

**TOWN OF LEWISTON,  
NEW YORK**

*Basic Financial Statements, Required  
Supplementary Information and Supplementary  
Information for the Year Ended December 31, 2015  
and Independent Auditors' Reports*



**TOWN OF LEWISTON, NEW YORK**  
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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying statement of net position and balance sheet—governmental funds, where applicable, of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lewiston, New York (the “Town”), as of December 31, 2015, and were engaged to audit the related statement of activities and statement of revenues, expenditures and changes in fund balances—governmental funds, where applicable, 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 conducting the 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. Because of the matters described in the Basis for Disclaimer of Opinion on the Results of Operations paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations.

We conducted our audit of the statement of net position and balance sheet—governmental funds, where applicable, of the governmental activities, each major fund, and the aggregate remaining fund information of the Town 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 unmodified opinion on the financial position of the governmental activities, each major fund, and the aggregate remaining fund information.

### ***Basis for Disclaimer of Opinion on the Results of Operations***

We were not engaged as auditors of the Town until after December 31, 2014, and we were unable to satisfy ourselves by performing auditing procedures concerning the opening balances for the year ended December 31, 2015. Since opening balances enter into the determination of change in net position and fund balance, we were unable to determine whether any adjustments might have been necessary in respect to the net change for the year reported in the statement of activities and statement of revenues, expenditures and changes in fund balances—governmental funds.

### ***Disclaimer of Opinion on the Results of Operations***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Results of Operations paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations for the year ended December 31, 2015. Accordingly, we do not express an opinion on the results of operations for the year ended December 31, 2015.

### ***Opinion on the Financial Position***

In our opinion, the statement of net position and balance sheet, where applicable, 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, 2015 in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 2 to the financial statements, the Town has restated net position of governmental activities as of December 31, 2014. In addition, during the year ended December 31, 2015 the Town implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

### ***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 August 16, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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*

August 16, 2016



**TOWN OF LEWISTON, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2015**

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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, 2015. 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 items from the prior year have been reclassified to conform with the current year presentation.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,745,040 (*net position*). This consists of \$439,764 net investment in capital assets, \$2,272,480 restricted for specific purposes, and an unrestricted portion of \$32,796.
- The Town's net position increased by \$1,045,286 during the year ended December 31, 2015.
- At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$7,705,289, an increase of \$453,395 in comparison with the prior year's fund balance of \$7,251,894.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$322,328, or approximately 12.5 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 87.2 percent of the General Fund's total fund balance of \$369,595 at December 31, 2015.
- The Town's total bonded indebtedness decreased by \$370,000 as a result of a \$6,080,000 refunding bond issuance, which refunded \$5,700,000 of previously outstanding bonds, and scheduled principal payments of \$750,000.

**Overview of the Financial Statements**

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

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

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

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

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

The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements**—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into 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 nine 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 three 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 14-17.

**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 18 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-43.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town’s progress in funding its obligation to provide post-employment benefits to its employees, the Town’s net pension liability, and the Town’s budgetary comparison schedules for each major fund with a legally adopted budget. Required Supplementary Information and a related note 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 along with other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 55-59.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities by \$2,745,040 at the close of the most recent fiscal year, as compared to \$1,699,754 (as restated) at the close of the fiscal year ended December 31, 2014.

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

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

	Governmental Activities	
	December 31,	
	2015	2014 (as restated)
Current assets	\$ 9,787,941	\$ 9,463,754
Capital assets	<u>11,010,095</u>	<u>11,001,519</u>
Total assets	<u>20,798,036</u>	<u>20,465,273</u>
Deferred outflows of resources	<u>1,260,135</u>	<u>700,529</u>
Current liabilities	2,114,427	2,498,198
Non current liabilities	<u>17,137,677</u>	<u>16,967,850</u>
Total liabilities	<u>19,252,104</u>	<u>19,466,048</u>
Deferred inflows of resources	<u>61,027</u>	<u>-</u>
Net position:		
Net investment in capital assets	439,764	(399,348)
Restricted	2,272,480	2,174,942
Unrestricted	<u>32,796</u>	<u>(75,840)</u>
Total net position	<u>\$ 2,745,040</u>	<u>\$ 1,699,754</u>

The largest portion of the Town’s net position, \$2,272,480, 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.

