

**TOWN OF LEWISTON,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and Supplementary
Information for the Year Ended December 31, 2018
and Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Lewiston, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lewiston, New York (the "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018 the Town 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 Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2019 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’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 Town’s internal control over financial reporting and compliance.

Drescher & Malecki LLP

July 22, 2019

TOWN OF LEWISTON, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2018

As management of the Town of Lewiston, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2018. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. For comparative purposes, certain data from the prior year has been reclassified to conform to the current year presentation.

Financial Highlights

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$6,945,921 (*net position*). This consists of \$3,950,072 net investment in capital assets, \$2,992,541 restricted for specific purposes, offset by an unrestricted net position of \$(13,888,534).
- The Town's net position increased by \$2,519,820 during the year ended December 31, 2018.
- At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$11,875,413, an increase of \$1,419,452 in comparison with the prior year's fund balance of \$10,455,961.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,254,374, or approximately 51.9 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 93.7 percent of the General Fund's total fund balance of \$1,339,341 at December 31, 2018.
- During the year ended December 31, 2018, the Town's total serial bonds outstanding decreased by \$810,000 as a result of scheduled principal payments.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services. The Town reports no 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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into 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 Town maintains ten 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, Town Outside Village Fund, Highway Fund, Water District Fund, Sewer District Fund, and Capital Projects Fund, which are considered major funds. Data from the other four funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

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

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Town maintains one fiduciary fund, the 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 18-43.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town’s net pension liability, the Town’s progress in funding its obligation to provide postemployment benefits to its employees, and the Town’s budgetary comparison schedules for each major fund with a legally adopted budget. Required Supplementary Information and related notes to the Required Supplementary Information can be found on pages 44-54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 55-56.

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 Town, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,945,921 at the close of the most recent fiscal year, as compared to \$(9,465,741) at the close of the fiscal year ended December 31, 2017, as restated.

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

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities	
	December 31,	
	2018	2017 (as restated)
Current assets	\$ 13,149,784	\$ 12,118,752
Capital assets	11,905,027	11,064,361
Total assets	<u>25,054,811</u>	<u>23,183,113</u>
Deferred outflows of resources	<u>2,532,044</u>	<u>2,166,163</u>
Current liabilities	1,344,355	1,736,119
Non current liabilities	<u>29,500,550</u>	<u>32,640,259</u>
Total liabilities	<u>30,844,905</u>	<u>34,376,378</u>
Deferred inflows of resources	<u>2,018,825</u>	<u>438,639</u>
Net position:		
Net investment in capital assets	3,950,072	2,144,799
Restricted	2,992,541	3,055,069
Unrestricted	<u>(13,888,534)</u>	<u>(14,665,609)</u>
Total net position	<u>\$ (6,945,921)</u>	<u>\$ (9,465,741)</u>

The largest portion of the Town’s net position, \$3,950,072, reflects its net investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any debt used to acquire those assets. The Town uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the Town’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,992,541, represents resources that are subject to external restrictions imposed by creditors, grantors, contributions, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining portion of the Town’s net position, \$(13,888,534), is considered to be an unrestricted net deficit. This deficit does not mean that the Town does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the Town’s capital assets and are not expected to be repaid from current resources. These long-term liabilities, including compensated absences, other post-employment benefits (“OPEB”) obligations, and net pension liability, are funded annually within the funds.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2018 and December 31, 2017.

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

	<u>Governmental Activities</u>	
	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
	2018	(as restated)
Program revenues:		
Charges for services	\$ 5,348,625	\$ 4,566,675
Operating grants and contributions	981,320	759,504
Capital grants and contributions	1,458,121	1,470,271
General revenues	<u>9,818,369</u>	<u>9,420,403</u>
Total revenues	<u>17,606,435</u>	<u>16,216,853</u>
Program expenses	<u>15,086,615</u>	<u>15,056,715</u>
Change in net position	2,519,820	1,160,138
Net position—beginning, as restated	(9,465,741)	4,889,109
Restatement	<u>-</u>	<u>(14,354,850)</u>
Net position—ending	<u>\$ (6,945,921)</u>	<u>\$ (9,465,741)</u>

Overall revenues increased 8.6 percent from the prior year. This increase was primarily the result of increases in departmental revenue from water and sewer charges, sales tax, and host community fees. Total expenses increased 0.2 percent from the prior year, due primarily to decreases in home and community services, transportation, and public safety from the changes in allocation of employee benefits.

A summary of sources of revenues for the years ended December 31, 2018 and December 31, 2017 is presented in Table 3 below:

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
Charges for services	\$ 5,348,625	\$ 4,566,675	\$ 781,950	17.1
Operating grants and contributions	981,320	759,504	221,816	29.2
Capital grants and contributions	1,458,121	1,470,271	(12,150)	(0.8)
Property taxes and tax items	3,934,729	3,930,472	4,257	0.1
Non-property tax items	5,302,227	4,923,346	378,881	7.7
Use of money and property	3,285	1,429	1,856	129.9
Miscellaneous	221,372	174,385	46,987	26.9
Unrestricted state aid	356,756	390,771	(34,015)	(8.7)
Total revenues	<u>\$ 17,606,435</u>	<u>\$ 16,216,853</u>	<u>\$ 1,389,582</u>	8.6

The most significant sources of revenues for the year ended December 31, 2018 were charges for services of \$5,348,625, or 30.4 percent of total revenues, and non-property tax items of \$5,302,227, or 30.1 percent of total revenues. For the year ended December 31, 2017, the largest sources of revenues were non-property tax items of \$4,923,346, or 30.4 percent of total revenues, and charges for services of \$4,566,675, or 28.2 percent of total revenues.

A summary of program expenses for the years ended December 31, 2018 and December 31, 2017 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
General government support	\$ 2,279,050	\$ 1,858,534	\$ 420,516	22.6
Public safety	3,256,799	3,320,930	(64,131)	(1.9)
Health	19,314	19,336	(22)	(0.1)
Transportation	3,071,444	3,148,654	(77,210)	(2.5)
Economic assistance and opportunity	11,559	14,792	(3,233)	(21.9)
Culture and recreation	1,629,519	1,678,293	(48,774)	(2.9)
Home and community services	4,455,475	4,637,477	(182,002)	(3.9)
Interest and other fiscal charges	363,455	378,699	(15,244)	(4.0)
Total expenses	<u>\$ 15,086,615</u>	<u>\$ 15,056,715</u>	<u>\$ 29,900</u>	0.2

The most significant expense items for the year ended December 31, 2018 were home and community services of \$4,455,475, or 29.5 percent of total expenses, public safety of \$3,256,799, or 21.6 percent of total expenses, and transportation of \$3,071,444, or 20.4 percent of total expenses. Similarly, for the year ended December 31, 2017, the most significant expense items were home and community services of \$4,637,477, or 30.8 percent of total expenses, public safety of \$3,320,930, or 22.1 percent of total expenses, and transportation of \$3,148,654, or 20.9 percent of total expenses.

Financial Analysis of Governmental Funds

Governmental funds—The focus of the Town’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, *unassigned fund balance* and *assigned for specific use* 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 been limited to use for a particular purpose by an external party, the Town itself, or a group of individuals that has been delegated authority to assign resources for use for particular purposes by the Town Board.

At December 31, 2018, the Town’s governmental funds reported combined ending fund balances of \$11,875,413, an increase of \$1,419,452 from the prior year. Approximately 61.4 percent of this amount, \$7,287,837, constitutes *unassigned fund balance* and *fund balance assigned for specific use*, which is available for spending at the Town’s discretion or amounts within special revenue funds that are not restricted or committed. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$315,256, (2) restricted for a specific purpose, \$4,149,406, or (3) assigned for encumbrances, \$122,914.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,254,374, while total fund balance increased to \$1,339,341. The total fund balance of the Town’s General Fund increased \$373,489 during the current fiscal year. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures and transfers out. Unassigned fund balance represents approximately 51.9 percent of General Fund expenditures and transfers out, while total fund balance represents 55.4 percent of that same amount.

The Town Outside Village Fund fund balance increased \$353,744 from the prior year, resulting in an ending fund balance of \$1,952,208. Approximately 94.4 percent, \$1,842,969, of this amount is reported as fund balance assigned for specific use.

The Highway Fund fund balance increased \$326,483 from the prior year, resulting in an ending fund balance of \$990,538. Approximately 80.3 percent, \$795,440, of this amount is reported as fund balance assigned for specific use.

