board and contractual agreements, Village employees are granted vacation, personal leave, and sick leave and earn compensatory absences in varying amounts. Upon retirement, eligible employees qualify for 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 available for the payment of compensated absences when such payments become due.

***Pension Plan***—The Village is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS"). 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 Village as adopted a Length of Service Award Program ("LOSAP") for firefighters that serve on a volunteer basis. The program is administered by an outside agency, with the Village as trustee. More information is included in Note 8.

***Other Postemployment Benefits***—In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors, as discussed in Note 9.

## **Other**

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

**Adoption of New Accounting Pronouncements**—During the year ended May 31, 2021, the Village implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; 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 supersession of GASB Statement No. 32*. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (“AROs”). GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 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. Other than the matter discussed in Note 2, the implementation of GASB Statements No. 83, 84, 88, 90, 92 and 97 did not have a material impact on the Village’s financial position or results from operations.

**Future Impacts of Accounting Pronouncements**—The Village 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 May 31, 2022, No. 87 *Leases*; and No. 91, *Conduit Debt Obligations*, effective for the year ending May 31, 2023, and 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 May 31, 2024. The Village 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 Village follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- The Budget Officer, the Mayor, notifies the heads of administrative units in writing of the necessity for and form of estimates of revenues and expenditures for the ensuing fiscal year by February 8<sup>th</sup>.

- Prior to March 1<sup>st</sup>, each department head submits to the Budget Officer, their departmental estimates of revenues and expenditures for the ensuing fiscal year.
- The Budget Officer reviews the departmental estimates and formulates the proposed budget. The tentative budget is filed with the Village Clerk-Treasurer and furnished to the Village Board of Trustees on or before March 20<sup>th</sup> for the fiscal year commencing the following June 1<sup>st</sup>. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- The Village Clerk presents the tentative budget to the Village Board of Trustees and the board reviews and modifies the tentative budget no later than March 31<sup>st</sup>.
- Notice of public hearing on tentative budget; at least five days shall elapse between first publication and date specified for the hearing, which is to be held no later than April 15<sup>th</sup>. Public hearing may be adjourned from day to day, but not beyond April 20<sup>th</sup>.
- The final revision of tentative budget is made after public hearing but prior to adoption.
- After the final revision the Village Board of Trustees adopts the budget through the passage of a resolution no later than May 1<sup>st</sup>.
- Formal budgetary integration is employed as a management control device during the year for all governmental fund types. Budgetary control over individual capital projects is provided by Village Board of Trustees approval of bond authorizations and provisions of bond indebtedness.
- Budgets for the General Fund and the Sewer Fund are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Board of Trustees. The Debt Service Fund appropriations are not budgeted within the Debt Service Fund. Instead the debt service appropriations are budgeted under the applicable governmental funds: the General Fund and the Sewer Fund. Budgets for the Capital Projects Fund are made on a project basis, spanning more than one fiscal year end. All unencumbered budget appropriations, except project budgets, lapse at year end.
- During the fiscal year, the Village Board of Trustees can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for object level budgetary control. All modifications to the budget must be approved by the Village Board of Trustees. Revisions to the budget were made throughout the year.

***Deficit Fund Balances***—At May 31, 2021, the Village’s Capital Projects Fund reported a fund balance deficit of \$(2,129,999). The primary reason for the deficit in this case is that the Village 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 FUND BALANCE AND NET POSITION

During the year ended May 31, 2021, the Village implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 establishes criteria for identifying fiduciary activities of state and local governments. This Statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The impacts of the restatement are as follows:

	Governmental Activities	General Fund	Custodial Fund
Net position/fund balance—May 31, 2020, as previously stated	\$ 16,929,852	\$ 4,405,427	\$ -
Implementation of GASB Statement No. 84	<u>2,235,619</u>	<u>2,235,619</u>	<u>700</u>
Net position/fund balance—May 31, 2020, as restated	<u>\$ 19,165,471</u>	<u>\$ 6,641,046</u>	<u>\$ 700</u>

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Clerk-Treasurer 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 deposits and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The Village has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation 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 May 31, 2021 are shown below:

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 500	\$ -	\$ 500
Deposits	<u>6,627,508</u>	<u>700</u>	<u>6,628,208</u>
Total	<u>\$ 6,628,008</u>	<u>\$ 700</u>	<u>\$ 6,628,708</u>

**Deposits**—All deposits are carried at fair value, and are classified by custodial credit risk at May 31, 2021 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in the Village's name	<u>6,268,502</u>	<u>6,128,208</u>
Total	<u>\$ 6,768,502</u>	<u>\$ 6,628,208</u>

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of May 31, 2021, the Village’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Village’s name.

**Restricted Cash and Cash Equivalents**—The Village reports cash to support unearned revenues, restricted fund balances, restricted grants, unspent proceeds of debt, gifts and donations reported within the miscellaneous special revenue fund, and amounts held on behalf of others as restricted cash and cash equivalents. At May 31, 2021, the Village reported \$1,444,300 of restricted cash and cash equivalents within its governmental funds and \$700 within its Custodial Fund.