An additional portion of the Town's net position, \$439,764, 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.

The remaining balance of \$32,796 is unrestricted and may be used to meet the Town's ongoing obligations.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2015 and December 31, 2014.

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

	Governmental Activities	
	Year Ended December 31,	
	2015	2014 (as restated)
Program revenues:		
Charges for services	\$ 4,399,918	\$ 4,523,777
Operating grants and contributions	966,602	783,075
Capital grants and contributions	1,256,241	1,031,000
General revenues	<u>9,040,998</u>	<u>8,474,591</u>
Total revenues	<u>15,663,759</u>	<u>14,812,443</u>
Program expenses	<u>14,618,473</u>	<u>16,001,557</u>
Change in net position	1,045,286	(1,189,114)
Net position—beginning	1,699,754	7,365,133
Restatement	<u>-</u>	<u>(4,476,265)</u>
Net position—ending	<u>\$ 2,745,040</u>	<u>\$ 1,699,754</u>

Overall revenues increased 5.7 percent from the prior year. This increase was primarily the result of increased non-property tax items and additional grants and contributions. Total expenses decreased 8.6 percent from the prior year, due primarily to decreases in transportation costs and home and community services.

A summary of sources of revenues for the years ended December 31, 2015 and December 31, 2014 is presented on the following page in Table 3.

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

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
Charges for services	\$ 4,399,918	\$ 4,523,777	\$ (123,859)	(2.7)
Operating grants and contributions	966,602	783,075	183,527	23.4
Capital grants and contributions	1,256,241	1,031,000	225,241	21.8
Property taxes and tax items	2,601,484	2,481,817	119,667	4.8
Non-property tax items	6,164,329	5,869,076	295,253	5.0
Use of money and property	771	1,919	(1,148)	(59.8)
Miscellaneous	166,510	36,510	130,000	356.1
Unrestricted state aid	107,904	85,269	22,635	26.5
Total revenues	<u>\$ 15,663,759</u>	<u>\$ 14,812,443</u>	<u>\$ 851,316</u>	5.7

The most significant sources of revenues for the year ended December 31, 2015 were non-property tax items of \$6,164,329, or 39.4 percent of total revenues, and charges for services of \$4,399,918, or 28.1 percent of total revenues. Similarly, for the year ended December 31, 2014, the largest sources of revenues were non-property tax items of \$5,869,076, or 39.6 percent of total revenues, and charges for services of \$4,523,774, or 30.5 percent of total revenues.

A summary of program expenses for the years ended December 31, 2015 and December 31, 2014 is presented below in Table 4.

**Table 4—Summary of Program Expenses**

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
General government support	\$ 1,896,515	\$ 2,093,561	\$ (197,046)	(9.4)
Public safety	3,036,456	3,395,091	(358,635)	(10.6)
Health	22,086	26,469	(4,383)	(16.6)
Transportation	2,586,110	3,163,762	(577,652)	(18.3)
Economic assistance and opportunity	168,182	303,243	(135,061)	(44.5)
Culture and recreation	2,039,451	1,408,557	630,894	44.8
Home and community services	4,575,854	5,120,523	(544,669)	(10.6)
Interest and other fiscal charges	293,819	490,351	(196,532)	(40.1)
Total expenses	<u>\$ 14,618,473</u>	<u>\$ 16,001,557</u>	<u>\$ (1,383,084)</u>	(8.6)

The most significant expense items for the year ended December 31, 2015 were home and community services of \$4,575,854, or 31.3 percent of total expenses, public safety of \$3,036,456, or 20.8 percent of total expenses, and transportation of \$2,586,110, or 17.7 percent of total expenses. Similarly, for the year ended December 31, 2014, the most significant expense items were home and community services of \$5,120,523, or 32.0 percent of total expenses, public safety of \$3,395,091, or 21.2 percent of total expenses, and transportation of \$3,163,762, or 19.8 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, 2015, the Town’s governmental funds reported combined ending fund balances of \$7,705,289, an increase of \$453,395 from the prior year. Approximately 52.4 percent of this amount, \$4,036,527, 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, \$9,958, (2) restricted for a specific purpose, \$3,095,965, or (3) assigned for particular purposes, \$562,839.