The Water District Fund fund balance increased \$89,008 from the prior year, resulting in an ending fund balance of \$404,373. Approximately 89.6 percent, \$362,323, of this amount is reported as fund balance assigned for specific use.

The Sewer District Fund fund balance increased \$100,495 from the prior year, resulting in an ending fund balance of \$2,708,829. Approximately 99.7 percent, \$2,702,013, of this amount is reported as fund balance assigned for specific use.

The fund balance in the Capital Projects Fund increased \$114,188 from the prior year, resulting in an ending fund balance of \$4,149,406. The fund balance increase was due to increased grants and local sources. This entire fund balance is considered restricted for capital purposes.

General Fund Budgetary Highlights

The Town'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 Town has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2018 is presented below:

Table 5—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 2,741,596	\$ 2,751,601	\$ 2,789,715	\$ 38,114
Expenditures and other financing uses	2,827,653	2,887,248	2,416,226	471,022
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (86,057)</u>	<u>\$ (135,647)</u>	<u>\$ 373,489</u>	<u>\$ 509,136</u>

Original budget compared to final budget—At the close of the fiscal year, the overall budgeted appropriations were increased \$59,595. The increase was primarily due to supplemental appropriations for transfers out to fund recreation expenditures, and culture and recreation programs supported by additional departmental income.

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. The General Fund had savings from final budgetary appropriations of \$471,022. The most significant savings were realized within general government support and culture and recreation.

Capital Asset and Debt Administration

Capital assets—The Town's investment in capital assets for its governmental activities as of December 31, 2018, amounted to \$11,905,027 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, machinery and equipment, and vehicles. All depreciable capital assets were depreciated from acquisition date to the end of the current year, as outlined in the Town's capital asset policy.

Capital assets, net of depreciation, for the governmental activities at December 31, 2018 and December 31, 2017 are presented on the following page in Table 6.

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

	December 31,	
	2018	2017
Land	\$ 278,075	\$ 278,075
Construction in progress	724,063	144,295
Infrastructure	6,693,750	6,513,654
Buildings and improvements	2,111,200	2,105,651
Machinery and equipment	1,258,895	1,301,983
Vehicles	839,044	720,703
Total	<u>\$ 11,905,027</u>	<u>\$ 11,064,361</u>

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

Long-term debt—At December 31, 2018, the Town had total serial bonds outstanding of \$9,295,000, as compared to \$10,105,000 in the prior year. During the year ended December 31, 2018, the Town made scheduled principal payments of \$810,000.

A summary of the Town’s long-term liabilities at December 31, 2018 and December 31, 2017 is presented in Table 7 below:

Table 7—Summary of Long-Term Liabilities—Governmental Activities

	December 31,	
	2018	2017 (as restated)
Serial bonds	\$ 9,295,000	\$ 10,105,000
Premiums on serial bonds	177,497	189,738
Compensated absences	1,046,030	1,054,864
OPEB obligation	18,293,317	19,473,562
Net pension liability	688,706	1,817,095
Total	<u>\$ 29,500,550</u>	<u>\$ 32,640,259</u>

Additional information on the Town’s long-term liabilities can be found in Note 11 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region during December 2018 was 4.1 percent, as compared to New York State’s unemployment rate of 3.9 percent.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor’s Office, 1375 Ridge Road, Lewiston, NY 14092.

BASIC FINANCIAL STATEMENTS

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TOWN OF LEWISTON, NEW YORK
Statement of Net Position
December 31, 2018

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,918,300
Restricted cash and cash equivalents	4,479,554
Receivables	1,177,015
Intergovernmental receivables	1,260,025
Prepaid items	315,256
Capital assets not being depreciated	1,002,138
Capital assets, net of accumulated depreciation	10,902,889
Total assets	25,054,811
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	2,171,367
Deferred charge on refunding	360,677
Total deferred outflows of resources	2,532,044
LIABILITIES	
Accounts payable	444,674
Accrued liabilities	69,984
Intergovernmental payables	29,697
Bond anticipation notes payable	800,000
Noncurrent liabilities:	
Due within one year	931,844
Due within more than one year	28,568,706
Total liabilities	30,844,905
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	2,018,855
Deferred inflows—relating to OPEB	1,669,016
Total deferred inflows of resources	3,687,871
NET POSITION	
Net investment in capital assets	3,950,072
Restricted	2,992,541
Unrestricted	(13,888,534)
Total net position	\$ (6,945,921)

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

TOWN OF LEWISTON, NEW YORK
Statement of Activities
Year Ended December 31, 2018

Function/Program	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government support	\$ 2,279,050	\$ 499,983	\$ 784,577	\$ 1,361,350	\$ 366,860
Public safety	3,256,799	384,666	-	-	(2,872,133)
Health	19,314	-	-	-	(19,314)
Transportation	3,071,444	262,288	196,743	-	(2,612,413)
Economic assistance and opportunity	11,559	-	-	-	(11,559)
Culture and recreation	1,629,519	243,982	-	96,771	(1,288,766)
Home and community services	4,455,475	3,957,706	-	-	(497,769)
Interest and other fiscal charges	363,455	-	-	-	(363,455)
Total primary government	<u>\$ 15,086,615</u>	<u>\$ 5,348,625</u>	<u>\$ 981,320</u>	<u>\$ 1,458,121</u>	<u>(7,298,549)</u>
General revenues:					
Property taxes					3,934,729
Non-property tax items:					
Sales tax					3,806,961
Waste disposal fees					1,394,575
Other					100,691
Use of money and property					3,285
Miscellaneous					221,372
Unrestricted state aid					<u>356,756</u>
Total general revenues					<u>9,818,369</u>
Change in net position					2,519,820
Net position—beginning, as restated					<u>(9,465,741)</u>
Net position—ending					<u>\$ (6,945,921)</u>

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

TOWN OF LEWISTON, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2018

	Special Revenue					Capital Projects	Total Nonmajor Funds	Total Governmental Funds
	General	Town Outside Village	Highway	Water District	Sewer District			
ASSETS								
Cash and cash equivalents	\$ 928,185	\$ 1,428,939	\$ 634,394	\$ 247,947	\$ 2,318,880	\$ -	\$ 359,955	\$ 5,918,300
Restricted cash and cash equivalents	-	7,368	-	-	-	4,472,186	-	4,479,554
Receivables	301,340	197,333	-	306,178	314,933	57,231	-	1,177,015
Intergovernmental receivables	107,394	286,978	240,344	10,229	104,076	511,004	-	1,260,025
Due from other funds	5,000	-	1,382	-	-	-	-	6,382
Prepaid items	51,074	90,827	124,489	42,050	6,816	-	-	315,256
Total assets	<u>\$ 1,392,993</u>	<u>\$ 2,011,445</u>	<u>\$ 1,000,609</u>	<u>\$ 606,404</u>	<u>\$ 2,744,705</u>	<u>\$ 5,040,421</u>	<u>\$ 359,955</u>	<u>\$ 13,156,532</u>
LIABILITIES								
Accounts payable	\$ 53,074	\$ 51,643	\$ 10,071	\$ 201,601	\$ 35,362	\$ 63,686	\$ 29,237	\$ 444,674
Due to other funds	578	226	-	430	514	5,000	-	6,748
Unearned revenue	-	7,368	-	-	-	22,329	-	29,697
Bond anticipation notes payable	-	-	-	-	-	800,000	-	800,000
Total liabilities	<u>53,652</u>	<u>59,237</u>	<u>10,071</u>	<u>202,031</u>	<u>35,876</u>	<u>891,015</u>	<u>29,237</u>	<u>1,281,119</u>
FUND BALANCES								
Nonspendable	51,074	90,827	124,489	42,050	6,816	-	-	315,256
Restricted	-	-	-	-	-	4,149,406	-	4,149,406
Assigned	33,893	1,861,381	866,049	362,323	2,702,013	-	330,718	6,156,377
Unassigned	1,254,374	-	-	-	-	-	-	1,254,374
Total fund balances	<u>1,339,341</u>	<u>1,952,208</u>	<u>990,538</u>	<u>404,373</u>	<u>2,708,829</u>	<u>4,149,406</u>	<u>330,718</u>	<u>11,875,413</u>
Total liabilities and fund balances	<u>\$ 1,392,993</u>	<u>\$ 2,011,445</u>	<u>\$ 1,000,609</u>	<u>\$ 606,404</u>	<u>\$ 2,744,705</u>	<u>\$ 5,040,421</u>	<u>\$ 359,955</u>	<u>\$ 13,156,532</u>

