PRELIMINARY OFFICIAL STATEMENT DATED MARCH 4, 2020

RENEWALS **BOND ANTICIPATION NOTES**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel, under existing statues, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The Village will designate the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.

VILLAGE OF LANCASTER
ERIE COUNTY, NEW YORK

(the "Village")

$2,000,000

BOND ANTICIPATION NOTES – 2020

(the "Notes")

Dated Date: March 18, 2020 Maturity Date: March 18, 2021

Security and Sources of Payment: The Notes are general obligations of the Village of Lancaster, Erie County, New York (the "Village"), and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "*Tax Levy Limit Law*," herein).

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

Form and Denomination: At the option of the purchaser, the Notes may be either (i) registered in the name of the purchaser or (ii) registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes. A single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Those Notes issued in book-entry form will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. Individual purchases of any Notes issued in book-entry form may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Holders of book-entry Notes will not receive certificates representing their respective ownership interests in any Notes issued in book-entry form. (See *"Book-Entry System"* herein).

Payment: Payment of the principal of and interest on the Notes registered to the Purchaser will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. Payment of the principal of and interest on any Notes issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC Participants or Indirect Participants and not of DTC or the Village, subject to any statutory and regulatory requirements as may be in effect from time to time. Principal and interest payments on any book-entry Notes shall be payable at the office of the Village Clerk. (See "*Book-Entry System*" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on March 10, 2020 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Notes will be made on or about March 18, 2020 in New York, New York, or as otherwise agreed to by the Village and the purchaser.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE VILLAGE FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE VILLAGE'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

VILLAGE OF LANCASTER
ERIE COUNTY, NEW YORK

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* * *

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* * *

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No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Village. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Village from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village since the date hereof.

TABLE OF CONTENTS

TABLE OF CONTENTS - CONTINUED

OFFICIAL STATEMENT

Relating to

VILLAGE OF LANCASTER
ERIE COUNTY, NEW YORK

$2,000,000 BOND ANTICIPATION NOTES – 2020
(the "Notes")

This Official Statement, including the cover page and appendices thereto, has been prepared by the Village of Lancaster (the "Village") and presents certain information relating to the Village's $2,000,000 Bond Anticipation Notes – 2020 (the "Notes"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes are general obligations of the Village. The Village has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein)**.**

The Notes will be dated and will mature, without the option of prior redemption, as indicated on the cover page hereof.

The Village will act as Fiscal Agent for the Notes issued and the purchaser may act as paying agent for any Notes registered in the name of the purchaser. Paying agent fees, if any, will be paid by the purchaser(s). The Village's contact information is as follows: Michael E. Stegmeier, Village Treasurer/Clerk, Village of Lancaster, Municipal Building, 5423 Broadway, Lancaster, NY 14086, Phone (716) 683-2105, Fax (716) 684-4830 and email: mstegmeier@lancastervillage.org.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Book-Entry System

DTC will act as securities depository for any Notes issued as book-entry notes. Such Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilities the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Standard & Poor's assigns a rating of "AA+" to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found a www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village, disbursement of such payments to Direct Participants will be the responsibility of DTC), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Village may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Village takes no responsibility for the accuracy thereof. In addition, the Village will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Notes or (iii) any notice which is permitted or required to be given to Noteowners.

Source: The Depository Trust Company, New York, New York.

Authorization and Purpose

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Village Law and the Local Finance Law, and the bond resolution duly adopted by the Board of Trustees of the Village on July 23, 2018 and amended on March 9, 2020 for $3,500,000, authorizing the construction of improvements to the Village's sanitary sewer system. The Village will be paying down $1,250,000 on the outstanding Note and issuing an additional $1,250,000.

Security and Source of Payment

Each Note when duly issued and paid for will constitute a contract between the Village and the holder thereof.

The Notes will be general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the Village has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. **(**See "*Tax Levy Limit Law*," herein).

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The Village's credit rating could be affected by circumstances beyond the Village's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Village property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Village's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Note is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Village to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The Village is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The Village's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the Village fail to receive all or a portion of the amounts of State Aid expected to be received from the State at the times anticipated, occasioned by a delay in the payment of such moneys, the Village is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Village will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the Village requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Village, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Village, may affect the market price and/or marketability for the Notes. (See "*Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Village, could impair the financial condition of such entities, including the Village, and the ability of such entities, including the Village, to pay debt service on the Notes.

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the Village default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. Each Note is a general obligation contract between the Village and the owners for which the faith and credit of the Village are pledged and while remedies for enforcement of payment are not expressly included in the Village's contract with such owners, any permanent repeal by statute or constitutional amendment of a bond or note holder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Village. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Village to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Village and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Note, the owner of such Note could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Village to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Village subject to taxation by the Village, sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Village, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Village.

Pursuant to Article VIII, Section 2 of the State Constitution, the Village is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk* v. *Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

MUNICIPAL BANKRUPTCY

The undertakings of the Village should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Village could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Village after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the Village, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a finance control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Village in the future cannot be assured.

No current state law purports to create any priority for holders of the Notes should the Village be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the Village is currently considering or expects to resort to the provisions of the Bankruptcy Act.

Financial Control Boards

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to $5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State may be presently working with the FRB. The Village has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

No Past Due Debt

No principal or interest payment on Village indebtedness is past due. The Village has never defaulted in the payment of the principal of and/or interest on any indebtedness.

THE VILLAGE

There follows in this Official Statement a brief description of the Village, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and general and specific funds.

General Information

The Village is located in the Town of Lancaster, in the County of Erie, New York. The Village consists of 2.65 square miles and is situated approximately 11 miles east of the City of Buffalo. It had a population of 10,207 according to the 2017 U.S. Census.

Although primarily suburban and residential in character, the Village is also home to several small industries and its central business district has undergone recent revitalization through the expenditure of Federal Community Development Funds. The Village created a forty acre industrial park in 1980 that is now occupied by twelve tenants; all property in the industrial park is fully occupied.

Conrail, major airlines operating from the Greater Buffalo International Airport, the New York State Thruway, the Niagara Frontier Transit Authority and a network of highways provide transportation to and from the area.

Government

The Village was incorporated in 1849. Two independently governed school districts are located partially within the Village which rely on their own taxing powers granted by the State to raise revenues. The school districts use the Town of Lancaster assessment roll as their basis for taxation of property located within the Village.

Subject to the provisions of the State Constitution, the Village operates pursuant to the Village Law, the Local Finance Law, other laws generally applicable to the Village, and any special laws applicable to the Village. Under such laws, there is no authority for the Village to have a charter, but pursuant to the Village Law and other laws generally applicable to home rule, the Village may from time to time adopt local laws.

The legislative power of the Village is vested in the Board of Trustees, which consists of five members, including the Mayor. The Mayor is the chief executive officer of the Village and is elected for a term of four years. The other members of the Village Board are at-large members and are elected to four year terms. The terms are staggered such that two Trustees are elected every other year. There is no limitation to the number of terms each Village Board member may serve. The Village Treasurer is appointed by the Mayor, subject to the approval of the Board and, as the chief fiscal officer of the Village, is responsible for the overall financial operation of the Village.

Utilities and Other Services

Electricity is supplied to the Village by New York State Electric and Gas Corp.; natural gas is supplied by the National Fuel Gas Distribution Corp. Water Services are provided from Erie County Water Authority. Sewer treatment is provided by contract with Erie County Sewer District No. 4. The Village owns and maintains the sewer lines. Police protection is provided by the Town of Lancaster. (The Village's Police Department was merged into the Police Department of the Town of Lancaster on April 1, 2003.) Fire protection and ambulance service are provided by various volunteer organizations.

Employees

The Village provides services through approximately 27 full-time employees and 28 part-time employees. Some of such employees are represented by organized labor as follows:

Name of Union	Expiration Date of Contract	Approx. No. of Members
C.S.E.A	05/31/20	21

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Characteristics

The Village has had a population trend, as compared to the County and State, as indicated below:

Year	Village	Erie County	New York State
1990	11,940	962,366	17,990,455
2000	11,188	950,265	18,976,457
2010	10,352	919,040	19,378,102
2017	10,207	923,995	19,798,228

Source: U.S. Bureau of the Census.

Income Data

	Per Capita Money Income			
	1990	2000	2010	2017[a]
Village of Lancaster	$13,490	$20,308	$24,917	$29,509
Town of Lancaster	13,677	21,723	28,005	35,588
County of Erie	13,560	20,357	26,378	31,083
State of New York	16,501	23,389	30,948	35,752

	Median Household Income			
	1990	2000	2010	2017[a]
Village of Lancaster	$29,618	$40,149	$52,305	$51,338
Town of Lancaster	32,767	48,990	63,314	68,647
County of Erie	28,005	38,567	47,372	54,006
State of New York	32,965	51,591	55,217	62,765

Source: United States Bureau of the Census
a Note: Based on American Community Survey 5-Year Estimates (2013-2017)

List of Larger Employers in the Village

Name of Employer	Nature of Business	Number of Employees
Avox Systems, Inc.	Manufacturing	395
Lancaster Schools	Education	298
Town of Lancaster	Local Government	200
New York State Electric & Gas Co.	Utility	150
Time Warner Cable	Commercial	114
Kayak/Beauty Pools	Commercial	98
Village of Lancaster	Local Government	55

Source: Village Officials.

Unemployment Rate Statistics

Unemployment statistics are not available for the Village as such. The smallest area for which such statistics are available (which includes the Village) is the County of Erie. The information set forth below with respect to such County is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the Village is necessarily representative of the County or vice versa.

Annual Averages:	Erie County (%)	New York State (%)
2015	5.4	5.3
2016	4.9	4.8
2017	5.2	4.7
2018	4.4	4.1
2019	4.1	4.0

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

The New York State Constitution limits the power of the Village (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the Village and the Notes.