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 \$322,328, while total fund balance decreased to \$369,595. During the annual budget process, the Town did not anticipate utilizing fund balance. As a result of revenues being less than anticipated, re-appropriation of prior year encumbrances, and transferring funds to the Capital Projects Fund in excess of budget, the Town’s General Fund fund balance ended \$19,775 less than anticipated with the adopted budget. 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 12.5 percent of General Fund expenditures and transfers out, while total fund balance represents 14.3 percent of that same amount.

The Town Outside Village Fund fund balance decreased \$53,357 from December 31, 2014, resulting in an ending fund balance of \$1,103,508. Approximately 75.7 percent, \$835,610 of this amount is reported as fund balance assigned for specific use.

The Highway Fund fund balance increased by \$291,253 from the prior year, resulting in an ending fund balance of \$451,457. Approximately 70.0 percent, \$316,010 of this amount is reported as fund balance assigned for specific use.

The Water District Fund fund balance decreased \$94,704 from December 31, 2014, resulting in an ending fund balance of \$143,070. Approximately 77.9 percent, \$111,431 of this amount is reported as fund balance assigned for specific use.

The Sewer District Fund fund balance increased by \$557 from December 31, 2014, resulting in an ending fund balance of \$2,354,676. Approximately 96.1 percent, \$2,262,269 of this amount is reported as fund balance assigned for specific use.

The fund balance in the Capital Projects Fund increased \$291,076 from the prior year, resulting in an ending fund balance of \$3,094,104. The fund balance increase was primarily due to increased state aid 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, 2015 is presented below:

**Table 5—Summary of General Fund Results of Operation**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 2,464,017	\$ 2,478,017	\$ 2,563,821	\$ 85,804
Expenditures and other financing uses	2,540,142	2,554,142	2,583,596	(29,454)
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (76,125)	\$ (76,125)	\$ (19,775)	\$ 56,350

**Original budget compared to final budget**—At the close of the fiscal year, the overall budgeted appropriations were increased \$14,000. The increase was largely due to supplemental appropriations for funding culture and recreation programs supported largely by additional departmental income.

**Final budget compared to actual results**—The General Fund had savings from final budgetary appropriations of \$56,863. While several positive variances were realized, the primary positive variance was attributed to general government support. Certain revenues fell under budget including non-property tax items and miscellaneous revenues.

## Capital Asset and Debt Administration

**Capital assets**—The Town's investment in capital assets for its governmental activities as of December 31, 2015, amounted to \$11,010,095 (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 for the years ended December 31, 2015 and December 31, 2014 are presented in Table 6 on the following page.

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

	Governmental Activities	
	Year Ended December 31,	
	2015	2014 (as restated)
Land	\$ 278,075	\$ 278,075
Construction in progress	638,407	152,361
Infrastructure	6,397,389	6,516,877
Buildings and improvements	1,619,703	1,795,806
Machinery and equipment	1,516,587	1,635,107
Vehicles	559,934	623,293
Total governmental activities	<u>\$ 11,010,095</u>	<u>\$ 11,001,519</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, 2015, the Town had total bonded debt outstanding of \$11,670,000, as compared to \$12,040,000 in the prior year. This was the result of a \$6,080,000 refunding bond issuance, which refunded \$5,700,000 of previously outstanding bonds, and scheduled principal payments of \$750,000.

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 Western New York region during December 2015 was 5.2 percent. This compares to New York State’s unemployment rate of 4.7 percent and the national unemployment rate of 5.0 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, 2015**

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	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,236,566
Restricted cash and cash equivalents	4,774,342
Receivables	765,683
Intergovernmental receivables	901,062
Due from Agency Fund	100,330
Prepaid items	9,958
Capital assets not being depreciated	916,482
Capital assets, net of accumulated depreciation	<u>10,093,613</u>
Total assets	<u>20,798,036</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows—relating to pensions	796,408
Deferred charge on refunding	<u>463,727</u>
Total deferred outflows of resources	<u>1,260,135</u>
<b>LIABILITIES</b>	
Accounts payable	482,652
Accrued liabilities	31,775
Bond anticipation notes payable	1,600,000
Noncurrent liabilities:	
Due within one year	915,910
Due within more than one year	<u>16,221,767</u>
Total liabilities	<u>19,252,104</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows—relating to pensions	<u>61,027</u>
Total deferred inflows of resources	<u>61,027</u>
<b>NET POSITION</b>	
Net investment in capital assets	439,764
Restricted	2,272,480
Unrestricted	<u>32,796</u>
Total net position	<u>\$ 2,745,040</u>