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

TOWN OF LEWISTON, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2018

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

Total fund balances—governmental funds (page 13)		\$ 11,875,413
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 \$28,482,191 and the accumulated depreciation is \$16,577,164.		11,905,027
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		360,677
Deferred outflows and inflows of resources related to pensions and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 519,910	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	1,651,457	
Deferred inflows related to pension plans	(2,018,855)	
Deferred inflows related to OPEB	<u>(1,669,016)</u>	(1,516,504)
Net accrued interest expense for serial bonds is not reported in the funds.		(69,984)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (9,295,000)	
Unamortized premiums on serial bonds	(177,497)	
Compensated absences	(1,046,030)	
OPEB obligation	(18,293,317)	
Net pension liability	<u>(688,706)</u>	<u>(29,500,550)</u>
Net position of governmental activities		<u>\$ (6,945,921)</u>

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

TOWN OF LEWISTON, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2018

	Special Revenue					Capital Projects	Total Nonmajor Funds	Total Governmental Funds
	General	Town Outside Village	Highway	Water District	Sewer District			
REVENUES								
Real property taxes	\$ 545,448	\$ -	\$ 499,000	\$ 570,000	\$ 432,146	\$ -	\$ 1,738,590	\$ 3,785,184
Other property tax items	65,369	81,813	-	-	-	-	2,363	149,545
Non-property tax items	1,395,965	2,349,607	1,653,426	-	-	-	-	5,398,998
Departmental income	257,670	384,666	262,288	1,626,053	2,331,653	-	-	4,862,330
Use of money and property	-	-	-	-	-	3,165	120	3,285
Licenses and permits	18,573	127,154	-	-	-	-	-	145,727
Fines and forfeitures	311,003	-	-	-	-	-	-	311,003
Sale of property and compensation for loss	8,181	74,151	25,768	3,943	1,027	-	-	113,070
Miscellaneous	5,567	33,017	7,430	2,837	47,210	1,294,827	-	1,390,888
Interfund revenue	29,565	-	-	-	-	-	-	29,565
State aid and local sources	85,269	271,487	196,743	-	-	851,100	-	1,404,599
Total revenues	<u>2,722,610</u>	<u>3,321,895</u>	<u>2,644,655</u>	<u>2,202,833</u>	<u>2,812,036</u>	<u>2,149,092</u>	<u>1,741,073</u>	<u>17,594,194</u>
EXPENDITURES								
Current:								
General government support	1,053,390	164,899	72,209	18,365	30,184	-	-	1,339,047
Public safety	21,399	1,412,137	-	-	-	-	1,243,240	2,676,776
Health	3,600	17,395	-	-	-	-	-	20,995
Transportation	168,725	95,334	2,076,840	-	-	-	11,253	2,352,152
Economic assistance and opportunity	12,400	-	-	-	-	-	-	12,400
Culture and recreation	636,455	669,918	-	-	-	-	-	1,306,373
Home and community services	18,643	125,504	-	1,301,540	1,829,387	-	326,130	3,601,204
Employee benefits	452,024	646,741	593,644	229,906	546,827	-	98,405	2,567,547
Debt service:								
Principal	-	-	57,800	391,610	360,590	-	-	810,000
Interest and other fiscal charges	-	-	23,094	189,183	120,172	-	-	332,449
Capital outlay	-	-	-	-	-	1,155,799	-	1,155,799
Total expenditures	<u>2,366,636</u>	<u>3,131,928</u>	<u>2,823,587</u>	<u>2,130,604</u>	<u>2,887,160</u>	<u>1,155,799</u>	<u>1,679,028</u>	<u>16,174,742</u>
Excess (deficiency) of revenues over expenditures	<u>355,974</u>	<u>189,967</u>	<u>(178,932)</u>	<u>72,229</u>	<u>(75,124)</u>	<u>993,293</u>	<u>62,045</u>	<u>1,419,452</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	67,105	163,777	760,415	16,779	175,619	304,590	-	1,488,285
Transfers out	(49,590)	-	(255,000)	-	-	(1,183,695)	-	(1,488,285)
Total other financing sources (uses)	<u>17,515</u>	<u>163,777</u>	<u>505,415</u>	<u>16,779</u>	<u>175,619</u>	<u>(879,105)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	373,489	353,744	326,483	89,008	100,495	114,188	62,045	1,419,452
Fund balances—beginning	<u>965,852</u>	<u>1,598,464</u>	<u>664,055</u>	<u>315,365</u>	<u>2,608,334</u>	<u>4,035,218</u>	<u>268,673</u>	<u>10,455,961</u>
Fund balances—ending	<u>\$ 1,339,341</u>	<u>\$ 1,952,208</u>	<u>\$ 990,538</u>	<u>\$ 404,373</u>	<u>\$ 2,708,829</u>	<u>\$ 4,149,406</u>	<u>\$ 330,718</u>	<u>\$ 11,875,413</u>

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

TOWN OF LEWISTON, 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 December 31, 2018

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) \$ 1,419,452

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

Capital asset additions, net	\$ 1,468,686	
Depreciation expense	<u>(613,212)</u>	840,666

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (34,350)

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

Town pension contributions	\$ 700,431	
Cost of benefits earned, net of employee contributions	<u>(752,027)</u>	(51,596)

Deferred inflows of resources relating to OPEB result from actuarial changes in assumptions and other inputs. These amounts are shown net of current amortization. (1,669,016)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 3,344

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 related items is as follows:

Repayment of serial bonds	\$ 810,000	
Amortization of premiums on serial bonds	12,241	
Change in compensated absences	8,834	
Change in OPEB obligation	<u>1,180,245</u>	<u>2,011,320</u>

Change in net position of governmental activities \$ 2,519,820

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

TOWN OF LEWISTON, NEW YORK
Statement of Fiduciary Net Position—Agency Fund
December 31, 2018

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 76,232
Receivables	500
Due from other funds	366
LOSAP assets	<u>1,659,694</u>
Total assets	<u>\$ 1,736,792</u>
LIABILITIES	
Agency liabilities	\$ 77,098
Amounts held for LOSAP	<u>1,659,694</u>
Total liabilities	<u>\$ 1,736,792</u>

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

TOWN OF LEWISTON, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-Wide Financial Statements

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

Reporting Entity

The Town, which was established in 1823, is located within the County of Niagara, New York. The Town is governed by Town law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations and the Supervisor serves as chief fiscal officer.

The following basic services are provided: police protection, fire protection through contracts with local volunteer companies, highway, sanitation, recreation, sewer, street lighting, water transmission and general administration.

Independently elected officials of the Town consist of the following:

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

The Town is located in the County of Niagara, New York. A unit of local government which operates within the boundaries of the Town consists of the Village of Lewiston. Public education is provided by one independent school district.

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 is excluded from the government-wide 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 Town's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

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

The Town reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Town and includes all operations not required to be recorded in other funds.
- *Town Outside Village Fund*—The Town Outside Village Fund represents activity for that part of Town located outside the Village of Lewiston, New York, which is an independent governmental entity. This fund accounts for selected services which cannot be charged to taxable properties located in the Village.
- *Highway Fund*—The Highway Fund is used to record all revenues and expenditures related to road maintenance and construction in the Town.
- *Water District Fund*—The Water District Fund is used to record all revenues and expenditures related to operation and maintenance of the water districts.
- *Sewer District Fund*—The Sewer District Fund is used to record all revenues and expenditures related to the operation and maintenance of the sewer districts.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities.

Additionally, the Town reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Activities reported in the fiduciary funds include monies held in trust, deposits that are to be returned, and payroll withholdings due to other entities.

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

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

Measurement Focus and Basis of Accounting

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

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

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

Property taxes, 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 or within 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 of availability. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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 Town’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 Town had no investments at December 31, 2018; however, when the Town 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 fund balance restrictions, unearned revenues and unspent proceeds of debt.

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 when purchased.