Purpose and Pledge. The Village shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The Village is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in the exercise of such powers; however, as has been noted under *"Security and Source of Payment"*, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Village to borrow and incur indebtedness subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including the Village Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Trustees, except in the event that the Village determines to subject the bond resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Village has complied with such procedure for the bond resolution authorizing the issuance of the Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*").

In addition, under each bond resolution, the Board of Trustees may delegate, and has delegated, power to issue and sell bonds and notes, to the Village Treasurer, the chief fiscal officer of the Village.

In general, the Local Finance Law contains similar provisions providing the Village with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

Debt Limit. The Village has the power to contract indebtedness for any Village purpose so long as the aggregate outstanding principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Village by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the Village to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

The following pages set forth certain details with respect to the indebtedness of the Village.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of March 4, 2020)

Fiscal Year Ending May 31:	Assessed Valuation	State Equal. Rate (%)	Full Valuation
2016	$453,307,522	100.00	$453,307,522
2017	459,049,748	98.00	468,418,110
2018	460,794,075	95.00	485,046,395
2019	465,362,561	92.00	505,828,871
2020	465,573,830	88.00	529,061,170

Total Five Year Full Valuation	$2,441,662,068
Average Five Year Full Valuation	488,332,414
Debt Limit - 7% of Average Full Valuation	34,183,269
Inclusions:	
General Purpose Bonds	2,619,278
Bond Anticipation Notes	2,000,000
Water Debt	1,128
Sewer Debt	1,224,594
Total Inclusions	5,845,000
Exclusions:	
Excluded Water Debt	1,128
Appropriations for Bonds	109,278
Appropriations for BANs	1,250,000
Total Exclusions	1,360,406
Total Net Indebtedness Before the Issuance of the Notes	4,484,594
The Notes	2,000,000
Less: BANs to be Redeemed by the Issuance of the Notes	750,000
Net Effect of the Notes	1,250,000
Total Net Indebtedness After the Issuance of the Notes	5,734,594
Net Debt Contracting Margin	$28,448,675
Percent of Debt Contracting Margin Exhausted (%)	16.78

Details of Short-Term Indebtedness Outstanding
(As of March 4, 2020)

The Village entered into a Lease Purchase Agreement on July 20, 2018 for a freightliner with sewer cleaner.

Fiscal Year Ending May 31:	Amount
2020	$68,904
2021	68,904
2022	68,904
2023	68,904
2024	68,904
Total:	$344,520

Debt Service Requirements - Outstanding Bonds[a]

Fiscal Year Ending May 31:	Principal	Interest	Total
2020	$ 550,000	$136,265	$ 686,265
2021	415,000	119,992	534,992
2022	390,000	106,963	496,963
2023	390,000	93,894	483,894
2024	390,000	80,788	470,788
2025	365,000	68,312	433,312
2026	365,000	56,287	421,287
2027	365,000	43,950	408,950
2028	365,000	31,487	396,487
2029	225,000	18,963	243,963
2030	140,000	12,062	152,062
2031	100,000	7,375	107,375
2032	100,000	4,500	104,500
2033	100,000	1,500	101,500
Totals	$4,260,000	$782,338	$5,042,338

a. Does not include payments made to date.

Capital Project Plans

The Village is generally responsible for providing services as required to the residents on a Village-wide basis. The Village maintains a road system necessitating road resurfacing and improvements and sidewalk improvements and the acquisition of machinery and equipment from time to time. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. As has been noted, the Village has contracted with the Erie County Sewer District No. 4 for sewer services. (See "Utilities and Other Services" under "The Village", herein.) The Village generally has provided the financing for sanitary sewer facilities and maintains primary responsibility for these functions. In general, needs for capital funding for the above described projects for which the Village has responsibility are anticipated to continue and to be in amounts more than generally have prevailed in the past. In general, with respect to new financings by the Village, bond authorizations are not anticipated to be substantially different than generally have prevailed in the past.

Authorized But Unissued Debt

As of the date of this Official Statement, the Village has no authorized but unissued indebtedness. However, the Village intends to authorize an additional $500,000 in bonds to finance the construction of improvements to the Village's sanitary sewer system.

Trend of Village Indebtedness

The following table represents the outstanding indebtedness of the Village at the end of the last five preceding fiscal years.

	Fiscal Year Ending May 31:				
	2015	2016	2017	2018	2019
Bonds	$5,830,000	$5,065,000	$4,490,000	$4,810,000	$4,260,000
BAN's	400,000	1,430,000	0	0	2,000,000
Other Debt	0	0	0	0	0
Total Debt Outstanding	$6,230,000	$6,495,000	$4,490,000	$4,810,000	$6,260,000

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Erie	10/31/2019	1.07	$ 4,516,065	$3,701,558
Town of Lancaster	07/10/2019	23.61	5,311,070	3,973,799
Lancaster CSD	12/27/2019	23.06	15,506,697	15,506,697
Depew UFSD	02/04/2020	54.39	17,907,464	17,907,464
Totals			$43,241,296	$41,089,518

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios[a]
(As of March 4, 2020)

	Amount	Per Capita[b]	Percentage of Full Value (%)[c]
Total Direct Debt	$ 5,845,000	$ 573	1.105
Net Direct Debt	4,484,594	439	0.848
Total Direct & Applicable Total Overlapping Debt	49,086,295	4,809	9.278
Net Direct & Applicable Net Overlapping Debt	45,574,112	4,465	8.614

a. Excludes the Notes.
b. The current estimated population of the Village is 10,207.
c. The full valuation of taxable real property in the Village for 2019-20 is $529,061,170.

FINANCES OF THE VILLAGE

Financial Statements and Accounting Procedures

The financial statements of the Village are audited each year by an independent public accountant. The latest year for which an audit report is available is the fiscal year ending May 31, 2019. A copy of such report is attached hereto as Appendix B.

The Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Official Statement are based on the audited financial statements for the fiscal years 2015 through 2019.

Fund Structure and Accounts

The Village utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and, (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Village presently maintains the following governmental funds: General Fund, Water Fund, Sewer Fund and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The Village's governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual - that is, when they become "measurable" and "available" to finance expenditures to the current period. Revenues which are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting that is when the related fund liability is incurred. Exceptions to this general rule are (1) payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due, and, (2) unmatured interest on general long-term debt which is recognized when due.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Village is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Village may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Village, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Village pursuant to law, in obligations of the Village.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Village, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Trustees of the Village has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Village are made in accordance with such policy.

Budgetary Procedures

The Village Board, with the assistance of the Village Treasurer, prepares a preliminary budget in the Spring of each year and holds a public hearing thereon by April 15. Subsequent to the budget hearing, revisions, of any, are made and the budget is then adopted by the Board of Trustees as its final budget for the coming fiscal year by May 1. The budget is not subject to voter approval.

Financial Operations

The Village Clerk-Treasurer functions as the chief fiscal officer as provided in Section 2.00 of the Local Finance Law; in this role, the Village Clerk-Treasurer is responsible for the Village's accounting and financial reporting activities. The Clerk-Treasurer has also been appointed as the Village's budget officer and prepares the annual tentative budget for submission to the Board of Trustees. Budgetary control during the year is the responsibility of the Village Clerk-Treasurer. Pursuant to Section 30.00 of the Local Finance Law, the Village Clerk-Treasurer has been authorized to issue or renew certain specific types of notes. As required by law, the Village Clerk-Treasurer must execute an authorizing certificate which then becomes a matter of public record.

The Board of Trustees, as a whole, serves as the finance board of the Village and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Village finances are operated primarily through the General Fund. All real property taxes and most of the other Village revenues are credited to this fund. Current operating expenditures are paid from this fund subject to available appropriations. Capital projects and selected equipment purchases are accounted for in special capital projects funds. The Village observes a June 1 - May 31 fiscal year for operating and reporting purposes.

Revenues

The Village receives most of its revenues from a real property tax on all non-exempt real property situated within the Village. Non-Property Taxes, Intergovernmental Charges, Departmental Income and State aid. A summary of such revenues for the five most recently completed fiscal years and estimated revenues for the current fiscal year may be found in Appendix A. See also “Tax Levy Limit Law” herein.

Real Property Taxes

See "Tax Information", herein.

State Aid

The Village receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in this year or future years, the Village may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the financial reports of the Village, the Village received approximately 7.01% of its total General Fund operating revenue from State aid in 2019 and budgeted approximately 6.38% for 2020. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has reduced funding to municipalities and school districts in the last several years in order to balance its own budget. Governor Cuomo’s budget changed how the state distributes what's known as Aid and Incentives for Municipalities funding, or AIM, which is state money given to local governments to use as they see fit. Under Cuomo's plan, Towns and Villages would be able to keep their AIM funding only if they rely on it for more than two percent of their budget.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2019-2020 Enacted Budget continues authorization for a process by which the State would manage significant reductions in federal aid during Federal fiscal year 2018-2019 and fiscal year 2019-2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by $850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

Although the Village cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years or whether there will be additional Federal monies made available to pay State aid in future years, the Village may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

The following table sets forth the percentage of the Village's General Fund revenue (including transfers) comprised of State aid for each of the fiscal years 2015 through 2019, and as budgeted for 2020.

Fiscal Year Ending May 31:	Total Revenue	State Aid	State Aid to Revenues (%)
2015	$6,544,194	$466,858	7.13
2016	7,008,009	601,666	8.59
2017	6,912,194	650,419	9.41
2018	6,869,383	506,722	7.38
2019	6,931,215	485,831	7.01
2020 (Budgeted)	6,723,677	429,149	6.38

Sources: Audited Financials of the Village (2015-2019) and Adopted Budget of the Village (2020).

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues.