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, 2015**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>
<b>Primary government:</b>					
Governmental activities:					
General government support	\$ 1,896,515	\$ 499,759	\$ 492,285	\$ 1,173,894	\$ 269,423
Public safety	3,036,456	263,975	92,000	-	(2,680,481)
Health	22,086	-	-	-	(22,086)
Transportation	2,586,110	317,168	158,968	-	(2,109,974)
Economic assistance and opportunity	168,182	-	-	-	(168,182)
Culture and recreation	2,039,451	228,922	72,293	82,347	(1,655,889)
Home and community services	4,575,854	3,090,094	151,056	-	(1,334,704)
Interest and other fiscal charges	293,819	-	-	-	(293,819)
Total primary government	<u>\$ 14,618,473</u>	<u>\$ 4,399,918</u>	<u>\$ 966,602</u>	<u>\$ 1,256,241</u>	<u>(7,995,712)</u>
General revenues:					
Property taxes					2,601,484
Non-property tax items:					
Sales tax					3,651,863
Waste disposal					1,353,334
Mortgage tax					234,463
Other					924,669
Use of money and property					771
Miscellaneous					166,510
Unrestricted state aid					107,904
Total general revenues					<u>9,040,998</u>
Change in net position					1,045,286
Net position—beginning, as restated					<u>1,699,754</u>
Net position—ending					<u>\$ 2,745,040</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, 2015**

	<u>General</u>	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
		<u>Town Outside Village</u>	<u>Highway</u>	<u>Water District</u>				<u>Sewer District</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 178,079	\$ 883,532	\$ 141,619	\$ 18,487	\$1,788,044	\$ -	\$ 226,805	\$ 3,236,566
Restricted cash and cash equivalents	1,861	-	-	-	-	4,772,481	-	4,774,342
Receivables	245,269	15,266	2,070	228,405	258,406	16,267	-	765,683
Intergovernmental receivables	2,500	253,243	322,167	7,399	315,753	-	-	901,062
Due from other funds	9,378	3,353	2,124	150	15,185	68,413	1,727	100,330
Prepaid items	9,958	-	-	-	-	-	-	9,958
Total assets	<u>\$ 447,045</u>	<u>\$ 1,155,394</u>	<u>\$ 467,980</u>	<u>\$ 254,441</u>	<u>\$2,377,388</u>	<u>\$4,857,161</u>	<u>\$ 228,532</u>	<u>\$ 9,787,941</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 77,450	\$ 51,886	\$ 16,523	\$ 111,371	\$ 22,712	\$ 163,057	\$ 39,653	\$ 482,652
Bond anticipation notes payable	-	-	-	-	-	1,600,000	-	1,600,000
Total liabilities	<u>77,450</u>	<u>51,886</u>	<u>16,523</u>	<u>111,371</u>	<u>22,712</u>	<u>1,763,057</u>	<u>39,653</u>	<u>2,082,652</u>
<b>FUND BALANCES (DEFICIT)</b>								
Nonspendable	9,958	-	-	-	-	-	-	9,958
Restricted	1,861	-	-	-	-	3,094,104	-	3,095,965
Assigned	35,448	1,103,508	451,457	143,070	2,354,676	-	191,659	4,279,818
Unassigned	322,328	-	-	-	-	-	(2,780)	319,548
Total fund balances (deficit)	<u>369,595</u>	<u>1,103,508</u>	<u>451,457</u>	<u>143,070</u>	<u>2,354,676</u>	<u>3,094,104</u>	<u>188,879</u>	<u>7,705,289</u>
Total liabilities and fund balances (deficit)	<u>\$ 447,045</u>	<u>\$ 1,155,394</u>	<u>\$ 467,980</u>	<u>\$ 254,441</u>	<u>\$2,377,388</u>	<u>\$4,857,161</u>	<u>\$ 228,532</u>	<u>\$ 9,787,941</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, 2015**