**Investments**—The Village had no investments at May 31, 2021.

**Restricted Investments**—The Village restricted investments consist of annuity contracts related to the Village’s Length of Service Award Program (“LOSAP”), a defined contribution 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 \$2,444,619 as of May 31, 2021, and are recorded within the General 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 as follows:

- |         |   |
|---------|---|
| 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: <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> 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.   |

**Interest Rate Risk**—The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are general limited to 180 days or less.

#### 4. RECEIVABLES

Revenues accrued by the Village at May 31, 2021 consisted of the following:

**Receivables**—Represents amounts due from various sources. Receivables at May 31, 2021 are as follows:

General Fund:			
Franchise fees	\$	25,718	
Gross tax receipts		19,327	
Other		<u>4,795</u>	\$ 49,840
Sewer Fund:			
Sewer rents			124,682
Capital Projects Fund:			
LED street lighting rebate			<u>39,137</u>
Total governmental funds			<u>\$ 213,659</u>

**Intergovernmental Receivables**—Represents amounts due from other units of government, such as Federal, New York State, Erie County or other local governments. Intergovernmental receivables at May 31, 2021 are as follows:

General Fund:			
Due from Erie County	\$	325,876	
Due from local municipalities		38,387	
Due from Federal government		255,171	
Due from New York State		<u>5,372</u>	\$ 624,806
Capital Projects Fund:			
Due from New York State			<u>1,185,744</u>
Total governmental funds			<u>\$ 1,810,550</u>

## 5. CAPITAL ASSETS

Capital asset activity for the Village's governmental activities for the year ended May 31, 2021 was as follows:

	Balance 6/1/2020	Increases	Decreases	Balance 5/31/2021
Capital assets, not being depreciated:				
Land	\$ 222,717	\$ 179,469	\$ -	\$ 402,186
Total capital assets, not being depreciated	<u>222,717</u>	<u>179,469</u>	<u>-</u>	<u>402,186</u>
Capital assets, being depreciated:				
Buildings and building improvements	5,781,895	108,444	-	5,890,339
Machinery and equipment	7,147,412	347,743	34,477	7,460,678
Infrastructure	23,964,388	4,936,901	-	28,901,289
Total capital assets, being depreciated	<u>36,893,695</u>	<u>5,393,088</u>	<u>34,477</u>	<u>42,252,306</u>
Less accumulated depreciation for:				
Buildings and building improvements	3,573,713	150,801	-	3,724,514
Machinery and equipment	5,162,470	391,231	31,612	5,522,089
Infrastructure	5,364,902	521,144	-	5,886,046
Total accumulated depreciation	<u>14,101,085</u>	<u>1,063,176</u>	<u>31,612</u>	<u>15,132,649</u>
Total capital assets, being depreciated, net	<u>22,792,610</u>	<u>4,329,912</u>	<u>2,865</u>	<u>27,119,657</u>
Total capital assets, net	<u>\$ 23,015,327</u>	<u>\$ 4,509,381</u>	<u>\$ 2,865</u>	<u>\$ 27,521,843</u>

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

General government support	\$ 264,390
Public safety	339,602
Transportation	266,556
Culture and recreation	26,194
Home and community services	166,434
Total	<u>\$ 1,063,176</u>

## 6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at May 31, 2021 were as follows:

	General Fund	Sewer Fund	Total Governmental Funds
Salaries and employee benefits	<u>\$ 121,883</u>	<u>\$ 8,921</u>	<u>\$ 130,804</u>

## 7. PENSION PLAN

### *Plan Description and Benefits Provided*

**Employees' Retirement System ("ERS")**—The Village participates in the New York State and Local ERS. This is a cost-sharing multiple-employer retirement system. The ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The ERS 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 ERS, 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 Village also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, 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 ERS's fiscal year ending March 31.

**Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**—At May 31, 2021, the Village reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total net pension liability to the measurement date. The Village's proportion of the net pension liability was based on projections of the Village's long-term share of contributions to the ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the Village.

	<u>ERS</u>
Measurement date	March 31, 2021
Net pension liability	\$ 6,625
Village's portion of the Plan's total net pension liability	0.0066537%

For the year ended May 31, 2021, the Village recognized pension expense of \$146,500 for ERS. At May 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as shown on the following page.

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 80,914	\$ -
Changes of assumptions	1,218,189	22,975
Net difference between projected and actual earnings on pension plan investments	-	1,903,192
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	43,185	41,189
Village's contributions subsequent to the measurement date	47,005	-
Total	<u>\$ 1,389,293</u>	<u>\$ 1,967,356</u>

The Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as shown below:

Year Ending May 31,	ERS
2022	\$ (116,901)
2023	(40,336)
2024	(105,127)
2025	(362,704)

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

	ERS
Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Interest rate	5.9%
Salary scale	4.4%
Decrement tables	April 1, 2015- March 31, 2020
Inflation rate	2.7%
Cost-of-living adjustments	1.4%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 ERS's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020. The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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 are included in the target asset allocation as presented on the following page.