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the Village as "No Designation" (Fiscal Score: 1.7%; Environmental Score: 3.3%) in 2018. More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. There have not been any audits conducted on the Village in the past five fiscal years.

References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Culture and Recreation, Home & Community Services and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A.

Employee Pension System

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS"). The Retirement Systems are a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for Tier 6 employees. The Retirement System Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. Generally, all members hired on or after July 27, 1976 through and including December 31, 2009 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement Systems, at which time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5 employees, which is effective for ERS employees hired after January 1, 2010 through March 31, 2012. Tier 5 contribute 3% of their salaries and there is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

As a result of significant capital market declines at certain times in the recent past, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years. The Village has not found it necessary to amortize any payments to the retirement system.

Payments to the Retirement Systems

Fiscal Year Ending May 31:	ERS
2015	$358,268
2016	266,212
2017	244,681
2018	242,353
2019	250,628
2020	244,827

Other Post-Employment Benefits

Accounting rules now require governmental entities, such as the Village, to account for post-retirement health care benefits as it accounts for vested pension benefits. GASB Statement No. 75 (“GASB 75”) described below requires such accounting.

GASB 75 of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits, referred to as “Other Post-Employment Benefits” (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended May 31, 2018, the Village adopted GASB 75, which eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the employer’s current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

Those that have 200 or more participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The cost of retiree health care benefits is recognized as an expenditure as claims are paid.

Changes in the Total OPEB Liability	Fiscal Year Ending May 31, 2019:
Total OPEB liability as of May 31, 2018:	$1,158,560
Changes for the year:	
Service Cost	32,137
Interest	40,256
Differences between actual and expected experience	29,521
Benefit payments	(132,479)
Total Changes	($30,565)
Total OPEB liability as of May 31, 2019:	$1,127,995

TAX INFORMATION

Real Property Taxes

The Village derives its power to levy an ad valorem real property tax from the Constitution of the State. The Village's power to levy real property taxes, other than for debt service and certain other purposes, is limited by the State Constitution to two percent of the five-year average full valuation of taxable property of the Village. (See "Tax Limit" herein.) The State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations.

Tax Collection Procedure

The following table sets forth the percentage of the Village's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2015 through 2019, and, as budgeted, for the year ending 2020.

Fiscal Year Ending May 31:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2015	$6,544,194	$4,744,538	72.50
2016	7,008,009	4,798,830	68.48
2017	6,912,194	4,823,630	69.78
2018	6,869,383	4,858,285	70.72
2019	6,931,215	4,967,348	71.67
2020 (Budgeted)	6,723,677	4,860,473	72.29

Source: Audited financial statements (2015-2019), and the adopted budget for the fiscal year ended May 31, 2020.

Taxes are payable to July 1 without penalty. Penalties thereafter are imposed at an annual rate determined by the New York State Commissioner of Taxation and Finance. On November 1, uncollected taxes are turned over to the County Commissioner of Finance and uncollected taxes and penalties are relevied as part of the County tax levy. The County guarantees to pay the Village the full amount of such uncollected taxes prior to the end of the Village fiscal year.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws New York of 2011 (the "Tax Levy Limit Law") on June 24, 2011, all the taxable real property within the Village had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Village and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law, as amended, imposes a tax levy limitation upon the Village for any fiscal year commencing after January 1, 2012 without providing an exclusion for debt service on obligations issued by the Village. As a result, the power of the Village to levy real estate taxes on all the taxable real property within the Village to pay the bonds and notes of the Village and interest thereon is subject to statutory limitations set forth in Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof. The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Village, subject to certain exceptions. The Tax Levy Limit Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board is authorized to adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Village, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Village or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

Tax Limit

The Constitution limits the amount that may be raised by the Village ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the Village for the 2019-2020 fiscal year is as follows:

Five-year Average Full Valuation	$488,332,420
Tax Limit - 2% thereof	9,766,648
Tax Levy for General Village Purposes	4,860,473
Less: Exclusions	324,431
Tax Levy Subject to Tax Limit	$4,536,042
Constitutional Tax Margin	$5,230,606

Tax Levies and Rates
(As per Fiscal Year Ending May 31:)

	2016	2017	2018	2019	2020
Tax Levy	$4,582,555	$4,665,846	$4,687,483	$4,785,058	$4,860,473
Taxes Rate per $1,000 of Assessed Valuation	$10.11	$10.12	$10.12	$10.12	$10.40

Selected Listing of Large Taxable Properties
2019-2020 Assessment Roll

Name	Type	Assessed Valuation
New York State Electric & Gas Co.	Utility	$10,853,286
SRK Caravel Arms Associates	Apartments	6,025,000
National Fuel Gas Dist. Corp.	Utility	4,386,863
AGNL Pastry LLC	Manufacturing	3,582,100
Avox Systems, Inc.	Manufacturing	3,495,000
Nutrablend Properties	Manufacturing	3,420,000
Broadway Lancaster Realty, LLC.	Nursing	2,885,000
WKJ Young Group Inc.	Apartments	2,562,000
2468 Group Inc.	Commercial	2,000,000
Verizon	Utility	1,982,170
2000 Commerce Parkway LLC	Manufacturing	1,880,000
5220-5236 Broadway LLC	Banking	1,640,000
	Total [a]	$44,711,419

a. Represents 9.60% of the total taxable assessed valuation for 2019-20.

Tax Certiorari Claims

In common with other municipalities, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of Village taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. A refund of excess taxes is also generally requested. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claimed. Many settlements provide for future adjustments with no direct outlay of money. There are no significant claims filed by the larger taxpayers at this time.

CYBERSECURITY

The Village, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Village faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Village invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. To mitigate such risk the Village has contracted with an outside technology firm to assist in the prevention detection and remediation of any such attacks. The results of any such attack could impact business operations and/or damage Village digital networks and systems and the costs of remedying any such damage could be substantial.

LITIGATION

In common with other villages, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have an adverse material effect on the financial conditions of the Village.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the Village (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Village in connection with the Notes, and Bond Counsel has assumed compliance by the Village with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Village, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Village, in executing the Tax Certificate, will certify to the effect that the Village will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a "Discount Note"), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner's adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "note premium" on that note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note, determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Note should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Village with respect to the Notes, which will be available at the time of delivery of the Notes, substantially in the form set forth in Appendix C.

DISCLOSURE UNDERTAKING

This Official Statement is in a form "deemed final" by the Village for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the Village will provide an executed copy of its "Undertaking to Provide Notices of Events" (the "Undertaking") substantially in the form appearing in Appendix D.

Compliance History

On July 7, 2014, December 9, 2015 and December 22, 2017, event notices were filed for the failure to file financial information in a timely manner pursuant to the Limited Disclosure Undertaking entered into in conjunction with certain bond issues of the Village.

RATING

The Notes are not rated. Standard & Poor's Corporation ("S&P") has assigned a rating of "AA-" to the outstanding bonds of the Village. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Notes or the availability of a secondary market for such Notes.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Village on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the Village and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Village or the information set forth in this Official Statement or any other information available to the Village with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Michael E. Stegmeier, Village Treasurer/Clerk, Village of Lancaster, Municipal Building, 5423 Broadway, Lancaster, New York 14086, telephone number 716/683-2105, email: mstegmeier@lancastervillage.org, or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: http://www.munistat.com.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Village nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Village and the original purchasers or owners of any of the Notes.

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Village which delegates to the Village Treasurer the power to sell and issue the Notes.

By: s/s ______________________
MICHAEL E. STEGMEIER
Village Treasurer/Clerk
Village of Lancaster
Lancaster, New York

March , 2020

APPENDIX A

FINANCIAL INFORMATION

Balance Sheets
Fiscal Year Ending May 31:

	2015	2016	2017	2018	2019
Assets:					
Cash	$ 1,961,962	$ 2,427,847	$ 2,813,709	$ 3,093,895	$ 3,718,695
Restricted Cash	31,075	49,348	37,695	44,907	39,788
Accounts Receivable	128,790	79,080	107,342	94,459	83,002
Prepaid Expenditures	40,307	36,774	47,746	110,844	339,611
Due from Other Funds	264,918	37,050	151,602	271,409	202,741
Due from Other Governments	432,198	451,130	370,550	288,381	114,459
Total Assets:	$ 2,859,250	$ 3,081,229	$ 3,528,644	$ 3,903,895	$ 4,498,296
Liabilities & Fund Balances:					
Accounts Payable	$ 94,032	$ 49,860	$ 160,512	$ 139,723	$ 86,231
Accrued Liabilities	190,575	191,060	189,627	147,425	89,288
Due to Other Funds		62,703	11,969	4,552	
Due to Other Governements	223,554	215,091	220,475	215,200	213,873
Deferred Revenue	3,805	18,273	6,620	13,832	8,713
	511,966	536,987	589,203	520,732	398,105
Fund Balance (Deficit):					
Reserved For:					
Nonspendable	40,307	36,774	47,746	110,844	114,459
Restricted	31,075	31,075	31,075	31,075	31,075
Assigned	80,200	129,100	220,845	750,000	1,270,000
Unassigned	2,195,702	2,347,293	2,639,775	2,491,244	2,684,657
Total Fund Balances (Deficit)	2,347,284	2,544,242	2,939,441	3,383,163	4,100,191
Total Liabilities and Fund Balances (Deficit)	$ 2,859,250	$ 3,081,229	$ 3,528,644	$ 3,903,895	$ 4,498,296

Source: Audited Financial Reports of the Village (2015-2019)