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

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

	<u>Years</u>
Infrastructure	20-30
Buildings and improvements	20-40
Machinery and equipment	2-10
Vehicles	5

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

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2018, the Town has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Town’s proportion of the collective net pension liability, the difference during the measurement period between the Town’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is a deferred charge on refunding which is being amortized over the life of the related debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2018, the Town has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Town’s proportion of the collective net pension liability and the difference during the measurement periods between the Town’s contributions and its proportionate share of the total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The second item represents the effects of the change in the Town’s

proportion of the collective net OPEB liability and the difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

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

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

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Board is the highest level of decision-making authority for the Town that can, by Town 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 Town for specific purposes, but do not meet the criteria to be classified as committed. The Town Board has, by resolution, authorized the Supervisor to assign fund balance. The Town Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

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

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

Tax payments are due January 1st to 31st without penalty; February 1st to 28th a 1% penalty; and March 1st to 31st a 2% penalty; after March 31st the Town can no longer collect tax payments.

The tax roll is returned to the Niagara County Treasurer after March 31st at which time all unpaid taxes and penalties are payable to that office. The Town retains their full tax levies for all unpaid items that are returned to the County. Thus, the Town is assured of receiving 100% of its tax levy. The County enforces all liens.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At December 31, 2018, the Town reported unearned revenues within the Town Outside Village Fund and Capital Fund of \$7,368 and \$22,329, respectively. The Town received money in advance but has not performed the related services, and therefore recognizes a liability.

Compensated Absences—Most Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacations and compensatory absences must be used by the end of the fiscal year in which they are earned. Employees may accumulate sick leave, but they are not entitled to receive payment for unused sick leave in the event of termination or upon retirement. Employees may include a portion in excess of maximum accumulated sick days for retirement system credit, up to the cost of \$3,000 or \$4,000 per employee, and may be paid to the employee upon retirement or termination of employment.

Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payment becomes due.

Pensions—The Town is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Service Awards—The Town has adopted a Length of Service Award Program for firefighters that serve on a volunteer basis. The defined contribution plan program is administered by an outside agency, with the Town as trustee. More information is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the Town provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

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/inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2018, the Town implemented GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, GASB Statement No. 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 86 improves 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—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves 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 the matter discussed in Note 2, the implementation of GASB Statements No. 75, 85, and 86 did not have a material impact on the Town’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 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 December 31, 2019, No. 87, *Leases*, and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2020, and No. 91, *Conduit Debt Obligations*, effective for the year ending December 31, 2021. The Town 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 Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 30th, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1st. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5th.
- The full Town Board reviews the tentative budget and may adjust same before approving a “preliminary” budget and calling for a public hearing, which is generally held in October.
- Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Niagara County by November 20th.

- During the fiscal year, the Town Board can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for the departmental budgetary control. Management may amend the budget within each function. All other budget amendments and budget transfers require Town Board approval.

2. RESTATEMENT OF NET POSITION

During the year ended December 31, 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of GASB Statement No. 75 requires the Town's net OPEB liability 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 Town's OPEB liability was restated from \$5,118,712 to \$19,473,562 at December 31, 2017. Net position of the Town's governmental activities at December 31, 2017 has been restated as follows:

	<u>Governmental Activities</u>
Net position—December 31, 2017, as previously stated	\$ 4,889,109
GASB Statement No. 75 implementation:	
OPEB liability adjustment	<u>(14,354,850)</u>
Net position—December 31, 2017, as restated	<u>\$ (9,465,741)</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into 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 December 31, 2018 are as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Petty cash (uncollateralized)	\$ 1,279	\$ -	\$ 1,279
Deposits	<u>10,396,575</u>	<u>76,232</u>	<u>10,472,807</u>
Total	<u>\$ 10,397,854</u>	<u>\$ 76,232</u>	<u>\$ 10,474,086</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2018 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>10,592,517</u>	<u>9,972,807</u>
Total	<u>\$ 11,092,517</u>	<u>\$ 10,472,807</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As noted above, by State Statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2018, the Town’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Town’s name.

Investments—The Town had no investments at December 31, 2018.

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

Restricted Cash and Cash Equivalents—The Town reports restricted cash, totaling \$4,479,554, within the Town Outside Village Fund and Capital Projects Fund. These funds are set aside for unearned revenue and capital projects based on externally imposed restrictions through debt and contractual agreements.

4. RECEIVABLES

Major revenues accrued by the Town at December 31, 2018 include:

Receivables—Represents amounts due for tipping fees, water rents, sewer rents and from other Town departments who are acting as intermediary collecting agents, collecting various fines, fees and other charges which are remitted to the Town in accordance with State statute. Receivables at December 31, 2018 are shown on the following page.

General Fund:			
Tipping fees	\$	244,244	
Court fees		55,821	
Clerk fees		1,250	
Miscellaneous		<u>25</u>	\$ 301,340
Town Outside Village Fund:			
Franchise fees		187,753	
Police fees		190	
Clerk fees		9,240	
Miscellaneous		<u>150</u>	197,333
Water Fund:			
Water rents			306,178
Sewer Fund:			
Sewer rents			314,933
Capital Projects Fund:			
ECA payment			<u>57,231</u>
Total governmental funds			<u>\$ 1,177,015</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Niagara, or other local governments. Intergovernmental receivables at December 31, 2018 are presented below:

General Fund:			
Due from Niagara County	\$	106,101	
Miscellaneous		<u>1,293</u>	\$ 107,394
Town Outside Village Fund:			
Due from Niagara County		277,083	
Miscellaneous		<u>9,895</u>	286,978
Highway Fund:			
Due from Niagara County		199,292	
Due from New York State		<u>41,052</u>	240,344
Water Fund:			
Due from Town of Cambria			10,229
Sewer Fund:			
Due from Village of Lewiston and Town of Porter			104,076
Capital Projects Fund:			
Due from Greenway Commission		510,000	
Miscellaneous		<u>1,004</u>	<u>511,004</u>
Total governmental funds			<u>\$ 1,260,025</u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Capital assets, not being depreciated:				
Land	\$ 278,075	\$ -	\$ -	\$ 278,075
Construction in progress	144,295	640,529	60,761	724,063
Total capital assets, not being depreciated	<u>422,370</u>	<u>640,529</u>	<u>60,761</u>	<u>1,002,138</u>
Capital assets, being depreciated:				
Infrastructure	7,790,771	358,962	-	8,149,733
Buildings and improvements	7,979,267	126,095	-	8,105,362
Machinery and equipment	6,511,816	148,381	117,326	6,542,871
Vehicles	4,504,309	255,480	77,702	4,682,087
Total capital assets, being depreciated	<u>26,786,163</u>	<u>888,918</u>	<u>195,028</u>	<u>27,480,053</u>
Less accumulated depreciation for:				
Infrastructure	1,277,117	178,866	-	1,455,983
Buildings and improvements	5,873,616	120,546	-	5,994,162
Machinery and equipment	5,209,833	191,469	117,326	5,283,976
Vehicles	3,783,606	122,331	62,894	3,843,043
Total accumulated depreciation	<u>16,144,172</u>	<u>613,212</u>	<u>180,220</u>	<u>16,577,164</u>
Total capital assets being depreciated, net	<u>10,641,991</u>	<u>275,706</u>	<u>14,808</u>	<u>10,902,889</u>
Total capital assets, net	<u>\$ 11,064,361</u>	<u>\$ 916,235</u>	<u>\$ 75,569</u>	<u>\$ 11,905,027</u>

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

General government support	\$ 72,359
Public safety	145,332
Health	1,226
Transportation	127,548
Economic assistance and opportunity	613
Culture and recreation	71,133
Home and community services	195,001
Total	<u>\$ 613,212</u>

6. PENSION OBLIGATIONS

Plan Descriptions and Benefits Provided

Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The Town participates in the New York State and Local PFRS and ERS (the “Systems”). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems 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 Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System benefits are established under the provisions of the New York State Retirement Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the Systems, 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 Systems are included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2018, the Town reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2017, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town’s proportion of the net pension liabilities were based on projections of the Town’s long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the Systems in reports provided to the Town.