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

Total fund balances (deficit)—governmental funds (page 14)	\$	7,705,289
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$26,319,710 and the accumulated depreciation is \$15,309,615.		11,010,095
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.		463,727
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$	577,217
Deferred outflows related to experience and investment earnings		219,191
Deferred inflows related to pension plans		<u>(61,027)</u>
		735,381
Net accrued interest expense for bonds and notes is not reported in the funds.		(31,775)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$	(11,670,000)
Premium on serial bonds		(214,220)
Compensated absences		(1,015,658)
Installment purchase contract		(51,700)
Other post-employment benefits obligation		(3,672,382)
Net pension liability		<u>(513,717)</u>
		<u>(17,137,677)</u>
Net position of governmental activities	\$	<u><u>2,745,040</u></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, 2015**

	<u>Special Revenue</u>					<u>Capital Projects</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Town Outside</u>		<u>Water</u>	<u>Sewer</u>		<u>Nonmajor Funds</u>	<u>Governmental Funds</u>
		<u>Village</u>	<u>Highway</u>	<u>District</u>	<u>District</u>			
<b>REVENUES</b>								
Real property taxes	\$ -	\$ -	\$ -	\$ 479,300	\$ 410,245	\$ -	\$ 1,613,140	\$ 2,502,685
Other property tax items	16,676	79,838	-	-	-	-	2,285	98,799
Non-property tax items	1,533,497	2,341,297	2,032,200	36,516	294,985	-	8,181	6,246,676
Departmental income	262,526	263,975	317,168	1,228,936	1,861,158	-	-	3,933,763
Use of money and property	188	-	-	-	-	399	184	771
Licenses and permits	36,572	66,946	-	-	-	-	-	103,518
Fines and forfeitures	334,682	-	-	-	-	-	-	334,682
Miscellaneous	141,989	7,543	5,233	1,362	23,526	-	92,150	271,803
Interfund revenue	27,955	-	-	-	-	-	-	27,955
State aid and local sources	107,904	-	158,968	-	-	1,870,114	-	2,136,986
Total revenues	<u>2,461,989</u>	<u>2,759,599</u>	<u>2,513,569</u>	<u>1,746,114</u>	<u>2,589,914</u>	<u>1,870,513</u>	<u>1,715,940</u>	<u>15,657,638</u>
<b>EXPENDITURES</b>								
Current:								
General government support	1,168,498	86,976	69,418	19,484	37,410	-	-	1,381,786
Public safety	46,076	1,162,632	-	-	-	-	1,170,902	2,379,610
Health	-	21,960	-	-	-	-	-	21,960
Transportation	146,088	-	1,709,533	-	-	-	9,057	1,864,678
Economic assistance and opportunity	167,173	-	-	-	-	-	-	167,173
Culture and recreation	452,058	260,688	-	-	-	-	-	712,746
Home and community services	16,365	688,820	-	1,061,809	1,537,804	-	328,363	3,633,161
Employee benefits	501,021	591,880	668,440	236,716	538,913	-	169,273	2,706,243
Debt service:								
Principal	-	-	55,900	338,144	375,956	-	-	770,000
Interest and other fiscal charges	-	-	31,025	350,908	149,274	-	-	531,207
Capital outlay	-	-	-	-	-	1,226,818	-	1,226,818
Total expenditures	<u>2,497,279</u>	<u>2,812,956</u>	<u>2,534,316</u>	<u>2,007,061</u>	<u>2,639,357</u>	<u>1,226,818</u>	<u>1,677,595</u>	<u>15,395,382</u>
Excess (deficiency) of revenues over expenditures	<u>(35,290)</u>	<u>(53,357)</u>	<u>(20,747)</u>	<u>(260,947)</u>	<u>(49,443)</u>	<u>643,695</u>	<u>38,345</u>	<u>262,256</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	101,832	-	462,000	46,804	50,000	236,317	-	896,953
Transfers out	(86,317)	-	(150,000)	-	-	(660,636)	-	(896,953)
Advanced refunding bonds issued	-	-	-	6,080,000	-	-	-	6,080,000
Payment to escrow agent	-	-	-	(6,180,902)	-	-	-	(6,180,902)
Premium on refunding bonds	-	-	-	220,341	-	-	-	220,341
Installment purchase contract	-	-	-	-	-	71,700	-	71,700
Total other financing sources (uses)	<u>15,515</u>	<u>-</u>	<u>312,000</u>	<u>166,243</u>	<u>50,000</u>	<u>(352,619)</u>	<u>-</u>	<u>191,139</u>
Net change in fund balances	<u>(19,775)</u>	<u>(53,357)</u>	<u>291,253</u>	<u>(94,704)</u>	<u>557</u>	<u>291,076</u>	<u>38,345</u>	<u>453,395</u>
Fund balances—beginning	<u>389,370</u>	<u>1,156,865</u>	<u>160,204</u>	<u>237,774</u>	<u>2,354,119</u>	<u>2,803,028</u>	<u>150,534</u>	<u>7,251,894</u>
Fund balances—ending	<u>\$ 369,595</u>	<u>\$ 1,103,508</u>	<u>\$ 451,457</u>	<u>\$ 143,070</u>	<u>\$2,354,676</u>	<u>\$3,094,104</u>	<u>\$ 188,879</u>	<u>\$ 7,705,289</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, 2015**