Statement of Revenues, Expenditures and Fund Balances
General Fund

	2015	2016	2017	2018	2019
Revenues:					
Real Property Taxes	$ 4,744,538	$ 4,798,830	$ 4,823,630	$ 4,858,285	$ 4,967,348
Other Non-Property Tax	1,230,541	1,196,255	1,162,373	1,190,516	1,219,992
Departmental Income	135,349	85,656	94,184	82,641	98,214
Intergovernmental Charges	7,860	6,677	8,176	5,930	9,351
Use of Money & Property	1,370	1,070	1,280	1,283	1,480
Licenses & Permits	416	1,929	1,333	4,292	4,005
Fines & Forfeitures	55,443	59,577	51,528	58,024	49,975
Sale of Prop & Comp for Loss	40,258	23,973	84,526	46,772	70,332
Miscellaneous	34,789	52,251	3,038	13,676	4,887
Federal Aid	202,838	601,666	20,414	8,000	19,800
State Aid	489,547	180,124	650,419	506,722	485,831
Interfund Transfers		51,028	11,293	93,242	
Total Revenues	6,942,949	7,059,037	6,912,194	6,869,383	6,931,215
Expenditures:					
General Government Support	1,061,129	1,061,050	1,113,192	1,037,004	1,102,405
Public Safety	1,316,192	1,246,240	1,250,352	1,297,926	1,332,566
Transportation	1,676,642	1,358,558	1,384,236	1,661,765	1,356,314
Economic Opportunity & Development	20,945		93,000		
Culture & Recreation	195,308	147,572	161,876	169,774	197,979
Home & Community Service	602,912	549,681	410,339	383,734	452,092
Employee Benefits	1,444,764	1,341,775	1,274,340	1,261,040	1,314,162
Interfund Transfers	423,165	1,157,203	829,660	614,418	458,669
Total Expenditures	6,741,057	6,862,079	6,516,995	6,425,661	6,214,187
Revenues over Expenditures	201,892	196,958	395,199	443,722	717,028
Fund Balance Beginning of Year	2,145,392	2,347,284	2,544,242	2,939,441	3,383,163
Prior Period Adjustments					
Fund Balance End of Year	$ 2,347,284	$ 2,544,242	$ 2,939,441	$ 3,383,163	$ 4,100,191

Source: Audited Annual Financial Reports of the Village (2015-2019)

Statement of Revenues, Expenditures and Fund Balances
Special Revenue Fund*

	2015	2016	2017	2018	2019
Revenues:					
Departmental Income	$ 928,520	$ 890,860	$ 925,631	$ 918,019	$ 917,433
Use of Money & Property	527	446	446	328	4,260
Sale of Prop & Comp for Loss	125				
Miscellaneous	334	156	187	3,540	66
State Aid		100,000	50,000	82,480	23,520
Interfund Transfers	1,839,656	1,071,067	793,114	878,426	755,464
Total Revenues	2,769,162	2,062,529	1,769,378	1,882,793	1,700,743
Expenditures:					
General Government Support	4,200	4,200	4,200	4,275	4,200
Home & Community Service	268,099	482,008	488,653	496,128	414,699
Employee Benefits	91,568	88,960	72,665	79,428	87,386
Debt Service - Principal	760,000	765,000	575,000	655,000	550,000
Debt Service - Interest	238,662	187,466	165,233	170,406	152,444
Interfund Transfers	1,443,282	703,862	436,553	553,080	423,406
Total Expenditures	2,805,811	2,231,496	1,742,304	1,958,317	1,632,135
Excess (Deficiency) of Revenues over Expenditures	(36,649)	(168,967)	27,074	(75,524)	68,608
Fund Balance Beginning of Year	1,030,962	994,313	825,346	852,420	776,896
Adjustments					
Fund Balance End of Year	$ 994,313	$ 825,346	$ 852,420	$ 776,896	$ 845,504

* Special Revenue Funds include the Sewer Fund, Water Fund, Miscellaneous Special Revenue Fund, and Debt Service Fund.

Source: Audited Annual Financial Reports of the Village (2015-2019)

Budget Summary
Fiscal Year Ending May 31:

	2019-20	2018-19
Revenues:		
Real Property Taxes	$ 4,860,473	$ 4,785,058
Other Tax Items	176,600	166,600
Non-Property Tax	1,125,000	1,125,000
Departmental Income	9,125	9,900
Culture and Recreation	68,550	70,300
Intergovernmental Income	5,930	5,930
Use of Money & Property	1,000	1,000
Licenses & Permits	1,600	1,150
Fines & Forfeitures	40,000	40,000
Sale of Prop & Comp for Loss	5,750	6,000
Miscellaneous	500	750
State Aid	429,149	439,149
Interfund Transfers		
Total:	$ 6,723,677	$ 6,650,837
Expenses:		
General Government Support	$ 1,226,195	$ 1,204,030
Public Safety	1,280,250	1,276,610
Health	4,550	4,550
Transportation	1,308,456	1,288,633
Culture & Recreation	243,040	247,540
Home & Community Services	451,255	417,415
Employee Benefits	1,835,500	1,840,000
Interfund Transfers	50,000	40,000
Debt Service	324,431	332,059
	$ 6,723,677	$ 6,650,837

Source: Adopted Budgets of the Village

VILLAGE OF LANCASTER

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2019

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT

VILLAGE OF LANCASTER, NEW YORK
Table of Contents
Year Ended May 31, 2019

(continued)

(concluded)

Drescher & Malecki LLP
3083 William Street, Suite 5
Buffalo, New York 14227
Telephone: 716.565.2299
Fax: 716.565.2201

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, 2019, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2019, and the respective changes in financial position 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, 2019, the Village implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 15, 2019 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 15, 2019

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, 2019. This document should be read in conjunction with 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 $15,213,949 (*net position*). This consists of $16,894,902 net investment in capital assets, $77,402 restricted for specific purposes, and unrestricted net position of $(1,758,355) at May 31, 2019.

- The Village's primary government net position increased by $618,646 during the year ended May 31, 2019.

- At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balance of $4,968,239, an increase of $666,924 in comparison with the prior year's fund balance of $4,301,315.

- General Fund fund balance increased $717,028 from operations during the year ended May 31, 2019. At the end of the current fiscal year, *unassigned fund balance* for the General Fund was $2,684,657, or approximately 43.2 percent of General Fund expenditures and transfers out.

- During the fiscal year ended May 31, 2019, the Village's total serial bonds outstanding decreased $550,000 as a result of scheduled principal payments.

Overview of the Financial Statements

This 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 five 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, 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 Agency Fund.

The fiduciary fund financial statement can be found on page 17 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 18-44 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 OPEB liability and related ratios, the Village's total pension liability related to its length of service awards program, 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 45-52 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 $15,213,949 at the close of the most recent fiscal year, as compared to $14,595,303 at the close of the fiscal year ended May 31, 2018, 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, 2019	May 31, 2018 (as restated)
Current assets	$ 7,410,355	$ 4,987,877
Capital assets	21,309,994	21,448,954
Total assets	28,720,349	26,436,831
Deferred outflows of resources	489,584	550,663
Current liabilities	2,513,045	740,252
Noncurrent liabilities	10,906,739	10,493,352
Total liabilities	13,419,784	11,233,604
Deferred inflows of resources	576,200	1,158,587
Net position:		
Net investment in capital assets	16,894,902	16,934,429
Restricted	77,402	73,731
Unrestricted	(1,758,355)	(2,412,857)
Total net position	$ 15,213,949	$ 14,595,303

The largest portion of the Village's net position, $16,894,902, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), 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, $77,402 represents resources that are subject to external restrictions on how they may be used. The remaining $(1,758,355) is considered unrestricted net position.

Table 2, as presented below, shows the changes in net position for the years ended May 31, 2019 and May 31, 2018.

Table 2—Condensed Statements of Changes in Net Position

	Year Ended May 31,	
	2019	2018 (as restated)
Program revenues:		
Charges for services	$ 1,078,978	$ 1,068,906
Operating grants and contributions	43,320	100,443
Capital grants and contributions	251,562	845,471
General revenues	6,559,565	6,270,433
Total revenues	7,933,425	8,285,253
Program expenses	7,314,779	7,000,644
Change in net position	618,646	1,284,609
Net position—beginning, as restated	14,595,303	14,723,971
Restatement	-	(1,413,277)
Net position—ending	$ 15,213,949	$ 14,595,303

Overall revenues decreased 4.2 percent from the prior year, primarily due to a decrease in capital grants and contributions. Total expenses increased 4.5 percent from the year ended May 31, 2018, primarily due to an increase in transportation costs.

A summary of sources of revenues for the years ended May 31, 2019 and May 31, 2018 is presented in Table 3 on the following page.

Table 3—Summary of Sources of Revenues

	Year Ended May 31,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
Charges for services	$ 1,078,978	$ 1,068,906	$ 10,072	0.9
Operating grants and contributions	43,320	100,443	(57,123)	(56.9)
Capital grants and contributions	251,562	845,471	(593,909)	(70.2)
Real property taxes and tax items	4,967,348	4,858,285	109,063	2.2
Other non-property taxes	1,219,992	1,190,516	29,476	2.5
Use of money and property	5,740	1,611	4,129	256.3
Sale of property and compensation for loss	70,332	46,772	23,560	50.4
Miscellaneous	20,255	17,216	3,039	17.7
State aid—unrestricted	275,898	156,033	119,865	76.8
Total revenues	$ 7,933,425	$ 8,285,253	$ (351,828)	(4.2)

The most significant sources of revenues for the year ended May 31, 2019 were real property taxes and tax items of $4,967,348, or 62.6 percent of total revenues, other non-property taxes of $1,219,992, or 15.4 percent of total revenues, and charges for services of $1,078,978, or 13.6 percent of total revenues. Similarly, for the year ended May 31, 2018, the largest sources of revenues were real property taxes and tax items of $4,858,285, or 58.6 percent of total revenues, other non-property taxes of $1,190,516, or 14.4 percent of total revenues, and charges for services of $1,068,906, or 12.9 percent of total revenues.