	PFRS	ERS
Measurement date	March 31, 2018	March 31, 2018
Net pension liability	\$ 275,556	\$ 413,150
Town's portion of the Plan's total net pension liability	0.0272623%	0.0128012%

For the year ended December 31, 2018, the Town recognized pension expenses of \$216,437 and \$535,590, respectively, for PFRS and ERS. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 113,416	\$ 147,357	\$ 73,222	\$ 121,771
Changes of assumptions	208,784	273,953	-	-
Net difference between projected and actual earnings on pension plan investments	223,030	600,068	449,171	1,184,474
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	4,073	80,776	182,862	7,355
Town contributions subsequent to the measurement date	126,225	393,685	-	-
Total	<u>\$ 675,528</u>	<u>\$ 1,495,839</u>	<u>\$ 705,255</u>	<u>\$ 1,313,600</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	PFRS	ERS
2019	\$ 9,633	\$ 124,555
2020	3,334	78,918
2021	(94,636)	(286,789)
2022	(69,732)	(128,130)
2023	(4,551)	-

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

	PFRS	ERS
Measurement date	March 31, 2018	March 31, 2018
Actuarial valuation date	April 1, 2017	April 1, 2017
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 Systems' experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2016 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:

Measurement date	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2018	
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	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Town’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 1,349,748	\$ 275,556	\$ (625,439)
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 3,126,006	\$ 413,150	\$ (1,881,817)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2017	April 1, 2017	
Employers' total pension liability	\$ 32,914,423	\$ 183,400,590	\$ 216,315,013
Plan fiduciary net position	31,903,666	180,173,145	212,076,811
Employers' net pension liability	<u>\$ 1,010,757</u>	<u>\$ 3,227,445</u>	<u>\$ 4,238,202</u>
Systems' fiduciary net position as a percentage of total pension liability	96.9%	98.2%	98.0%

7. LENGTH OF SERVICE AWARDS PROGRAM (“LOSAP”)

The Town established a defined contribution LOSAP for the active volunteer firefighters of the Town of Lewiston Fire Protection District Service Award Program (the “Program”). The Program took effect on January 1, 1990. The Program was established pursuant to Article 11-A of the General Municipal Law. The Program provides municipally-funded pension like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the Program.

Program Description

Participation, Vesting and Service Credit—Active volunteer firefighters who have reached the age of 18 and who have earned 1 year of service credit are eligible to participate in the Program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the Program’s entitlement age or becoming totally and permanently disabled or dying while an active member. The Program’s entitlement age is age 62. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the Program in which he or she accumulates fifty points.

Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the Program. In the case of total and permanent disability before attaining entitlement age, the individual is entitled to receive the credited contribution and investment earnings that are credited to his account regardless of age or length of service.

Contributions, Balances, and Payouts—Prior to January 1, 2009, an annual contribution of \$480 shall be contributed by the Town, up to a maximum of forty (40) years for each calendar year a participant earned a year of service credit under the point system. Subsequent to January 1, 2009, the annual contribution increases to \$700. Each participant accrues an individual account balance which contains their accrued service award, and includes the total annual contributions earned by a participant plus a proportionate share of allocated investment income earned on the Service Award Program Trust Fund, plus an allocated share of interest paid into such fund on prior service contributions less any investment related expenses paid from such Trust Fund. A participant’s accrued service award is payable as soon as administratively possible after January 1 in the next succeeding calendar year after attaining entitlement age.

Fiduciary Investment and Control

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

The governing board of the sponsor has retained and designated First Security Benefit Life Insurance and Annuity Company of New York to assist in the administration of the Program. The designated Program administrator's functions include the gathering and maintenance of all data pertinent to the qualification of members, assist in the gathering of documents needed for the preparation of annual administration, work with the actuarial service to prepare report, assist in the processing of disbursements requests through the Trustee in order to gain the proper approval, assist in the adding and deleting of members from the qualified list of active members eligible for term life insurance and guide the Town as to accounts suitable for the pension funds. Disbursements of Program assets for the payment of benefits or administrative expenses must be approved by the Town Board and are based on the documents and records provided by the fire department records keeper.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Program. The trust agreement is dated April 22, 1992, and the trustee is the Supervisor of the Town. Program assets are held in trust with Standard Security Life Insurance Company.

Authority to invest program assets is vested in the Town of Lewiston Fire Protection District Service Award Program. Subject to restrictions in the Program document, Program assets are invested in accordance with a statutory "prudent person" standard.

Program Financial Condition

Assets and Liabilities:

Actuarial present value of benefits at December 31, 2018			\$ 1,659,694
Less: Assets available for benefits			
	<u>% of total</u>		
<i>Receivables:</i>			
Interest and dividends receivable	3.5%	\$	58,800
<i>Investments at fair value:</i>			
Annuity contract	96.5%	<u>1,600,894</u>	
Total assets available for benefits			<u>1,659,694</u>
Total unfunded benefits, December 31, 2018			<u>\$ -</u>

Receipts and Disbursements:

Plan net assets, January 1, 2018		\$ 1,570,029
Receipts:		
Interest and dividends receivable	\$ 57,400	
Plan service fee	3,029	
Earnings on investments	<u>61,096</u>	121,525
Disbursements:		
Distributions to participants	(28,831)	
Plan service fee	<u>(3,029)</u>	<u>(31,860)</u>
Plan net assets, December 31, 2018		<u>\$ 1,659,694</u>

During the year ended December 31, 2018, the Town accounted for Amounts Held for LOSAP within its Agency Fund. Information was available as of December 31, 2018 regarding the program assets as follows:

Annuity contract	\$ 1,600,894
Interest receivable	<u>58,800</u>
Total	<u>\$ 1,659,694</u>

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—In addition to pension benefits, the Town pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Eligibility for postemployment benefits is based on age, years of service, accumulated sick leave and depends upon associated group or union. The estimated cost of such benefits totaled \$380,657 for the year ended December 31, 2018.

Employees Covered by Benefit Terms—As of the January 1, 2018, actuarial valuation date the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	38
Active employees	<u>71</u>
Total	<u>109</u>

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

Total OPEB Liability

The Authority’s total OPEB liability of \$18,293,317 was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2018.

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

In the January 1, 2018 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.44% effective December 31, 2017 to 4.10% effective December 31, 2018. The salary scale increased 2.50% from the previous year. Adjusted RPH-2014, fully generational using scale MP-2017 was used for mortality rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 8.0%, while the ultimate healthcare cost trend rate is 5.0%.

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 December 31, 2017	\$ 19,473,562
Changes for the year:	
Service cost	774,503
Interest	690,041
Changes of assumptions	(2,264,132)
Benefit payments	(380,657)
Net changes	(1,180,245)
Balance at December 31, 2018	\$ 18,293,317

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 (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Net OPEB liability	\$ 21,879,382	\$ 18,293,317	\$ 15,489,043

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (8.00%) and ultimate (5.00%) healthcare cost trend rates:

	1% Decrease (7.00% / 4.00%)	Healthcare Cost Trend Rates (8.00% / 5.00%)	1% Decrease (9.00% / 6.00%)
Net OPEB liability	\$ 15,117,203	\$ 18,293,317	\$ 22,479,058

Funding Policy—Authorization for the Town to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the Town Board. Upon retirement, the Town generally pays a portion of the cost of the employee’s current coverage at the time of retirement for a period of time as outlined in the various contracts. The Town recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Town’s estimated contributions for the fiscal year ended December 31, 2018 were \$380,657.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Town reports deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The following table presents the Town’s deferred inflows of resources at December 31, 2018:

	Deferred Inflows of Resources
Changes of assumptions	\$ 1,669,016
Total	<u>\$ 1,669,016</u>

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

Year Ending December 31,	
2019	\$ (425,456)
2020	(154,441)
2021	(154,441)
2022	(154,441)
2023	(154,441)
Thereafter	(625,796)

9. RISK MANAGEMENT

The Town is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injury to employees, health insurance and unemployment insurance. The Town purchases commercial insurance to cover such potential risks. 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.

The Town purchases insurance for: automobile, general and umbrella liability. Automobile insurance is limited to \$1 million per accident. The general liability insurance is limited to \$1 million per occurrence, and an aggregate \$3 million limit for products-completed operations hazards and general liability aggregate. Public official liability is limited to \$1,000,000 per occurrence with a \$1,000,000 aggregate. Law enforcement liability is limited to \$1,000,000 per person, \$1,000,000 each wrongful act with a \$1,000,000 annual aggregate. The umbrella liability insurance includes a \$10,000 policy retention and is limited to \$10 million per occurrence, and an aggregate \$10 million limit, that extends over all underlying liability limits listed above.