	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2021	
Asset class:		
Domestic equities	32.0 %	4.1 %
International equities	15.0	6.3
Private equity	10.0	6.8
Real estate	9.0	5.0
Opportunistic portfolios	3.0	4.5
Credit	4.0	3.6
Real assets	3.0	6.0
Fixed income	23.0	0.0
Cash	1.0	0.5
Total	100.0 %	

**Discount Rate**—The discount rate used to calculate the total pension liabilities was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption**—The chart below presents the Village’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9%, as well as what the Village’s proportionate share of the net pension liability/(asset) would be if it was calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)	\$ 1,838,942	\$ 6,625	\$ (1,683,199)

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

	(Dollars in Thousands)
	ERS
Valuation date	April 1, 2020
Employers' total pension liability	\$ 220,680,157
Plan fiduciary net position	220,580,583
Employers' net pension liability	\$ 99,574
System fiduciary net position as a percentage of total pension liability	100.0%

***Payables to the Pension Plan***—Employer contributions are paid annually based on the System’s fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of May 31, 2021 represent the projected employer contribution for the period of April 1, 2021 through May 31, 2021 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of May 31, 2021 amounted to \$47,393.

## **8. PENSION OBLIGATIONS—LOSAP**

***Plan Description***—The Village established a defined benefit Service Award Program (referred to as a “LOSAP” – length of service award program – under Section 457(e)(11) of the Internal Revenue Code), effective July 1, 1996, for the active volunteer firefighters of the Village of Lancaster Volunteer Fire Department. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program and the program administrator.

Certain information contained in this note is based on information for the LOSAP measured as of June 30, 2020, with a valuation date of July 1, 2019, the most recent valuation date for which complete information related to the year ended May 31, 2021 is available.

***Participation, Vesting and Service Credit***—Active volunteer firefighters in the Village of Lancaster Volunteer Fire Department who have reached the age of eighteen and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service, upon attaining the program’s entitlement age, becoming totally and permanently disabled or dying while an active member. The program’s entitlement age is age sixty-five. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

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

***Fiduciary Investment and Control***—The governing board of the sponsor has retained and designated VFIS, A Division of Glatfelter Insurance Group, to assist in the administration of the program. The designated program administrator’s functions include general administration in questions of eligibility, as well as, to compute, certify, and direct the Trustee with respect to entitlement and payment of benefits. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by VFIS, who calculates and certifies monthly and other lump sum amounts to be paid.

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

Authority to invest program assets is vested in the Village’s Board of Trustees, subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” standard and the Investment Policy Statement for the LOSAP as approved by the Board of Trustees.

The sponsor is required to retain an actuary to determine the amount of the sponsor’s contributions to the plan. The actuary retained by the sponsor for this purpose is VFIS. Portions of the following information are derived from the most recent report prepared by the actuary on July 1, 2019 valuation date with a measurement date of June 30, 2020.

**Benefits Provided**—A participant’s benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 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. Benefits are not payable until the first day of the month if the participant attained the entitlement age on that date or the first date of the next month, except in the case of disability or death.

**Participants Covered by the Benefit Terms**—At the June 30, 2020 measurement date, the following participants were covered by the benefit terms:

Active members	85
Vested-terminated	52
Retired and beneficiaries	<u>24</u>
Total	<u><u>161</u></u>

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

**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 Village. 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 June 30, 2020 measurement date was determined using an actuarial valuation as of July 1, 2019.

**Actuarial Assumptions**—The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	0.0%
Salary Scale:	Not applicable

Mortality rates were based on the RP-2000 Mortality Table projected to 2030.

**Discount Rate**—The discount rate used to measure the total pension liability was 2.45%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2020. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody’s Investors Service’s, AA by Fitch, or AA by Standard & Poor’s Rating Services.

**Changes in the Total Pension Liability**—The table on the following page presents the changes to the total pension liability during the fiscal year, by source.

	Total Pension Liability
Balance as of June 30, 2019 measurement date	\$ 5,138,167
Changes for the year:	
Service cost	137,268
Interest	124,598
Differences between expected and actual experience	14
Changes of assumptions or other inputs	736,743
Benefit payments	(110,548)
Net changes	888,075
Balance as of June 30, 2020 measurement date	\$ 6,026,242

***Sensitivity of the Total Pension Liability to Changes in the Discount Rate***—The following presents the total pension liability of the Village as of the June 30, 2020 measurement date, calculated using the discount rate of 2.45%, as well as what the Village’s total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current rate:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Total pension liability	\$ 6,452,725	\$ 6,026,242	\$ 5,590,182

***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—For the year ended May 31, 2021, the Village recognized pension expense of \$388,409. At May 31, 2021, the Village reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,625	\$ 110,878
Changes of assumptions	1,197,562	233,087
Total	\$ 1,200,187	\$ 343,965

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as presented below:

Year Ending May 31,	
2022	\$ 126,543
2023	126,543
2024	126,545
2025	204,242
2026	167,098
Thereafter	105,251

The Village accounts for service award program assets within its General Fund under restricted investments. As of May 31, 2021, program asset information was available, which totaled \$2,444,619.

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

**Plan Description**—In addition to providing pension benefits, the Village provides health insurance coverage and/or payment to eligible retired employees. Substantially all of the Village’s full-time employees may become eligible for these benefits upon retirement. The Village is obligated to pay such benefits as a result of union contracts and Village Board rules and regulation for nonunion employees. Health care benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the year ended May 31, 2021, \$139,981 was paid on behalf of retirees and was recorded as an expenditure in the respective funds.

**Employees Covered by Benefit Terms**—At May 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	<u>24</u>
Total	<u><u>31</u></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 (“AAL”) under GASB Statement No. 45.