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

Table 4—Summary of Program Expenses

	Year Ended May 31,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
General government support	$ 1,408,021	$ 1,424,879	$ (16,858)	(1.2)
Public safety	1,692,514	1,639,002	53,512	3.3
Transportation	2,150,466	1,786,003	364,463	20.4
Culture and recreation	256,403	220,238	36,165	16.4
Home and community services	1,637,692	1,766,997	(129,305)	(7.3)
Interest and other fiscal charges	169,683	163,525	6,158	3.8
Total program expenses	$ 7,314,779	$ 7,000,644	$ 314,135	4.5

The most significant expense items for the year ended May 31, 2019 were transportation of $2,150,466, or 29.4 percent of total expenses, public safety of $1,692,514, or 23.1 percent of total expenses, and home and community services of $1,637,692, or 22.4 percent of total expenses. For the year ended May 31, 2018, the most significant expense items were transportation of $1,786,003, or 25.5 percent of total expenses, home and community services of $1,766,997, or 25.2 percent of total expenses, and public safety of $1,639,002 or 23.4 percent of total expenses.

Financial Analysis of Governmental Funds

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, 2019, the Village's governmental funds reported combined ending fund balance of $4,968,239, an increase of $666,924 from the prior year. Approximately 54.0 percent, $2,684,657, of the combined ending fund balances constitutes *unassigned fund balance* which may be available for spending per the Village's fund balance policy. The remainder of fund balance is *nonspendable, restricted, or assigned*, to indicate that it is: (1) not in spendable form, $124,248, (2) restricted for particular purposes, $199,382 or (3) assigned for particular purposes, $1,959,952.

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 $2,684,657, while total fund balance increased to $4,100,191. 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 43.2 percent of total General Fund expenditures and transfers out, while total fund balance represents 66.0 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 and receiving revenues in excess of budget, the total fund balance of the Village's General Fund increased $717,028 during the current fiscal year.

The Village's Sewer Fund ending fund balance was $694,176. Approximately 99.4 percent, $689,952, of this amount is assigned for specific (Sewer Fund) use. During the year ended May 31, 2019, the Sewer Fund fund balance increased $120,135, primarily due to increased departmental income from sewer charges and budgetary savings in general government support and employee benefits.

The Village's Miscellaneous Special Revenue Fund ending fund balance was $5,565. During the year ended May 31, 2019, the Miscellaneous Special Revenue Fund fund balance decreased $2,675 as a result of planned spending on existing gifts and donations.

The Village's Capital Projects Fund ending fund balance was $22,564. During the year ended May 31, 2019, the Capital Projects Fund fund balance decreased $118,712 as a result of increased capital outlay.

The Village's Debt Service Fund ending fund balance was $145,743. During the year ended May 31, 2019, the Debt Service Fund fund balance decreased $48,852, primarily due to transfers out to the Sewer Fund.

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, 2019 is presented below in Table 5.

Table 5—General Fund Budget

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues	$ 6,650,837	$ 6,840,287	$ 6,931,215	$ 90,928
Expenditures and other financing uses	6,650,837	6,840,287	6,214,187	626,100
Excess (deficiency) of revenues over expenditures and other financing uses	$ -	$ -	$ 717,028	$ 717,028

Original budget compared to final budget—During the fiscal year ended May 31, 2019, the budgeted appropriations increased by $189,450. This is mainly attributed to increase in transfers out for capital projects spending, which were offset by an increase in estimated revenues from sales tax collections, insurance recoveries, as well as state 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. General Fund total expenditures and transfers out were $626,100 less than corresponding final budget appropriations. Following are the main components of the variance:

- Employee benefit expenditures were $235,213 less than budgeted, primarily due to lower than anticipated medical insurance and pension expenditures.
- General government support expenditures were $117,674 less than budgeted, largely due to lower than expected personnel salary expenditures.

Capital Asset and Debt Administration

Capital assets—The Village's investment in capital assets for its governmental activities as of May 31, 2019, amounted to $21,309,994 (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, 2019 and May 31, 2018 are presented below in Table 6.

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

	May 31,	
	2019	2018
Land	$ 222,717	$ 222,717
Buildings and improvements	1,607,048	1,710,408
Machinery and equipment	2,390,199	2,334,237
Infrastructure	17,090,030	17,181,592
Total	$ 21,309,994	$ 21,448,954

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

Long-term debt—At May 31, 2019, the Village had total bonded debt outstanding of $4,260,000, as compared to $4,810,000 in the prior year. During the year ended May 31, 2019, the Village made scheduled principal payments of $550,000.

A summary of the Village's long-term liabilities at May 31, 2019 and May 31, 2018 is presented below in Table 7.

Table 7—Summary of Long-Term Liabilities

	May 31,	
	2019	2018
Serial bonds	$ 4,260,000	$ 4,810,000
Capital lease	303,197	-
Compensated absences	199,139	195,082
OPEB obligation	1,127,995	1,158,560
Net pension liability	471,784	205,173
Net pension liability - LOSAP	4,544,624	4,124,537
Total	$ 10,906,739	$ 10,493,352

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 Buffalo-Niagara Falls region at May 31, 2019 was 3.8 percent. This compares to New York State's average unemployment rate of 4.0 percent. These factors, along with others, are considered in preparing the Village's budget.

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, 2019

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 4,268,068
Restricted cash and cash equivalents	2,239,785
Receivables	203,294
Intergovernmental receivables	569,623
Due from Agency Fund	10,902
Prepaid items	118,683
Capital assets not being depreciated	222,717
Capital assets, net of accumulated depreciation	21,087,277
Total assets	28,720,349
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	489,584
Total deferred outflows of resources	489,584
LIABILITIES	
Accounts payable	122,927
Accrued liabilities	167,532
Intergovernmental payables	213,873
Unearned revenue	8,713
Noncurrent liabilities:	
Due within one year	615,472
Due within more than one year	10,291,267
Total liabilities	13,419,784
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	576,200
Total deferred inflows of resources	576,200
NET POSITION	
Net investment in capital assets	16,894,902
Restricted for:	
Repairs	31,075
Debt service	23,763
Capital projects	22,564
Unrestricted	(1,758,355)
Total net position	$ 15,213,949

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, 2019

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities
Primary government:					
Governmental activities:					
General government support	$ 1,408,021	$ 102,219	$ -	$ -	$ (1,305,802)
Public safety	1,692,514	49,975	19,800	-	(1,622,739)
Transportation	2,150,466	9,351	-	251,562	(1,889,553)
Culture and recreation	256,403	-	-	-	(256,403)
Home and community services	1,637,692	917,433	23,520	-	(696,739)
Interest and other fiscal charges	169,683	-	-	-	(169,683)
Total primary government	$ 7,314,779	$ 1,078,978	$ 43,320	$ 251,562	(5,940,919)
General revenues:					
Real property taxes and tax items					4,967,348
Other non-property taxes					1,219,992
Use of money and property					5,740
Sale of property and compensation for loss					70,332
Miscellaneous					20,255
State aid—unrestricted					275,898
Total general revenues					6,559,565
Change in net position					618,646
Net position—beginning, as restated					14,595,303
Net position—ending					$ 15,213,949

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

VILLAGE OF LANCASTER, NEW YORK
Balance Sheet—Governmental Funds
May 31, 2019

	General	Special Revenue: Sewer	Special Revenue: Miscellaneous Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,718,695	$ 549,373	$ -	$ -	$ -	$ 4,268,068
Restricted cash and cash equivalents	39,788	-	5,565	2,056,538	137,894	2,239,785
Receivables	83,002	120,292	-	-	-	203,294
Intergovernmental receivables	339,611	28,000	-	202,012	-	569,623
Due from other funds	202,741	4,933	-	-	7,849	215,523
Prepaid items	114,459	4,224	-	-	-	118,683
Total assets	$ 4,498,296	$ 706,822	$ 5,565	$ 2,258,550	$ 145,743	$ 7,614,976
LIABILITIES						
Accounts payable	$ 86,231	$ 5,331	$ -	$ 31,365	$ -	$ 122,927
Accrued liabilities	89,288	7,315	-	-	-	96,603
Intergovernmental payables	213,873	-	-	-	-	213,873
Due to other funds	-	-	-	204,621	-	204,621
Bond anticipation notes payable	-	-	-	2,000,000	-	2,000,000
Unearned revenue	8,713	-	-	-	-	8,713
Total liabilities	398,105	12,646	-	2,235,986	-	2,646,737
FUND BALANCES						
Nonspendable	114,459	4,224	5,565	-	-	124,248
Restricted	31,075	-	-	22,564	145,743	199,382
Assigned	1,270,000	689,952	-	-	-	1,959,952
Unassigned	2,684,657	-	-	-	-	2,684,657
Total fund balances	4,100,191	694,176	5,565	22,564	145,743	4,968,239
Total liabilities and fund balances	$ 4,498,296	$ 706,822	$ 5,565	$ 2,258,550	$ 145,743	$ 7,614,976

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, 2019

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

Total fund balances—governmental funds (page 13)		$ 4,968,239
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 $34,523,873 and the accumulated depreciation is $13,213,879.		21,309,994
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	$ 42,097	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	447,487	
Deferred inflows of resources related to pensions	(187,721)	
Deferred inflows of resources related to pensions—LOSAP	(388,479)	(86,616)
Net accrued interest expense for serial bonds, capital leases and bond anticipation notes is not reported in the funds.		(70,929)
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	$(4,260,000)	
Capital lease	(303,197)	
Compensated absences	(199,139)	
Other postemployment benefits obligation	(1,127,995)	
Net pension liability	(471,784)	
Net pension liability—LOSAP	(4,544,624)	(10,906,739)
Net position of governmental activities		$ 15,213,949