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

Net change in fund balances—total governmental funds (page 16) \$ 453,395

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	\$ 664,423	
Loss on disposition of assets	(18,218)	
Depreciation expense	<u>(637,629)</u>	8,576

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. 463,727

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

Town pension contributions	\$ 577,217	
Cost of benefits earned net of employee	<u>(355,019)</u>	222,198

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 254,563

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:

Proceeds from advanced refunding bonds	\$ (6,080,000)	
Repayment of serial bonds	750,000	
Refunded bonds	5,700,000	
Premium on refunding bonds	(220,341)	
Amortization of bond premium	6,121	
Change in compensated absences	251,824	
Proceeds from installment purchase contract	(71,700)	
Repayment of installment purchase contract	20,000	
Change in OPEB obligation	<u>(713,077)</u>	<u>(357,173)</u>

Change in net position of governmental activities \$ 1,045,286

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, 2015**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,484,004
Receivables	125
Intergovernmental receivables	297,286
LOSAP assets	<u>1,434,646</u>
Total assets	<u>\$ 3,216,061</u>
<b>LIABILITIES</b>	
Agency liabilities	\$ 1,383,799
Intergovernmental payables	297,286
Due to other funds	100,330
Amounts held for LOSAP	<u>1,434,646</u>
Total liabilities	<u>\$ 3,216,061</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, 2015**

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**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 (“GAAP”) 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	

A unit of local government which operates within the boundaries of the Town is 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.

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 and construction of major capital facilities.

Additionally, the Town reports the following fund type:

*Fiduciary Fund*—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 post-employment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, 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, 2015; however, when the Town does have investments, they are recorded at fair value based on quoted market value.

**Restricted Cash and Cash Equivalents**—Restricted cash and cash equivalents represent amounts to support fund balance restrictions and unspent proceeds of debt.

**Prepaid Items**—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as 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 estimated fair market value of the item at the date of its donation.

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

	<u>Years</u>
Infrastructure	20-30
Buildings and improvements	20-40
Machinery and equipment	3-10
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, 2015, 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 loss on refunding.

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, 2015, the Town has one item that qualifies for reporting in this category. This 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.

***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 1<sup>st</sup> based on assessed property values as of that date.

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

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

***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.

The compensated absences liability for the Town at December 31, 2015 totaled \$1,015,658 and is reported in the government-wide financial statements.

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.

#### ***Other***

***Estimates***—The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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, 2015, the Town implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 improve accounting and financial reporting by governments for pensions by recognizing liabilities/(assets), deferred outflows/inflows of resources and expenses related to pensions.