**Total OPEB Liability**

The Village’s total OPEB liability of \$1,087,476 was measured as of May 31, 2021, and was determined by an actuarial valuation as of June 1, 2020 under the alternative measurement method, where deferred outflows and inflows of resources do not apply.

**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 June 1, 2020 actuarial valuation, the Entry Age Normal Method, over a level percent of pay, was used. The single discount rate changed from 2.48% to 1.99% effective May 31, 2021. Salaries are assumed to increase at 2.00% per year. The salary scale was based on the Village of Lancaster’s review of historical experience as well as future expectations. The initial healthcare rate as of May 31, 2021 was 6.75% decreasing to an ultimate rate of 3.78%. Mortality rates are based on the sex-distinct and job category specific headcount weighted Pub-2010 Public Retirement Plans Mortality Tables for employees, healthy retirees and contingent survivors, adjusted for mortality improvements with scale MP-2020 mortality improvement scale on a generational basis.

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

	Total OPEB Liability
Balance at May 31, 2020	\$ 1,024,334
Changes for the year:	
Service cost	41,388
Interest	26,354
Difference between expected and actual experience	135,381
Changes in benefit terms	<u>(139,981)</u>
Net changes	<u>63,142</u>
Balance at May 31, 2021	<u>\$ 1,087,476</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% Decrease (0.99%)	Current Discount Rate (1.99%)	1% Increase (2.99%)
Total OPEB liability	\$ 1,161,219	\$ 1,087,476	\$ 1,018,303

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 (6.75%)/ultimate (3.78%) healthcare cost trend rates.

	1% Decrease (5.75%/2.78%)	Healthcare Cost Trend Rates (6.75%/3.78%)	1% Increase (7.75%/4.78%)
Total OPEB liability	\$ 1,010,474	\$ 1,087,476	\$ 1,175,423

***Funding Policy***—Non-union and union employees of the Village are eligible to retire with medical and vision benefits at the age of 55 and with 15 years of service. Future retirees hired prior to May 31, 2006, that meet the age and years of service requirements will not be required to contribute to post-employment healthcare benefits. Future retirees hired subsequent to March 31, 2006, will be required to contribute 10 percent of the premium for medical coverage upon retirement. Additionally, all current and future retirees are not required to contribute to post-employment dental and vision benefits. Surviving spouses are eligible for continued coverage but are required to contribute 100 percent of the premiums, with the exception of one special active employee whose surviving spouse would be eligible for lifetime coverage without a contribution.

## 10. RISK MANAGEMENT

The Village is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injuries to employees, health insurance and unemployment insurance. These risks are covered by commercial insurance purchased from independent third parties. The Village purchases insurance for property, general liability, automobile, inland marine, volunteer emergency service providers and administration, commercial umbrella, pesticide herbicide, commercial crime, and flood and earthquake. The property insurance is limited to a blanket amount of \$13,345,497. The general liability insurance

is limited to \$1,000,000 per occurrence, and \$3,000,000 aggregate. Automobile insurance is limited to \$1,000,000 per accident. The inland marine insurance is limited to specified amounts for scheduled property, and \$25,000 per occurrence and \$300,000 aggregate for unscheduled property. The volunteer emergency service providers and administration insurance is limited to \$1,000,000 per occurrence and aggregate. The umbrella liability insurance is limited to \$5,000,000 per occurrence and aggregate. The pesticide herbicide insurance is limited to \$1,000,000 per occurrence and aggregate. The commercial crime coverage is limited to \$25,000 per occurrence and aggregate. The flood and earthquake coverage is limited to \$1,000,000 per occurrence and \$7,000,000 aggregate. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded commercial insurance coverage in the past three fiscal years.

**Judgments and Claims**—The Village is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Village reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

## 11. LEASE OBLIGATIONS

The Village previously entered into a lease to use and purchase a freightliner. The lease agreements qualify as a capital lease/installment purchase contract for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The obligations under the lease are summarized below:

<u>Fiscal Year Ending May 31,</u>		
2022		\$ 68,904
2023		68,904
2024		<u>68,904</u>
Total minimum lease payments		206,712
Less: Amount representing imputed interest costs		<u>(16,997)</u>
Present value of minimum lease payments		<u><u>\$ 189,715</u></u>

The Village reports the following leased asset and related accumulated depreciation at May 31, 2021:

	<u>Governmental Activities</u>
Assets:	
Equipment	\$ 303,197
Less: Accumulated depreciation	<u>(94,750)</u>
Total	<u><u>\$ 208,447</u></u>

## 12. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the Village’s short-term debt for the fiscal year ended May 31, 2021 is presented on the following page.