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for certain capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided the annual reductions of principal are made. The following is a summary of the Town’s short-term debt for the year ended December 31, 2018:

Description	Interest Rate	Maturity Date	Balance 1/1/2018	Issues	Redemptions	Balance 12/31/2018
Capital Projects Fund:						
Waterline construction	2.31%	8/21/2019	\$ -	\$ 800,000	\$ -	\$ 800,000
Road construction and highway equipment	1.48%	9/6/2018	1,250,000	-	1,250,000	-
Total			\$ -	\$ 800,000	\$ -	\$ 800,000

11. LONG-TERM LIABILITIES

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

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

The Town’s outstanding long-term liabilities include serial bonds, compensated absences, other post-employment benefits (“OPEB”) obligation, and net pension liability. The serial bonds of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Town’s long-term debt at December 31, 2018 follows:

	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Governmental activities:					
Serial bonds	\$ 10,105,000	\$ -	\$ 810,000	\$ 9,295,000	\$ 815,000
Premiums on serial bonds	189,738	-	12,241	177,497	12,241
Compensated absences	1,054,864	483,341	492,175	1,046,030	104,603
OPEB obligation	19,473,562	1,464,544	2,644,789	18,293,317	-
Net pension liability*	1,817,095	-	1,128,389	688,706	-
Total governmental activities	\$ 32,640,259	\$ 1,947,885	\$ 5,087,594	\$ 29,500,550	\$ 931,844

*Reductions to the net pension liability are shown net of additions.

Serial Bonds—The Town 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 15 to 20 years. Principal is paid annually; interest is paid semi-annually and is recorded in the Highway Fund, Water District Fund, and Sewer District Fund.

A summary of the Town’s general obligation bonds is presented below:

Description	Year of	Original	Interest	Balance			Balance
	Issue/ Maturity			Issue	Rate (%)	1/1/2018	
Governmental activities:							
EFC Sewer Miller Nesbit (Phase I)	2002/2021	\$ 103,000	2.2	\$ 20,000	\$ -	\$ 5,000	\$ 15,000
EFC Sewer Sanborn (Phase II)	2002/2021	370,000	2.5	80,000	-	20,000	60,000
EFC Sewer Sanborn (Phase III)	2002/2021	380,000	2.5	100,000	-	25,000	75,000
EFC Sewer Hewitt/Edna/Brookside	2002/2022	422,557	2.2	100,000	-	20,000	80,000
Master sewer improvements	2013/2033	5,119,159	3.3-4.0	4,175,000	-	245,000	3,930,000
Public improvement refunding	2015/2033	6,080,000	2.3-4.0	5,630,000	-	495,000	5,135,000
Total governmental activities				<u>\$ 10,105,000</u>	<u>\$ -</u>	<u>\$ 810,000</u>	<u>\$ 9,295,000</u>

Premiums on Serial Bonds—On July 8, 2015 the Town issued serial bonds totaling \$6,080,000 and received a bond premium of \$220,341. The premium is being amortized on a straight-line basis over the life of the bonds, which mature on June 15, 2033. The unamortized premium as of December 31, 2018 was \$177,497.

Compensated Absences—As described in Note 1, the Town records the value of compensated absences. The annual budgets of the respective funds for 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 December 31, 2018 for governmental activities is \$1,046,030. Since the payment of sick time is dependent upon many factors, the timing of future payments is not readily determinable; however, management estimates \$104,603 is due within one year.

OPEB Obligation—As explained in Note 8, the Town provides a portion of health care benefits for retirees. The Town’s annual post-employment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount determined in accordance with the parameters of GASB. The Town’s long-term OPEB obligation is estimated to be \$18,293,317 at December 31, 2018.

Net Pension Liability—The Town reported a liability for its proportionate share of the net pension liability for the New York State Police and Fire Retirement System and Employees’ Retirement System. The total net pension liability is estimated to be \$688,706 in the governmental activities. Refer to Note 6 for additional information related to the Town’s net pension liability.

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

Year ending December 31,	Serial Bonds	Premiums on Serial Bonds	Compensated Absences	OPEB Obligation	Net Pension Liability	Total
2019	\$ 815,000	\$ 12,241	\$ 104,603	\$ -	\$ -	\$ 931,844
2020	825,000	12,241	-	-	-	837,241
2021	750,000	12,241	-	-	-	762,241
2022	540,000	12,241	-	-	-	552,241
2023	525,000	12,241	-	-	-	537,241
2024-2028	2,740,000	61,205	-	-	-	2,801,205
2029-2033	3,100,000	55,087	-	-	-	3,155,087
2034-thereafter	-	-	941,427	18,293,317	688,706	19,923,450
Total	<u>\$ 9,295,000</u>	<u>\$ 177,497</u>	<u>\$ 1,046,030</u>	<u>\$ 18,293,317</u>	<u>\$ 688,706</u>	<u>\$ 29,500,550</u>

Interest requirements on serial bonds payable are as follows:

Year Ending December 31,	Interest
2019	\$ 298,855
2020	278,289
2021	259,365
2022	243,301
2023	229,175
2024-2028	899,039
2029-2033	345,200
Total	<u>\$ 2,553,224</u>

12. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation		\$ 11,905,027
Less related debt:		
Serial bonds	\$ (9,295,000)	
Unspent debt proceeds	1,956,865	
Unamortized bond premium	(177,497)	
Deferred charge on refunding	360,677	
Bond anticipation notes ("BANs") payable	<u>(800,000)</u>	<u>(7,954,955)</u>
Net investment in capital assets		<u>\$ 3,950,072</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The total restricted component of net position of \$2,992,541 is restricted for capital projects within governmental activities.
- **Unrestricted Net Position**—This category represents the net position of the Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Town at December 31, 2018 includes:

- **Prepaid Items**—Represents amounts prepaid that are applicable to future accounting periods. The General, Town Outside Village, Highway, Water District, and Sewer District Funds reported amounts of \$51,074, \$90,827, \$124,489, \$42,050, and \$6,816, respectively, at December 31, 2018.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At December 31, 2018, the Town reported the following restricted fund balances:

- **Restricted for Capital**—Represents funds within the Capital Projects Fund which will be used to pay for the costs of capital expenditures. At December 31, 2018, the Town had \$4,149,406 restricted for capital purposes.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town’s highest level of decision-making authority. At December 31, 2018, the Town 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 Town. At December 31, 2018, the Town reported the following fund balance assignments:

	Encumbrances	Specific Use	Total Assigned
General Fund	\$ 33,893	\$ -	\$ 33,893
Town Outside Village Fund	18,412	1,842,969	1,861,381
Highway Fund	70,609	795,440	866,049
Water District Fund	-	362,323	362,323
Sewer District Fund	-	2,702,013	2,702,013
Nonmajor governmental funds	-	330,718	330,718
Total	<u>\$ 122,914</u>	<u>\$ 6,033,463</u>	<u>\$ 6,156,377</u>

- **Assigned to Encumbrances**—Represents commitments related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Specific Use**—Represents remaining fund balance within the special revenue funds that is assigned for a specific purpose. The assignments’ purpose relates to each fund’s operations and represent the remaining amounts within funds that are not restricted or committed.

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

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are generally short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of December 31, 2018 is shown below:

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 5,000	\$ 578
Town Outside Village Fund	-	226
Highway Fund	1,382	-
Water District Fund	-	430
Sewer District Fund	-	514
Capital Projects Fund	-	5,000
Agency Fund	366	-
Total	<u>\$ 6,748</u>	<u>\$ 6,748</u>

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

The Town made the following transfers during the year ended December 31, 2018:

Fund	Transfers in:						Total
	General Fund	Town Outside Village	Highway Fund	Water District Fund	Sewer District Fund	Capital Projects Fund	
Transfers out:							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,590	\$ 49,590
Highway Fund	-	-	-	-	-	255,000	255,000
Capital Projects Fund	67,105	163,777	760,415	16,779	175,619	-	1,183,695
Total	<u>\$ 67,105</u>	<u>\$ 163,777</u>	<u>\$ 760,415</u>	<u>\$ 16,779</u>	<u>\$ 175,619</u>	<u>\$ 304,590</u>	<u>\$ 1,488,285</u>

Transfers are used primarily to move various fund revenues that the Town must account for in other funds in accordance with budgetary authorizations. Additionally, transfers from certain funds are used to finance various capital projects within the Capital Projects Fund.