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—Governmental Funds
Year Ended May 31, 2019

	General	Special Revenue: Sewer	Special Revenue: Miscellaneous Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes and tax items	$ 4,967,348	$ -	$ -	$ -	$ -	$ 4,967,348
Non-property tax items	1,219,992	-	-	-	-	1,219,992
Departmental income	98,214	917,433	-	-	-	1,015,647
Intergovernmental charges	9,351	-	-	-	-	9,351
Use of money and property	1,480	92	-	-	4,168	5,740
Licenses and permits	4,005	-	-	-	-	4,005
Fines and forfeitures	49,975	-	-	-	-	49,975
Sale of property and compensation for loss	70,332	-	-	-	-	70,332
Miscellaneous	4,887	66	-	15,302	-	20,255
State aid	485,831	23,520	-	41,629	-	550,980
Federal aid	19,800	-	-	-	-	19,800
Total revenues	6,931,215	941,111	-	56,931	4,168	7,933,425
EXPENDITURES						
Current:						
General government support	1,102,405	4,200	-	-	-	1,106,605
Public safety	1,332,566	-	-	-	-	1,332,566
Transportation	1,356,314	-	-	-	-	1,356,314
Culture and recreation	197,979	-	-	-	-	197,979
Home and community services	452,092	412,024	2,675	-	-	866,791
Employee benefits	1,314,162	87,386	-	-	-	1,401,548
Debt service:						
Principal	-	-	-	-	550,000	550,000
Interest and other fiscal charges	-	-	-	-	152,444	152,444
Capital outlay	-	-	-	605,451	-	605,451
Total expenditures	5,755,518	503,610	2,675	605,451	702,444	7,569,698
Excess (deficiency) of revenues over expenditures	1,175,697	437,501	(2,675)	(548,520)	(698,276)	363,727
OTHER FINANCING SOURCES (USES)						
Transfers in	-	53,020	-	126,611	702,444	882,075
Transfers out	(458,669)	(370,386)	-	-	(53,020)	(882,075)
Proceeds from capital lease	-	-	-	303,197	-	303,197
Total other financing sources (uses)	(458,669)	(317,366)	-	429,808	649,424	303,197
Net change in fund balances	717,028	120,135	(2,675)	(118,712)	(48,852)	666,924
Fund balances—beginning	3,383,163	574,041	8,240	141,276	194,595	4,301,315
Fund balances—ending	$ 4,100,191	$ 694,176	$ 5,565	$ 22,564	$ 145,743	$ 4,968,239

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—Governmental Funds to the Government-wide Statement of Activities
Year Ended May 31, 2019

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

Net change in fund balances—total governmental funds (page 15)		$ 666,924
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 depreciation expense and loss on disposals exceeded capital outlays in the current period.		
Capital asset additions	$ 883,896	
Loss on capital asset disposals	(9,251)	
Depreciation expense	(1,013,605)	(138,960)
Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:		
Village pension contributions	$ 250,628	
Cost of benefits earned net of employee contributions	(416,018)	(165,390)
In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.		(17,239)
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:		
Repayment of serial bonds	$ 550,000	
Proceeds from capital lease	(303,197)	
Change in compensated absences	(4,057)	
Change in OPEB obligation	30,565	273,311
Change in net position of governmental activities		$ 618,646

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

VILLAGE OF LANCASTER, NEW YORK
Statement of Net Position—Agency Fund
May 31, 2019

	Agency Fund
ASSETS	
Restricted cash and cash equivalents	$ 17,795
Intergovernmental receivables	5,427
LOSAP assets	2,032,841
Total assets	$ 2,056,063
LIABILITIES	
Agency liabilities	$ 12,320
Due to other funds	10,902
Amounts held for LOSAP	2,032,841
Total liabilities	$ 2,056,063

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

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, 2019, 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.

- *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 *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the 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 Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

Cash, Cash Equivalents and Investments—The 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. The Village had no investments at May 31, 2019; however, when the Village does have investments they are recorded at fair value in accordance with GASB.

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

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 estimated fair value at the date of its donation. 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:

Class of Assets	Estimated Useful Life (Years)
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, 2019, 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, 2019, 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^{st}. 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, 2019, the Village reported $8,713 of unearned revenues within the General Fund. The Village received certain fees 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.

Pensions—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, 2019, the Village implemented GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 75 replaced GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, and required more extensive note disclosures and required supplementary information about their OPEB liabilities. GASB Statement No. 85 enhanced consistency in the application of accounting and financial reporting requirements. GASB Statement No. 86 improved consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—were placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improved accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Other than discussed in Note 2 to the financial statements, the implementation of GASB Statements No. 75, 85, and 86 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. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61,* effective for the year ending May 31, 2020, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending May 31, 2021, and No. 91, *Conduit Debt Obligations*, effective for the year ending May 31, 2022. The Village is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89, 90 and 91 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 8th.
- Prior to March 1st, 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 20th for the fiscal year commencing the following June 1st. 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 31st.
- 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 15th. Public hearing may be adjourned from day to day, but not beyond April 20th.
- 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 1st.
- 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.

2. RESTATEMENT OF NET POSITION

During the year ended May 31, 2019, the Village implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of GASB Statement No. 75 requires the Village's net OPEB liability/(asset) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As a result, the Village's OPEB liability/(asset) was restated from $(254,717) to $1,158,560 for governmental activities at May 31, 2018. Net position of the Village's governmental activities at May 31, 2018 has been restated as follows:

	Governmental Activities
Net position—May 31, 2018, as previously stated	$ 16,008,580
GASB Statement No. 75 implementation:	
OPEB liability adjustment	(1,413,277)
Net position—May 31, 2018, as restated	$ 14,595,303

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, 2019 are as follows:

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	$ 954	$ -	$ 954
Deposits	6,506,899	17,795	6,524,694
Total	$ 6,507,853	$ 17,795	$ 6,525,648

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at May 31, 2019 as follows:

	Bank Balance	Carrying Amount
FDIC insured	$ 250,000	$ 250,000
Uninsured:		
Collateral held by pledging bank's agent in the Village's name	6,365,679	6,274,694
Total	$ 6,615,679	$ 6,524,694

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, 2019, 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, unspent proceeds of debt and gifts and amounts held on behalf of others as restricted cash and cash equivalents. At May 31, 2019, the Village reported $2,239,785 and $17,795 of restricted cash and cash equivalents within its governmental funds and fiduciary fund, respectively.

Investments—The Village had no investments at May 31, 2019.

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

Major receivables accrued by the Village at May 31, 2019 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at May 31, 2019 are as follows:

General Fund:		
Franchise fees	$ 57,847	
Gross tax receipts	20,837	
Other	4,318	$ 83,002
Sewer Fund:		
Sewer rents		120,292
Total governmental funds		$ 203,294

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, 2019 are as follows:

General Fund:		
Due from Erie County	$ 255,388	
Due from New York State	54,778	
Due from Federal Government	27,800	
Due from local municipalities	1,645	$ 339,611
Sewer Fund:		
Due from New York State		28,000
Capital Projects Fund:		
Due from New York State		202,012
Total governmental funds		$ 569,623
Agency Fund:		
Due from New York State		5,427
Total		$ 575,050

5. CAPITAL ASSETS

Capital asset activity for the Village's governmental activities for the year ended May 31, 2019 was as follows:

	Balance 6/1/2018	Additions	Deletions	Balance 5/31/2019
Capital assets, not being depreciated:				
Land	$ 222,717	$ -	$ -	$ 222,717
Total capital assets, not being depreciated	222,717	-	-	222,717
Capital assets, being depreciated:				
Buildings and building improvements	4,996,121	26,379	-	5,022,500
Machinery and equipment	6,884,888	513,081	(94,959)	7,303,010
Infrastructure	21,631,210	344,436	-	21,975,646
Total capital assets, being depreciated	33,512,219	883,896	(94,959)	34,301,156
Less accumulated depreciation for:				
Buildings and building improvements	(3,285,713)	(129,739)	-	(3,415,452)
Machinery and equipment	(4,550,651)	(447,868)	85,708	(4,912,811)
Infrastructure	(4,449,618)	(435,998)	-	(4,885,616)
Total accumulated depreciation	(12,285,982)	(1,013,605)	85,708	(13,213,879)
Total capital assets, being depreciated, net	21,226,237	(129,709)	(9,251)	21,087,277
Total capital assets, net	$ 21,448,954	$ (129,709)	$ (9,251)	$ 21,309,994

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

General government support	$ 20,272
Public safety	273,673
Transportation	172,313
Culture and recreation	10,136
Home and community services	537,211
Total	$ 1,013,605

6. ACCRUED LIABILITIES

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

	General Fund	Sewer Fund	Total Governmental Funds
Salaries and employee benefits	$ 89,288	$ 7,315	$ 96,603

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 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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At May 31, 2019, 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018, 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.

Measurement date	March 31, 2019
Net pension liability	$ 471,784
Village's portion of the Plan's total net pension liability	0.0066586%

For the year ended May 31, 2019, the Village recognized pension expense of $297,638 for ERS. At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as shown below:

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	$ 92,904	$ 31,670
Changes of assumptions	118,587	-
Net difference between projected and actual earnings on pension plan investments	-	121,086
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	13,152	34,965
Village's contributions subsequent to the measurement date	42,097	-
Total	$ 266,740	$ 187,721

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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	ERS
2020	$ 83,798
2021	(99,932)
2022	(11,781)
2023	64,837

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, 2019
Actuarial valuation date	April 1, 2018
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 ERS's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2019	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 7.0%, 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 (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	$ 2,062,717	$ 471,784	$ (864,712)

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

	(Dollars in Thousands)
	ERS
Valuation date	April 1, 2018
Employers' total pension liability	$ 189,803,429
Plan fiduciary net position	182,718,124
Employers' net pension liability	$ 7,085,305
System fiduciary net position as a percentage of total pension liability	96.3%

Payables to the Pension Plan—For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2019 represent the projected employer contribution for the period of April 1, 2019 through May 31, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2019 amounted to $42,454.