Description	Interest Rate	Maturity Date	Balance 6/1/2020	Increases	Decreases	Balance 5/31/2021
<b>Capital Projects Fund:</b>						
Sanitary Sewer System	0.79%	3/18/2021	\$ 1,250,000	\$ -	\$ 1,250,000	\$ -
Consent Order	0.79%	3/18/2021	750,000	-	750,000	-
Sanitary Sewer System	0.36%	3/17/2022	-	1,250,000	-	1,250,000
Consent Order	0.36%	3/17/2022	-	650,000	-	650,000
LED Street Lighting	0.64%	8/26/2021	-	1,050,000	-	1,050,000
Total			<u>\$ 2,000,000</u>	<u>\$ 2,950,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,950,000</u>

### 13. 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 principle of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Village's outstanding long-term liabilities include serial bonds, capital lease, compensated absences, other postemployment benefits ("OPEB") obligation and net pension liabilities. The serial bonds of the Village are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Village's long-term debt at May 31, 2021 is presented below:

	Balance 6/1/2020	Additions	Reductions	Balance 5/31/2021	Due Within One Year
Serial bonds	\$ 3,710,000	\$ 2,340,000	\$ 2,675,000	\$ 3,375,000	\$ 420,000
Capital lease	247,682	-	57,967	189,715	60,526
Compensated absences	255,655	94,245	98,187	251,713	12,586
OPEB obligation	1,024,334	203,123	139,981	1,087,476	-
Net pension liability—ERS*	1,654,463	-	1,647,838	6,625	-
Net pension liability—LOSAP	5,138,167	998,623	110,548	6,026,242	-
Total	<u>\$ 12,030,301</u>	<u>\$ 3,635,991</u>	<u>\$ 4,729,521</u>	<u>\$ 10,936,771</u>	<u>\$ 493,112</u>

**Serial Bonds**—The Village issues general obligation bonds to provide funds for the acquisition, construction and renovation of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with original maturities that range from 7 to 20 years. Principal is paid annually, interest is paid semi-annually and are recorded in the Debt Service Fund and associated funding transfers out from the General Fund and Sewer Fund.

On September 3, 2020, the Village issued \$1,240,000 in current Refunding Serial Bonds, to refund \$1,200,000 of the previously issued 2012 Public Improvement Serial Bonds, which were called on October 5, 2020. The refunding bonds included issuance costs of \$33,528. The bonds mature on July 15, 2032, and carry an interest rate ranging from 0.5 to 2.1 percent. The refunding resulted in a net present value benefit savings of \$51,815 to the Village.

On October 6, 2020, the Village issued \$1,100,000 in current Refunding Serial Bonds, to refund \$1,050,000 of the previously issued 2007 Public Improvement Serial Bonds, which were called on November 6, 2020. The refunding bonds included issuance costs of \$33,330. The bonds mature on December 15, 2027, and carry an interest rate ranging from 0.5 to 1.6 percent. The refunding resulted in a net present value benefit savings of \$84,150 to the Village.

A default will have occurred if the payment of principal and interest are not paid when due and payable. Upon default in payment in full of the principal or interest on the bonds, a holder of such defaulted bond has a contractual right to sue the Village of the amount due thereon. The Village does not have any lines of credit.

A summary of reductions for the year ended May 31, 2021 is presented below:

Fund and Purpose	Original Amount	Year of Issue/Maturity	Interest Rate (%)	Balance 6/1/2020	Increases	Decreases	Balance 5/31/2021
<b>General Fund:</b>							
Public improvement serial bonds	\$ 1,085,000	2009/2024	3.50-4.75	\$ 120,000	\$ -	\$ 30,000	\$ 90,000
Firetruck serial bonds	620,000	2010/2030	4.50-5.00	320,000	-	30,000	290,000
Public improvement serial bonds	500,000	2011/2021	2.00-2.38	25,000	-	25,000	-
Public improvement serial bonds	975,000	2017/2029	2.00-2.75	745,000	-	80,000	665,000
<b>Sewer Fund:</b>							
Public improvement serial bonds	2,900,000	2008/2027	3.75-4.13	1,200,000	-	1,200,000	-
Public improvement serial bonds	1,925,000	2013/2033	2.00-3.00	1,300,000	-	1,300,000	-
Public Improvements Refunding 2020A	1,240,000	2021/2033	0.50-2.08	-	1,240,000	-	1,240,000
Public Improvements Refunding 2020B	1,100,000	2021/2028	0.50-1.62	-	1,100,000	10,000	1,090,000
Total governmental funds				<u>\$ 3,710,000</u>	<u>\$ 2,340,000</u>	<u>\$ 2,675,000</u>	<u>\$ 3,375,000</u>

**Capital Lease**—The outstanding balance at May 31, 2021 for the freightliner lease was \$189,715. Refer to Note 11 for additional information related to the Village’ capital lease.

**Compensated Absences**—As explained in Note 1, the Village records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they come payable. The liability for compensated absences at May 31, 2021 amounts to \$251,713, of which \$12,586 is considered due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

**OPEB Obligation**—As explained in Note 9, the Village 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 Village’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 \$1,087,476 at May 31, 2021.

**Net Pension Liabilities**—The Village reports liabilities for its proportionate share of the net pension liability for the Employees’ Retirement System and LOSAP. The net pension liability related to the Employees’ Retirement System is estimated to be \$6,625 and the net pension liability related to LOSAP is estimated to be \$6,026,242. Refer to Notes 7 and 8 for additional information related to the Village’s net pension liabilities.