14. 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 December 31, 2018 is presented below:

	Balance 1/1/2018	Additions	Deductions	Balance 12/31/2018
ASSETS				
Cash and cash equivalents	\$ 77,253	\$ 5,785,353	\$ 5,786,374	\$ 76,232
Receivables	25	500	25	500
Due from other funds	-	5,362,189	5,361,823	366
LOSAP assets	1,570,029	121,525	31,860	1,659,694
Total assets	<u>\$ 1,647,307</u>	<u>\$ 11,269,567</u>	<u>\$ 11,180,082</u>	<u>\$ 1,736,792</u>
LIABILITIES				
Agency liabilities	\$ 77,278	\$ 571	\$ 751	\$ 77,098
Amounts held for LOSAP	1,570,029	121,525	31,860	1,659,694
Total liabilities	<u>\$ 1,647,307</u>	<u>\$ 122,096</u>	<u>\$ 32,611</u>	<u>\$ 1,736,792</u>

15. LABOR RELATIONS

Certain Town employees are represented by three bargaining units, with the balance governed by Town Board rules and regulations. The Civil Service Employees Association, Inc., The Teamsters Local 264 (Highway, Drainage, and Water Departments) and the Teamsters Local 264 (Police Department) have negotiated contracts in place through December 31, 2018, December 31, 2020 and December 31, 2021, respectively.

16. COMMITMENTS

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

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. Significant encumbrances as of December 31, 2018, are as listed below:

Fund	Purpose	Amount Encumbered
Highway	Brush grinding services	\$ 54,648

17. TAX ABATEMENTS

The Town is subject to tax abatements granted by the Niagara County Industrial Development Agency (the “IDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the IDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the Town, abatements may result in reduction of property taxes, which the Town administers as a temporary reduction in the taxable value of the property involved. The agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the IDA, the Town collected \$1,390 during 2018 in payments in lieu of taxes (“PILOTs”), these collections were made in lieu of \$5,935 in property taxes.

18. CONTINGENCIES

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

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

Assessments—The Town is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 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.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportionation of the net pension liability	0.0272623%	0.0303254%	0.0289796%	0.0288857%	0.0288857%
Town's proportionate share of the net pension liability	<u>\$ 275,556</u>	<u>\$ 628,536</u>	<u>\$ 858,023</u>	<u>\$ 79,511</u>	<u>\$ 120,254</u>
Town's covered payroll	\$ 802,714	\$ 824,469	\$ 754,086	\$ 795,500	\$ 724,885
Town's proportionate share of the net pension liability as a percentage of its covered payroll	34.3%	76.2%	113.8%	10.0%	16.6%
Plan fiduciary net position as a percentage of the total pension liability	96.9%	93.5%	90.2%	99.0%	98.5%

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

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

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 168,819	\$ 168,570	\$ 169,609	\$ 195,493	\$ 218,738
Contribution in relation to the contractually required contribution	<u>(168,819)</u>	<u>(168,570)</u>	<u>(169,609)</u>	<u>(195,493)</u>	<u>(218,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 852,631	\$ 824,937	\$ 851,334	\$ 756,478	\$ 829,362
Contributions as a percentage of covered payroll	19.8%	20.4%	19.9%	25.8%	26.4%

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

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

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0128012%	0.0126493%	0.0128622%	0.0128530%	0.0128530%
Town's proportionate share of the net pension liability	<u>\$ 413,150</u>	<u>\$ 1,188,559</u>	<u>\$ 2,064,420</u>	<u>\$ 434,206</u>	<u>\$ 580,809</u>
Town's covered payroll	\$ 3,492,927	\$ 3,799,662	\$ 3,601,470	\$ 3,574,020	\$ 3,825,984
Town's proportionate share of the net pension liability as a percentage of its covered payroll	11.8%	31.3%	57.3%	12.1%	15.2%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.95%	97.2%

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

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

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 531,612	\$ 544,407	\$ 530,329	\$ 601,823	\$ 751,255
Contribution in relation to the contractually required contribution	<u>(531,612)</u>	<u>(544,407)</u>	<u>(530,329)</u>	<u>(601,823)</u>	<u>(751,255)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,626,849	\$ 4,099,380	\$ 4,001,699	\$ 3,938,398	\$ 4,277,004
Contributions as a percentage of covered payroll	14.7%	13.3%	13.3%	15.3%	17.6%

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

TOWN OF LEWISTON, NEW YORK
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Fiscal Year*

	2018
Total OPEB liability	
Service cost	\$ 774,503
Interest	690,041
Changes of assumptions	(2,264,132)
Benefit payments	(380,657)
Net change in total OPEB liability	(1,180,245)
Total OPEB liability—beginning	19,473,562
Total OPEB liability—ending	\$ 18,293,317
 Plan fiduciary net position	
Contributions—employer	\$ 380,657
Benefit payments	(380,657)
Net change in plan fiduciary net position	-
Plan fiduciary net position—beginning	-
Plan fiduciary net position—ending	\$ -
 Town's net OPEB liability—ending	 \$ 18,293,317
 Plan's fiduciary net position as a percentage of the total OPEB liability	 0.0%
 Covered-employee payroll	 \$ 3,722,849
 Total OPEB liability as a percentage of covered-employee payroll	 491.4%

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

The notes to the Required Supplementary Information are an integral part of this schedule.

TOWN OF LEWISTON, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 545,448	\$ 545,448	\$ 545,448	\$ -
Other property tax items	66,500	66,500	65,369	(1,131)
Non-property tax items	1,443,465	1,390,000	1,395,965	5,965
Departmental income	258,214	260,038	257,670	(2,368)
Licenses and permits	18,300	18,300	18,573	273
Fines and forfeitures	300,000	300,000	311,003	11,003
Sale of property and compensation for loss	-	8,181	8,181	-
Miscellaneous	5,600	5,600	5,567	(33)
Interfund revenue	-	-	29,565	29,565
State aid and local sources	85,269	85,269	85,269	-
Total revenues	<u>2,722,796</u>	<u>2,679,336</u>	<u>2,722,610</u>	<u>43,274</u>
EXPENDITURES				
Current:				
General government support	1,268,144	1,277,254	1,053,390	223,864
Public safety	59,270	51,844	21,399	30,445
Health	3,600	3,600	3,600	-
Transportation	190,862	190,862	168,725	22,137
Economic assistance and opportunity	12,400	12,400	12,400	-
Culture and recreation	737,119	745,300	636,455	108,845
Home and community services	20,310	20,450	18,643	1,807
Employee benefits	535,948	535,948	452,024	83,924
Total expenditures	<u>2,827,653</u>	<u>2,837,658</u>	<u>2,366,636</u>	<u>471,022</u>
Excess (deficiency) of revenues over expenditures	<u>(104,857)</u>	<u>(158,322)</u>	<u>355,974</u>	<u>514,296</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	18,800	72,265	67,105	(5,160)
Transfers out	-	(49,590)	(49,590)	-
Total other financing sources (uses)	<u>18,800</u>	<u>22,675</u>	<u>17,515</u>	<u>(5,160)</u>
Net change in fund balances*	(86,057)	(135,647)	373,489	509,136
Fund balances—beginning	965,852	965,852	965,852	-
Fund balances—ending	<u>\$ 879,795</u>	<u>\$ 830,205</u>	<u>\$ 1,339,341</u>	<u>\$ 509,136</u>

* The net change in fund balances was included in the budget as re-appropriation of prior year encumbrances.

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

TOWN OF LEWISTON, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Town Outside Village Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other property tax items	\$ 78,500	\$ 78,500	\$ 81,813	\$ 3,313
Non-property tax items	2,352,550	2,180,300	2,349,607	169,307
Departmental income	367,000	384,295	384,666	371
Licenses and permits	111,000	121,562	127,154	5,592
Sale of property and compensation for loss	-	69,049	74,151	5,102
Miscellaneous	12,025	23,045	33,017	9,972
State aid	252,000	252,000	271,487	19,487
Federal aid	-	-	-	-
Total revenues	<u>3,173,075</u>	<u>3,108,751</u>	<u>3,321,895</u>	<u>213,144</u>
EXPENDITURES				
Current:				
General government support	193,240	193,013	164,899	28,114
Public safety	1,403,984	1,498,369	1,412,137	86,232
Health	17,469	17,906	17,395	511
Transportation	110,000	110,000	95,334	14,666
Culture and recreation	674,378	673,580	669,918	3,662
Home and community services	130,250	140,750	125,504	15,246
Employee benefits	700,080	703,709	646,741	56,968
Total expenditures	<u>3,229,401</u>	<u>3,337,327</u>	<u>3,131,928</u>	<u>205,399</u>
Excess (deficiency) of revenues over expenditures	<u>(56,326)</u>	<u>(228,576)</u>	<u>189,967</u>	<u>418,543</u>
OTHER FINANCING SOURCES				
Transfers in	-	172,250	163,777	(8,473)
Total other financing sources	<u>-</u>	<u>172,250</u>	<u>163,777</u>	<u>(8,473)</u>
Net change in fund balances *	(56,326)	(56,326)	353,744	410,070
Fund balances—beginning	1,598,464	1,598,464	1,598,464	-
Fund balances—ending	<u>\$ 1,542,138</u>	<u>\$ 1,542,138</u>	<u>\$ 1,952,208</u>	<u>\$ 410,070</u>

* The net change in fund balances was included in the budget as re-appropriation of prior year encumbrances.