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, 2018, with a valuation date of July 1, 2017, the most recent valuation date for which complete information related to the year ended May 31, 2019 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, 2017 valuation date with a measurement date of June 30, 2018.

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, 2018 measurement date, the following participants were covered by the benefit terms:

Active members	84
Vested-terminated	46
Retired and beneficiaries	20
Total	150

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, 2018 measurement date was determined using an actuarial valuation as of July 1, 2017.

Actuarial Assumptions—The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	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 3.61%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018. 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 following table presents the changes to the total pension liability during the fiscal year, by source.

	Total Pension Liability
Balance as of June 30, 2017 measurement date	$ 4,124,537
Changes for the year:	
Service cost	88,765
Interest	147,605
Differences between expected and actual experience	4,571
Changes of assumptions or other inputs	255,412
Benefit payments	(76,266)
Net changes	420,087
Balance as of June 30, 2018 measurement date	$ 4,544,624

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, 2018 measurement date, calculated using the discount rate of 3.61 percent, 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 (2.61 percent) or one percentage point higher (4.61 percent) than the current rate:

	1% Decrease (2.61%)	Current Discount Rate (3.61%)	1% Increase (4.61%)
Net pension liability	$ 4,866,245	$ 4,544,624	$ 4,215,873

Pension Expense and Deferred Outflows of Resources Related to Pension—For the year ended May 31, 2019, the Village recognized pension expense of $195,814. At May 31, 2019, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,919	$ -
Changes of assumptions	218,925	388,479
Total	$ 222,844	$ 388,479

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

Year Ending May 31,	
2020	$ (40,556)
2021	(40,556)
2022	(40,556)
2023	(40,556)
2024	(40,554)
Thereafter	37,143

The Village accounts for service award program assets within its Agency Fund. As of May 31, 2019, program asset information was available which totaled $2,032,841.

9. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATIONS

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, 2019, $132,479 was paid on behalf of retirees and was recorded as an expenditure in the respective funds.

Employees Covered by Benefit Terms—At May 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	24
Total	30

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 $1,127,995 was measured as of May 31, 2019, and was determined by an actuarial valuation as of June 1, 2018 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, 2018 actuarial valuation, the Entry Age Normal Method, over a level percent of pay, was used. The single discount rate changed from 3.58% to 3.12% effective May 31, 2019. Salaries are assumed to increase at 2.00% per year. The salary scale was based on the Village's review of historical experience as well as future expectations. The initial healthcare rate as of May 31, 2019 was 6.75%, decreasing to an ultimate rate of 3.78%. Mortality rates are based on the sex-distinct RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2018 mortality improvement scale on a fully generational basis.

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

	Total OPEB Liability
Balance at May 31, 2018	$ 1,158,560
Changes for the year:	
Service cost	32,137
Interest	40,256
Difference between expected and actual experience	29,521
Benefit payments	(132,479)
Net changes	(30,565)
Balance at May 31, 2019	$ 1,127,995

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

	1% Decrease (2.12%)	Current Discount Rate (3.12%)	1% Increase (4.12%)
Total OPEB liability	$ 1,195,695	$ 1,127,995	$ 1,065,104

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (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	$ 1,051,824	$ 1,127,995	$ 1,213,540

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 $11,075,106. 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

On July 20, 2018, the Village entered into a lease to use and purchase a freightliner. The lease agreement qualifies 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 leases are summarized on the following page.

Year Ending May 31,	Equipment
2020	$ 68,904
2021	68,904
2022	68,904
2023	68,904
2024	68,904
Total minimum lease payments	344,520
Less: Amount representing imputed interest costs	(41,323)
Present value of minimum lease payments	$ 303,197

The Village reports the following leased asset and related depreciation at May 31, 2019:

	Governmental Activities
Assets:	
Equipment	$ 303,197
Less: Accumulated depreciation	(18,950)
Total	$ 284,247

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, 2019 is presented below:

Description	Interest Rate	Maturity Date	Balance 6/1/2018	Issues	Redemptions	Balance 5/31/2019
Capital Projects Fund:						
Sanitary Sewer System	2.75%	3/19/2020	$ -	$ 2,000,000	$ -	$ 2,000,000
Total			$ -	$ 2,000,000	$ -	$ 2,000,000

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 leases, 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, 2019 is presented below:

	Balance 6/1/2018 (as restated)	Additions	Reductions	Balance 5/31/2019	Due Within One Year
Serial bonds	$ 4,810,000	$ -	$ 550,000	$ 4,260,000	$ 550,000
Capital lease	-	303,197	-	303,197	55,515
Compensated absences	195,082	93,483	89,426	199,139	9,957
OPEB obligation	1,158,560	101,914	132,479	1,127,995	-
Net pension liability*	205,173	266,611	-	471,784	-
Net pension liability—LOSAP	4,124,537	496,353	76,266	4,544,624	-
Total	$ 10,493,352	$ 1,261,558	$ 848,171	$ 10,906,739	$ 615,472

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

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 maturities that range from 5 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.

A summary of reductions for the year ended May 31, 2019 is presented below:

Description	Original Amount	Year of Issue/Maturity	Interest Rate (%)	Balance 6/1/2018	Additions	Payments	Balance 5/31/2019
General Fund:							
Public improvement serial bonds	$ 1,085,000	2009/2024	3.50-4.75	$ 185,000	$ -	$ 35,000	$ 150,000
Firetruck serial bonds	620,000	2010/2030	4.50-5.00	380,000	-	30,000	350,000
Public improvement serial bonds	500,000	2011/2021	2.00-2.38	75,000	-	25,000	50,000
Public improvement refunding bonds	790,000	2015/2020	2.00	218,555	-	109,278	109,277
Public improvement serial bonds	975,000	2017/2029	2.00-2.75	900,000	-	75,000	825,000
Sewer Fund:							
Public improvement serial bonds	2,900,000	2008/2027	3.75-4.13	1,500,000	-	150,000	1,350,000
Public improvement serial bonds	1,925,000	2013/2033	2.00-3.00	1,500,000	-	100,000	1,400,000
Public improvement refunding bonds	790,000	2015/2020	2.00	51,445	-	25,722	25,723
Total governmental funds				$ 4,810,000	$ -	$ 550,000	$ 4,260,000

Capital Lease—The outstanding balance at May 31, 2019 for the freightliner lease was $303,197. 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 respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at May 31, 2019, for governmental activities is $199,139. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable; however, management has estimated the current portion of this liability to be $9,957. Management believes that funds will be available to meet such payments as they become due.

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 $1,127,995 at May 31, 2019.

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 $471,784 and the net pension liability related to LOSAP is estimated to be $4,544,624. 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	Net Pension Liability—LOSAP	Total
2020	$ 550,000	$ 55,515	$ 9,957	$ -	$ -	$ -	$ 615,472
2021	415,000	57,967	-	-	-	-	472,967
2022	390,000	60,526	-	-	-	-	450,526
2023	390,000	63,199	-	-	-	-	453,199
2024	390,000	65,990	-	-	-	-	455,990
2025-2029	1,685,000	-	-	-	-	-	1,685,000
Thereafter	440,000	-	189,182	1,127,995	471,784	4,544,624	6,773,585
Total	$ 4,260,000	$ 303,197	$ 199,139	$ 1,127,995	$ 471,784	$ 4,544,624	$ 10,906,739

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

Year Ending May 31,	Serial Bonds	Capital Lease
2020	$ 136,266	$ 13,389
2021	119,991	10,937
2022	106,961	8,378
2023	93,892	5,705
2024	80,788	2,914
2025-2029	219,001	-
Thereafter	25,437	-
Total	$ 782,336	$ 41,323

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 below:

Capital assets, net of accumulated depreciation	$ 21,309,994
Less:	
Serial bonds	(4,260,000)
Capital lease	(303,197)
Bond anticipation notes	(2,000,000)
Add:	
Unspent debt proceeds	2,148,105
Net investment in capital assets	$ 16,894,902

- ***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, 2019, the Village reported $77,402 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, 2019 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 $114,459 and $4,224 of nonspendable fund balance at May 31, 2019, respectively.

- ***Endowment***—Represents amounts maintained for endowments. At May 31, 2019, the Miscellaneous Special Revenue Fund reported endowment amounts of $5,565.

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, 2019 includes:

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Repairs	$ 31,075	$ -	$ -	$ 31,075
Debt service			145,743	145,743
Capital projects	-	22,564	-	22,564
Total	$ 31,075	$ 22,564	$ 145,743	$ 199,382

- ***Restricted for Repairs***—Represents amounts to be used for the cost of future repairs. At May 31, 2019 the General Fund report restricted for repairs amounts of $31,075.

- ***Restricted for Capital Projects***—Represents amounts established within the Capital Projects Fund which will be used to pay the cost of capital expenditures. At May 31, 2019 the Village reported $22,564.

- ***Restricted for Debt***—Represents amounts to be used for future debt service. At May 31, 2019 the Debt Service Fund report restricted for debt amounts of $145,743.

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, 2019, 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, 2019, 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, 2019, the General Fund reported $1,270,000 as assigned for capital projects.