The following is a maturity schedule of the Village’s long-term indebtedness:

Year Ending May 31,	Serial Bonds	Capital Lease	Compensated Absences	OPEB Obligation	Net Pension Liability— ERS	Net Pension Liability— LOSAP	Total
2022	\$ 420,000	\$ 60,526	\$ 12,586	\$ -	\$ -	\$ -	\$ 493,112
2023	415,000	63,199	-	-	-	-	478,199
2024	405,000	65,990	-	-	-	-	470,990
2025	375,000	-	-	-	-	-	375,000
2026	370,000	-	-	-	-	-	370,000
2027-2031	1,195,000	-	-	-	-	-	1,195,000
Thereafter	195,000	-	239,127	1,087,476	6,625	6,026,242	7,554,470
Total	<u>\$ 3,375,000</u>	<u>\$ 189,715</u>	<u>\$ 251,713</u>	<u>\$ 1,087,476</u>	<u>\$ 6,625</u>	<u>\$ 6,026,242</u>	<u>\$ 10,936,771</u>

Interest requirements on serial bonds and capital lease are as follows:

Year Ending May 31,	Serial Bonds	Capital Lease
2022	\$ 62,153	\$ 8,378
2023	55,459	5,705
2024	48,285	2,914
2025	41,540	-
2026	34,999	-
2027-2031	75,381	-
Thereafter	3,839	-
Total	<u>\$ 321,656</u>	<u>\$ 16,997</u>

#### 14. 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 Village’s governmental activities net investment in capital assets is presented on the following page.

Capital assets, net of accumulated depreciation	\$ 27,521,843
Less:	
Serial bonds	(3,375,000)
Capital lease	(189,715)
Bond anticipation notes	(2,950,000)
Add:	
Unspent debt proceeds	<u>1,054,296</u>
Net investment in capital assets	<u><u>\$ 22,061,424</u></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. At May 31, 2021, the Village reported \$2,577,483 of restricted net position.
- **Unrestricted Net Position**—This category represents net position of the Village 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 Village at May 31, 2021 includes:

- **Prepaid Items**—Represents the portion of fund balance composed of prepaid amounts that are applicable to future accounting periods. The General Fund and Sewer Fund reported \$50,709 and \$4,189 of nonspendable fund balance at May 31, 2021, respectively.
- **Endowments**—Represents amounts maintained for endowment gifts received by residents for Village purposes. At May 31, 2021, the Miscellaneous Special Revenue Fund reported endowment amounts of \$6,434.

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. Restricted fund balance maintained by the Village at May 31, 2021 includes:

	General Fund	Debt Service Fund	Total Governmental Funds
Repairs	\$ 31,075	\$ -	\$ 31,075
LOSAP	2,444,619	-	2,444,619
Debt service	<u>-</u>	<u>101,789</u>	<u>101,789</u>
Total	<u><u>\$ 2,475,694</u></u>	<u><u>\$ 101,789</u></u>	<u><u>\$ 2,577,483</u></u>

- **Restricted for Repairs**—Represents amounts to be used for the cost of future repairs. At May 31, 2021 the General Fund report restricted for repairs amounts of \$31,075.
- **Restricted for LOSAP**—Represents monies, \$2,444,619, held in trust for the administration of the Village’s LOSAP.
- **Restricted for Debt**—Represents amounts to be used for future debt service. At May 31, 2021 the Debt Service Fund report restricted for debt amounts of \$101,789.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Village’s highest level of decision-making authority. At May 31, 2021, the Village reported no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are segregated for a specific purpose by the Village. At May 31, 2021, the Village reported the following fund balance assignments:

- **Assigned to Capital Projects**—Represents available fund balance being appropriated to fund future capital related expenditures. At May 31, 2021, the General Fund reported \$2,500,000 as assigned for capital projects.
- **Assigned to Engineering Services**—Represents available fund balance being appropriated to fund future engineering services. At May 31, 2021, the General Fund reported \$100,000 as assigned for engineering services.
- **Assigned to Specific Use**—Represents remaining fund balance within special revenue funds that is assigned for each fund’s specific purpose. At May 31, 2021, the Sewer Fund reported \$1,212,067 as assigned for specific use.

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

**15. 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 May 31, 2021 is presented as follows:

Fund	Interfund	
	Receivables	Payables
General Fund	\$ 951,483	\$ -
Sewer Fund	56,466	-
Capital Projects Fund	33,882	1,058,072
Debt Service Fund	16,241	-
Total	<u>\$ 1,058,072</u>	<u>\$ 1,058,072</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 Village made the following transfers during the year ended May 31, 2021:

Fund	Transfers in:			Total
	Sewer Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:				
General Fund	\$ -	\$ 269,045	\$ 206,304	\$ 475,349
Sewer Fund	-	-	310,384	310,384
Community Development Fund	-	2,034,223	-	2,034,223
Debt Service Fund	26,510	-	-	26,510
Total	<u>\$ 26,510</u>	<u>\$ 2,303,268</u>	<u>\$ 516,688</u>	<u>\$ 2,846,466</u>

Transfers are used primarily to move amounts to fulfill commitments to finance various capital projects or fund debt service payments.

## 16. LABOR CONTRACTS

Village employees are represented by one bargaining unit, with the balance governed by Village Board rules and regulations. The bargaining unit has a labor agreement negotiated through May 31, 2022.

## 17. COMMITMENTS

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

The Village considers encumbrances to be significant for amounts that are encumbered in excess of \$20,000. As of May 31, 2021, the Village reported no significant encumbrances.

## 18. TAX ABATEMENTS

The Village is subject to programs entered into by Lancaster Industrial Development Agency (“LIDA”) and the Town of Lancaster (the “Town”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the LIDA and the Town and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the IDA and The Town’s incentivized projects would have been completed absent tax abatement, the unrealized property tax revenue is \$164,454. However, during the 2020-2021 fiscal year, the Village collected \$125,881 related to these new incentivized projects.