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

TOWN OF LEWISTON, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Highway Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 499,000	\$ 499,000	\$ 499,000	\$ -
Non-property tax items	1,608,050	1,542,050	1,653,426	111,376
Departmental income	180,000	180,000	262,288	82,288
Sale of property and compensation for loss	13,000	13,000	25,768	12,768
Miscellaneous	6,500	6,500	7,430	930
State aid and local sources	196,000	196,000	196,743	743
Total revenues	<u>2,502,550</u>	<u>2,436,550</u>	<u>2,644,655</u>	<u>208,105</u>
EXPENDITURES				
Current:				
General government support	76,240	75,050	72,209	2,841
Transportation	2,057,332	2,162,467	2,076,840	85,627
Employee benefits	646,478	625,533	593,644	31,889
Debt service:				
Principal	57,800	57,800	57,800	-
Interest and other fiscal charges	23,094	23,094	23,094	-
Total expenditures	<u>2,860,944</u>	<u>2,943,944</u>	<u>2,823,587</u>	<u>31,889</u>
Excess (deficiency) of revenues over expenditures	<u>(358,394)</u>	<u>(507,394)</u>	<u>(178,932)</u>	<u>328,462</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	585,894	734,894	760,415	25,521
Transfers out	<u>(255,000)</u>	<u>(255,000)</u>	<u>(255,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>330,894</u>	<u>479,894</u>	<u>505,415</u>	<u>25,521</u>
Net change in fund balances *	(27,500)	(27,500)	326,483	353,983
Fund balances—beginning	664,055	664,055	664,055	-
Fund balances—ending	<u>\$ 636,555</u>	<u>\$ 636,555</u>	<u>\$ 990,538</u>	<u>\$ 353,983</u>

* The net change in fund balances was included in the budget as re-appropriation of prior year encumbrances.

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

TOWN OF LEWISTON, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Water District Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 570,000	\$ 570,000	\$ 570,000	\$ -
Departmental income	1,670,194	1,675,694	1,626,053	(49,641)
Sale of property and compensation for loss	6,000	500	3,943	3,443
Miscellaneous	-	-	2,837	2,837
Total revenues	<u>2,261,794</u>	<u>2,246,194</u>	<u>2,202,833</u>	<u>(43,361)</u>
EXPENDITURES				
Current:				
General government support	19,100	19,100	18,365	735
Home and community services	1,399,175	1,399,175	1,301,540	97,635
Employee benefits	248,190	248,189	229,906	18,283
Debt service:				
Principal	391,610	391,610	391,610	-
Interest and other fiscal charges	189,183	189,184	189,183	1
Total expenditures	<u>2,247,258</u>	<u>2,247,258</u>	<u>2,130,604</u>	<u>116,654</u>
Excess (deficiency) of revenues over expenditures	<u>14,536</u>	<u>(1,064)</u>	<u>72,229</u>	<u>73,293</u>
OTHER FINANCING SOURCES				
Transfers in	-	15,600	16,779	1,179
Total other financing sources	<u>-</u>	<u>15,600</u>	<u>16,779</u>	<u>1,179</u>
Net change in fund balances	14,536	14,536	89,008	74,472
Fund balances—beginning	315,365	315,365	315,365	-
Fund balances—ending	<u>\$ 329,901</u>	<u>\$ 329,901</u>	<u>\$ 404,373</u>	<u>\$ 74,472</u>

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

TOWN OF LEWISTON, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Sewer District Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 432,132	\$ 432,132	\$ 432,146	\$ 14
Non-property tax items	133,085	20,000	-	(20,000)
Departmental income	2,412,826	2,412,826	2,331,653	(81,173)
Sale of property and compensation for loss	1,000	1,000	1,027	27
Miscellaneous	18,000	18,000	47,210	29,210
Total revenues	<u>2,997,043</u>	<u>2,883,958</u>	<u>2,812,036</u>	<u>(71,922)</u>
EXPENDITURES				
Current:				
General government support	31,000	31,000	30,184	816
Home and community services	1,917,390	1,910,890	1,829,387	81,503
Employee benefits	567,191	573,690	546,827	26,863
Debt service:				
Principal	361,290	361,290	360,590	700
Interest and other fiscal charges	120,172	120,173	120,172	1.00
Total expenditures	<u>2,997,043</u>	<u>2,997,043</u>	<u>2,887,160</u>	<u>109,883</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(113,085)</u>	<u>(75,124)</u>	<u>37,961</u>
OTHER FINANCING SOURCES				
Transfers in	-	113,085	175,619	62,534
Total other financing sources	<u>-</u>	<u>113,085</u>	<u>175,619</u>	<u>62,534</u>
Net change in fund balances	-	-	100,495	100,495
Fund balances—beginning	2,608,334	2,608,334	2,608,334	-
Fund balances—ending	<u>\$ 2,608,334</u>	<u>\$ 2,608,334</u>	<u>\$ 2,708,829</u>	<u>\$ 100,495</u>

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

TOWN OF LEWISTON, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2018

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Bond Buyer 20-Year Bond Index rate as of the measurement date with a rate of 4.10% at December 31, 2018. Mortality rates were updated to rates based on the RPH-2014 combined mortality, fully generational using scale MP-2017. Finally, the healthcare cost trend rate used as of 2018 is 8.0%, while the ultimate healthcare cost trend rate is 5.0%.

2. BUDGETARY INFORMATION

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

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the Town's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

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TOWN OF LEWISTON, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue				Total Nonmajor Funds
	Fire Protection District	Sanitation District	Lighting District	Drainage District	
ASSETS					
Cash and cash equivalents	\$ 219,670	\$ 89,053	\$ 38,882	\$ 12,350	\$ 359,955
Total assets	\$ 219,670	\$ 89,053	\$ 38,882	\$ 12,350	\$ 359,955
LIABILITIES					
Accounts payable	\$ -	\$ 27,178	\$ 2,059	\$ -	\$ 29,237
Total liabilities	-	27,178	2,059	-	29,237
FUND BALANCES					
Assigned	219,670	61,874	36,824	12,350	330,718
Total fund balances	219,670	61,874	36,824	12,350	330,718
Total liabilities and fund balances	\$ 219,670	\$ 89,052	\$ 38,883	\$ 12,350	\$ 359,955

TOWN OF LEWISTON, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2018

	Special Revenue				Total Nonmajor Funds
	Fire Protection District	Sanitation District	Lighting District	Drainage District	
REVENUES					
Real property taxes	\$ 1,363,440	\$ 358,800	\$ 11,000	\$ 5,350	\$ 1,738,590
Other property tax items	2,363	-	-	-	2,363
Use of money and property	-	120	-	-	120
Total revenues	1,365,803	358,920	11,000	5,350	1,741,073
EXPENDITURES					
Current:					
Public safety	1,243,240	-	-	-	1,243,240
Transportation	-	-	11,253	-	11,253
Home and community services	-	326,130	-	-	326,130
Employee benefits	98,405	-	-	-	98,405
Total expenditures	1,341,645	326,130	11,253	-	1,679,028
Net change in fund balances	24,158	32,790	(253)	5,350	62,045
Fund balances—beginning	195,512	29,084	37,077	7,000	268,673
Fund balances—ending	\$ 219,670	\$ 61,874	\$ 36,824	\$ 12,350	\$ 330,718

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Certified Public Accountants

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

Honorable Town Board
Town of Lewiston, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lewiston, New York (the "Town") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated July 22, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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

July 22, 2019