- ***Assigned to Specific Use***—Represents remaining fund balance within special revenue funds that is assigned for each fund's specific purpose. At May 31, 2019, the Sewer Fund reported $689,952 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, 2019 is presented as follows:

	Interfund	
Fund	Receivables	Payables
General Fund	$ 202,741	$ -
Sewer Fund	4,933	-
Capital Projects Fund	-	204,621
Debt Service Fund	7,849	-
Agency Fund	-	10,902
Total	$ 215,523	$ 215,523

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, 2019:

Fund	Transfers in: Sewer Fund	Capital Projects Fund	Debt Service Fund	Total
Transfers out:				
General Fund	$ -	$ 126,611	$ 332,058	$ 458,669
Sewer Fund	-	-	370,386	370,386
Debt Service Fund	53,020	-	-	53,020
Total	$ 53,020	$ 126,611	$ 702,444	$ 882,075

Transfers are used primarily to move amounts to fulfill commitments to finance various capital projects or pay down on outstanding debt.

16. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. A summary of changes in the assets and liabilities for the year ended May 31, 2019 is presented below:

	Balance 6/1/2018	Additions	Deletions	Balance 5/31/2019
ASSETS:				
Restricted cash and cash equivalents	$ 9,809	$ 231,459	$ 223,473	$ 17,795
Intergovernmental receivables	3,888	5,427	3,888	5,427
LOSAP assets	1,756,872	355,645	79,676	2,032,841
Total assets	$ 1,770,569	$ 592,531	$ 307,037	$ 2,056,063
LIABILITIES:				
Agency liabilities	$ 3,323	$ 135,887	$ 126,890	$ 12,320
Due to other funds	10,374	51,730	51,202	10,902
Amounts held for LOSAP	1,756,872	355,645	79,676	2,032,841
Total liabilities	$ 1,770,569	$ 543,262	$ 257,768	$ 2,056,063

17. LABOR RELATIONS

Village employees are represented by one bargaining unit, with the balance governed by Village Board rules and regulations. The bargaining unit has been negotiated through May 31, 2019.

18. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executor) 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) and 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, 2019, the Village reported no significant encumbrances.

19. 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. Under the agreements entered into by the IDA and the Town, the Village collected $134,824 during the 2018-2019 fiscal year in payments in lieu of taxes ("PILOTs"), these collections were made in lieu of $152,009 in property taxes..

20. CONTINGENCIES

Litigation—The Village is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the Village. The Village believes that its ultimate liability, if any, in connection with these matters will not have a material 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 any amounts to be immaterial.

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2019, 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 Six Fiscal Years*

	Year Ended May 31,					
	2019	**2018**	**2017**	**2016**	**2015**	**2014**
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Village's proportion of the net pension liability	0.0066586%	0.0063571%	0.0065897%	0.0067156%	0.0070657%	0.0070657%
Village's proportionate share of the net pension liability	$ 471,784	$ 205,173	$ 619,186	$ 1,077,873	$ 238,697	$ 319,290
Village's covered payroll	$ 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	27.1%	11.6%	37.1%	63.5%	12.4%	20.0%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

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

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

	Year Ended May 31,					
	2019	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 250,628	$ 315,516	$ 354,581	$ 266,212	$ 358,269	$ 274,800
Contributions in relation to the contractually required contribution	(250,628)	(315,516)	(354,581)	(266,212)	(358,269)	(274,800)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Village's covered payroll	$ 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%	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 OPEB Liability and Related Ratios
Last Fiscal Year*

	2019
Total OPEB Liability	
Service cost	$ 32,137
Interest	40,256
Changes of assumptions	29,521
Benefit payments	(132,479)
Net change in total OPEB liability	(30,565)
Total OPEB liability—beginning	1,158,560
Total OPEB liability—ending	$ 1,127,995
Plan Fiduciary Net Position	
Contributions—employer	$ 132,479
Benefit payments	(132,479)
Net change in plan fiduciary net position	-
Plan fiduciary net position—beginning	-
Plan fiduciary net position—ending	$ -
Village's net OPEB liability—ending	$ 1,127,995
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	N/A
Village's net OPEB liability as a percentage of covered-employee payroll	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 Changes in the Village's Total Pension Liability—LOSAP
Last Two Fiscal Years*

	2019	2018
Total Pension Liability		
Service Cost	$ 88,765	$ 80,199
Interest	147,605	159,090
Changes of assumptions or other inputs	259,983	(543,870)
Benefit payments	(76,266)	(74,683)
Net change in total pension liability	420,087	(379,264)
Total pension liability—beginning	4,124,537	4,503,801
Total pension liability—ending	$ 4,544,624	$ 4,124,537
Covered-employee payroll	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	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 Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund
Year Ended May 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Real property taxes and tax items	$ 4,951,658	$ 4,951,658	$ 4,967,348	$ 15,690
Other nonproperty taxes	1,125,000	1,188,939	1,219,992	31,053
Departmental income	80,200	81,988	98,214	16,226
Intergovernmental charges	5,930	8,430	9,351	921
Use of money and property	1,000	1,000	1,480	480
Licenses and permits	1,150	1,150	4,005	2,855
Fines and forfeitures	40,000	40,000	49,975	9,975
Sales and compensations	6,000	56,500	70,332	13,832
State aid	439,149	490,072	485,831	(4,241)
Federal aid	-	19,800	19,800	-
Miscellaneous	750	750	4,887	4,137
Total revenues	6,650,837	6,840,287	6,931,215	90,928
EXPENDITURES				
Current:				
General government support	1,204,030	1,220,079	1,102,405	117,674
Public safety	1,261,160	1,353,267	1,332,566	20,701
Transportation	1,288,633	1,433,626	1,356,314	77,312
Culture and recreation	247,540	257,540	197,979	59,561
Home and community services	417,415	507,715	452,092	55,623
Employee benefits	1,840,000	1,549,375	1,314,162	235,213
Debt service:				
Principal	275,408	-	-	-
Interest	56,651	-	-	-
Total expenditures	6,590,837	6,321,602	5,755,518	566,084
Excess of revenues over expenditures	60,000	518,685	1,175,697	657,012
OTHER FINANCING (USES)				
Transfers out	(60,000)	(518,685)	(458,669)	60,016
Total other financing (uses)	(60,000)	(518,685)	(458,669)	60,016
Net change in fund balances	-	-	717,028	717,028
Fund balances—beginning	3,383,163	3,383,163	3,383,163	-
Fund balances—ending	$ 3,383,163	$ 3,383,163	$ 4,100,191	$ 717,028

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, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES				
Departmental income	$ 909,205	$ 909,205	$ 917,433	$ 8,228
Use of money and property	-	-	92	92
Miscellaneous	-	-	66	66
State aid	-	23,520	23,520	-
Total revenues	909,205	932,725	941,111	8,386
EXPENDITURES				
Current:				
General government support	64,200	4,200	4,200	-
Home and community services	389,540	473,059	412,024	61,035
Employee benefits	138,100	138,100	87,386	50,714
Debt service:				
Principal	274,592	-	-	-
Interest	95,793	-	-	-
Total expenditures	962,225	615,359	503,610	111,749
Excess (deficiency) of revenues over expenditures	(53,020)	317,366	437,501	120,135
OTHER FINANCING SOURCES (USES)				
Transfers in	53,020	53,020	53,020	-
Transfers out	-	(370,386)	(370,386)	-
Total other financing sources (uses)	53,020	(317,366)	(317,366)	-
Net change in fund balances	-	-	120,135	120,135
Fund balances—beginning	574,041	574,041	574,041	-
Fund balances—ending	$ 574,041	$ 574,041	$ 694,176	$ 120,135

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

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1. OPEB LIABILITY

Changes of Assumptions—The actuarial cost method used as of June 1, 2018 was the Entry Age Normal Level Percent of Pay method as prescribed under GASB 75. Previously, when the plan was subject to GASB 45, the Projected Unit Credit cost method was utilized.

The rate used to discount future plan cash flows decreased from 3.58% to 3.12% as of May 31, 2019 based on a review of a 20-year AA Municipal Bond Index as of each measurement date.

The mortality assumption was revised as of June 1, 2018 to the sex-distinct RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2018 mortality improvement scale on a generational basis. Previously, this assumption was based using a MP-2015 mortality improvement scale on a generational basis. This change was made based on a review of published studies and demographics of the plan.

2. PENSION LIABILITY—LOSAP

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

June 30, 2018	3.61%
June 30, 2017	3.56%

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

3. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Sewer Fund and Debt Service Fund. The 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.

Drescher & Malecki LLP
3083 William Street, Suite 5
Buffalo, New York 14227
Telephone: 716.565.2299
Fax: 716.565.2201

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, 2019, 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 15, 2019 (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75).

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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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 15, 2019

APPENDIX C

FORM OF BOND COUNSEL OPINION

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

March 18, 2020

The Board of Trustees of the
Village of Lancaster, in the
County of Erie, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Village of Lancaster (the "Village"), in the County of Erie, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $2,000,000 Bond Anticipation Notes – 2020 (the "Notes") of the Village dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes are valid and legally binding general obligations of the Village for which the Village has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Village is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Village will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Village represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Village's certifications, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and (ii) compliance by the Village with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

We give no assurances as to the accuracy, sufficiency or completeness of the Preliminary or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Village which have been or may hereafter be furnished or disclosed to purchasers of said Notes.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

"EMMA" shall mean the Electronic Municipal Market Access System implemented by the MSRB.

"Financial Obligation" shall mean "financial obligation" as such term is defined in the Rule.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"Holder" shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

"Issuer" shall mean the Village of Lancaster, in the County of Erie, a municipal corporation of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the Village Treasurer as of March 18, 2020.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

"Securities" shall mean the Issuer's **$2,000,000 Bond Anticipation Note-2020**, dated March 18, 2020, maturing March 18, 2021, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776 to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;

(vii) modifications to rights of Securities holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Village, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **March 18, 2020.**

VILLAGE OF LANCASTER, NEW YORK

By: ______________________________

Village Treasurer