## 19. CONTINGENCIES

**Litigation**—The Village is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the Village. 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 Village’s financial condition or results of operation.

**Grants**—In the normal course of operations, the Village 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 such amounts to be immaterial.

## 20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 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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**VILLAGE OF LANCASTER, NEW YORK**  
**Schedule of the Village's Proportionate Share of the**  
**Net Pension Liability—Employees' Retirement System**  
**Last Eight Fiscal Years\***

	<b>Year Ended May 31,</b>							
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Village's proportion of the net pension liability	0.0066537%	0.0062478%	0.0066586%	0.0063571%	0.0065897%	0.0067156%	0.0070657%	0.0070657%
Village's proportionate share of the net pension liability	<u>\$ 6,625</u>	<u>\$ 1,654,463</u>	<u>\$ 471,784</u>	<u>\$ 205,173</u>	<u>\$ 619,186</u>	<u>\$ 1,077,873</u>	<u>\$ 238,697</u>	<u>\$ 319,290</u>
Village's covered payroll	\$ 1,796,721	\$ 1,808,297	\$ 1,740,428	\$ 1,761,498	\$ 1,668,336	\$ 1,696,820	\$ 1,924,735	\$ 1,593,348
Village's proportionate share of the net pension liability as a percentage of its covered payroll	0.4%	91.5%	27.1%	11.6%	37.1%	63.5%	12.4%	20.0%
Plan fiduciary net position as a percentage of the total pension liability	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

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

**VILLAGE OF LANCASTER, NEW YORK**  
**Schedule of the Village's Contributions—**  
**Employees' Retirement System**  
**Last Eight Fiscal Years\***

	<b>Year Ended May 31,</b>							
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 254,016	\$ 244,827	\$ 250,628	\$ 315,516	\$ 354,581	\$ 266,212	\$ 358,269	\$ 274,800
Contributions in relation to the contractually required contribution	(254,016)	(244,827)	(250,628)	(315,516)	(354,581)	(266,212)	(358,269)	(274,800)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 1,821,265	\$ 1,800,417	\$ 1,809,073	\$ 1,780,008	\$ 1,662,385	\$ 1,696,820	\$ 1,920,947	\$ 1,587,664
Contributions as a percentage of covered payroll	13.9%	13.6%	13.9%	17.7%	21.3%	15.7%	18.7%	17.3%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 137,268	\$ 104,201	\$ 88,765	\$ 80,199
Interest	124,598	140,997	147,605	159,090
Differences between expected and actual experience	14	(155,228)	-	-
Changes of assumptions or other inputs	736,743	588,163	259,983	(543,870)
Benefit payments	<u>(110,548)</u>	<u>(84,590)</u>	<u>(76,266)</u>	<u>(74,683)</u>
Net change in total pension liability	888,075	593,543	420,087	(379,264)
Total pension liability—beginning	<u>5,138,167</u>	<u>4,544,624</u>	<u>4,124,537</u>	<u>4,503,801</u>
Total pension liability—ending	<u>\$ 6,026,242</u>	<u>\$ 5,138,167</u>	<u>\$ 4,544,624</u>	<u>\$ 4,124,537</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 May 31, 2018 is not available.

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 41,388	\$ 35,150	\$ 32,137
Interest	26,354	34,031	40,256
Differences between expected and actual experience	135,381	(27,997)	-
Changes of assumptions	-	-	29,521
Benefit payments	<u>(139,981)</u>	<u>(144,845)</u>	<u>(132,479)</u>
Net change in total OPEB liability	63,142	(103,661)	(30,565)
Total OPEB liability—beginning	<u>1,024,334</u>	<u>1,127,995</u>	<u>1,158,560</u>
Total OPEB liability—ending	<u>\$ 1,087,476</u>	<u>\$ 1,024,334</u>	<u>\$ 1,127,995</u>
<b>Plan Fiduciary Net Position</b>			
Contributions—employer	\$ 139,981	\$ 144,845	\$ 132,479
Benefit payments	<u>(139,981)</u>	<u>(144,845)</u>	<u>(132,479)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Village's Net OPEB Liability—Ending</b>	<u>\$ 1,087,476</u>	<u>\$ 1,024,334</u>	<u>\$ 1,127,995</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	N/A
Village's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A

\*Information prior to the year ended May 31, 2019 is not available.

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

**VILLAGE OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances—Budget and Actual—General Fund**  
**Year Ended May 31, 2021**

	<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 and tax items	\$ 5,131,896	\$ 5,131,896	\$ 5,114,439	\$ (17,457)
Non-property tax items	1,125,000	1,305,055	1,340,472	35,417
Departmental income	48,525	51,150	21,898	(29,252)
Intergovernmental charges	5,930	5,930	5,887	(43)
Use of money and property	1,000	1,000	1,702	702
Licenses and permits	1,600	1,600	1,757	157
Fines and forfeitures	40,000	40,000	19,963	(20,037)
Sale of property and compensation for loss	5,750	15,750	20,011	4,261
Miscellaneous	500	2,906	17,675	14,769
State aid	429,149	417,667	471,894	54,227
Federal aid	-	255,171	295,214	40,043
Total revenues	<u>6,789,350</u>	<u>7,228,125</u>	<u>7,310,912</u>	<u>82,787</u>
<b>EXPENDITURES</b>				
Current:				
General government support	1,292,056	1,293,106	1,209,039	84,067
Public safety	1,273,680	1,798,372	1,559,919	238,453
Transportation	1,305,540	1,270,586	1,224,388	46,198
Culture and recreation	235,200	209,342	117,911	91,431
Home and community services	463,570	532,133	491,765	40,368
Employee benefits	1,828,000	1,648,000	1,342,051	305,949
Debt service:				
Principal	165,000	-	-	-
Interest and other fiscal charges	41,304	-	-	-
Total expenditures	<u>6,604,350</u>	<u>6,751,539</u>	<u>5,945,073</u>	<u>806,466</u>
Excess of revenues over expenditures	<u>185,000</u>	<u>476,586</u>	<u>1,365,839</u>	<u>889,253</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>(185,000)</u>	<u>(514,448)</u>	<u>(475,349)</u>	<u>39,099</u>
Total other financing (uses)	<u>(185,000)</u>	<u>(514,448)</u>	<u>(475,349)</u>	<u>39,099</u>
Net change in fund balances	-	(37,862)	890,490	928,352
Fund balances—beginning	<u>4,405,427</u>	<u>4,405,427</u>	<u>6,641,046</u>	<u>-</u>
Fund balances—ending	<u>\$ 4,405,427</u>	<u>\$ 4,367,565</u>	<u>\$ 7,531,536</u>	<u>\$ 3,163,971</u>

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

**VILLAGE OF LANCASTER, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances—Budget and Actual—Sewer Fund**  
**Year Ended May 31, 2021**

	<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>				
Departmental income	\$ 1,037,938	\$ 1,037,938	\$ 1,060,822	\$ 22,884
Use of money and property	-	-	107	107
Miscellaneous	-	-	503	503
Total revenues	<u>1,037,938</u>	<u>1,037,938</u>	<u>1,061,432</u>	<u>23,494</u>
<b>EXPENDITURES</b>				
Current:				
General government support	90,400	80,400	5,400	75,000
Home and community services	410,056	420,056	272,730	147,326
Employee benefits	150,600	150,600	80,661	69,939
Debt service:				
Principal	307,967	57,967	57,967	-
Interest and other fiscal charges	<u>105,425</u>	<u>26,737</u>	<u>26,737</u>	<u>-</u>
Total expenditures	<u>1,064,448</u>	<u>735,760</u>	<u>443,495</u>	<u>292,265</u>
Excess (deficiency) of revenues over expenditures	<u>(26,510)</u>	<u>302,178</u>	<u>617,937</u>	<u>315,759</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	26,510	26,510	26,510	-
Transfers out	<u>-</u>	<u>(328,688)</u>	<u>(310,384)</u>	<u>18,304</u>
Total other financing sources (uses)	<u>26,510</u>	<u>(302,178)</u>	<u>(283,874)</u>	<u>18,304</u>
Net change in fund balances	-	-	334,063	334,063
Fund balances—beginning	<u>882,193</u>	<u>882,193</u>	<u>882,193</u>	<u>-</u>
Fund balances—ending	<u>\$ 882,193</u>	<u>\$ 882,193</u>	<u>\$ 1,216,256</u>	<u>\$ 334,063</u>

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

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**VILLAGE OF LANCASTER, NEW YORK**  
**Notes to the Required Supplementary Information**  
**Year Ended May 31, 2021**

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**1. PENSION LIABILITY—LOSAP**

*Changes of Assumptions or Other Inputs*—The discount rate used to measure the total pension liability was as follows:

June 30, 2020	2.45%
June 30, 2019	3.13%

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

**2. OPEB LIABILITY**

*Changes of Assumptions*—The actuarial cost method used in the June 1, 2020 actuarial valuation was the Entry Age Normal Level Percent of Pay method as prescribed under GASB Statement No. 75.

The discount rate is based on a review of the 20-year AA Municipal Bond Index as of the measurement date, which decreased from 2.48% to 1.99% as of May 31, 2021.

The mortality assumption was revised as of June 1, 2020 to the sex-distinct and job category specific headcount weighted Pub-2010 Public Retirement Plans Mortality Tables for employees, healthy retirees and contingent survivors, adjusted for mortality improvements with scale MP-2020 mortality improvement scale on a generational basis.

**3. BUDGETARY INFORMATION**

*Budgetary Basis of Accounting*—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Sewer Fund. The Community Development Fund and Capital Projects Fund appropriations are not included in the Village’s annual budget. Instead, appropriations are approved through Board resolution at the projects inception and lapse at upon termination of the project. The funds are accepted by Board resolution and appropriations lapse upon fully expending such funds.

When preparing the budget, the Village appropriates funds for debt service payments within the respective operating funds. However, when a payment becomes due, the Village amends the budget through Village Board of Trustees resolution creating a transfer out of the individual operating fund into the debt service fund, which is ultimately responsible for debt service activity.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the Village 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. 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 appropriation and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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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 Board of Trustees  
Village 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Lancaster, New York (the "Village") as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 28, 2021 (which report includes an emphasis of matter paragraph regarding the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*).

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village'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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

*Drescher & Malecki LLP*

October 28, 2021