***Future Impacts of Accounting Pronouncements***—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 72, *Fair Value Measurement and Application*; No. 76, *The Hierarchy of Generally Accepted Accounting Principles*

for State and Local Governments; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*; and No. 79, *Certain External Investment Pools and Pool Participants*, effective for the fiscal year ending December 31, 2016; No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; and No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017; and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year ending December 31, 2018. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 72, 73, 74, 75, 76, 77, 78, 79, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

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

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

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

Additional information regarding the Town’s budgets can be found in the Note to the Required Supplementary Information section of this report.

***Deficit Fund Balances***—At December 31, 2015, the Sanitation District Fund has a deficit fund balance of \$2,780. This deficit is planned to be remedied through future taxation.

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

Based on a valuation of the Town’s capital assets performed during the year ended December 31, 2015, the Town has restated net position of governmental activities as of December 31, 2014. Additionally, as of December 31, 2014, the Town restated its net position to include long-term liabilities for compensated absences within its governmental activities. Previously, this liability was excluded. The effects of these restatements are discussed on the following page.

For the year ended December 31, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of deferred outflows of resources, a liability and a deferred inflow

of resources related to the Town's participation in the New York State Employees' and Police and Fire Retirement Systems.

The Town's net position has been restated as follows:

Net position—December 31, 2014, as previously stated	\$ 6,176,019
Capital asset restatement	(3,663,480)
Compensated absences restatement	(812,251)
GASB Statements No. 68 and No. 71 implementation:	
Beginning system liability—Employees' Retirement System	(580,809)
Beginning system liability—Police and Fire Retirement System	(120,254)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Employees' Retirement System	559,404
Police and Fire Retirement System	<u>141,125</u>
Net position—December 31, 2014, as restated	<u>\$ 1,699,754</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, 2015 are as follows:

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 1,212	\$ -	\$ 1,212
Deposits	<u>8,009,696</u>	<u>1,484,004</u>	<u>9,493,700</u>
Total	<u>\$ 8,010,908</u>	<u>\$ 1,484,004</u>	<u>\$ 9,494,912</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2015 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 750,000	\$ 750,000
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>9,426,501</u>	<u>8,743,700</u>
Total	<u>\$ 10,176,501</u>	<u>\$ 9,493,700</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, 2015, the Town’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Town’s name.

**Restricted Cash and Cash Equivalents**—The Town reports restricted cash, totaling \$4,774,342 within the General Fund and Capital Projects Fund. Within the General Fund, \$1,861 is restricted to use for the justice courts. Within the Capital Projects Fund, \$4,772,481 is restricted to use for capital projects based on externally imposed restrictions through debt and contractual agreements.

**Investments**—The Town had no investments at December 31, 2015.

#### 4. RECEIVABLES

Major revenues accrued by the Town at December 31, 2015 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, 2015 are:

General Fund:		
Tipping fees	\$ 191,412	
Court fees	43,270	
Other	<u>10,587</u>	\$ 245,269
Town Outside Village Fund:		
Other		15,266
Highway Fund:		
Other		2,070
Water Fund:		
Water rents	\$ 227,986	
Other	<u>419</u>	228,405
Sewer Fund:		
Sewer rents	\$ 255,382	
Other	<u>3,024</u>	258,406
Capital Projects Fund:		
Other		<u>16,267</u>
Total governmental funds		<u>\$ 765,683</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, 2015 are shown on the following page.

General Fund:			
Due from Niagara County		\$	2,500
Town Outside Village Fund:			
Due from Niagara County	\$	251,467	
Other		<u>1,776</u>	253,243
Highway Fund:			
Due from Niagara County	\$	163,199	
Due from New York State		<u>158,968</u>	322,167
Water District Fund:			
Due from Town of Cambria			7,399
Sewer District Fund:			
Due from Village of Lewiston and Town of Porter			<u>315,753</u>
Total governmental funds			<u>\$ 901,062</u>

## 5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2015 was as follows:

	Balance			Balance
	1/1/2015			12/31/2015
	(as restated)	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 278,075	\$ -	\$ -	\$ 278,075
Construction in progress	<u>152,361</u>	<u>486,046</u>	<u>-</u>	<u>638,407</u>
Total capital assets, not being depreciated	<u>430,436</u>	<u>486,046</u>	<u>-</u>	<u>916,482</u>
Capital assets, being depreciated:				
Infrastructure	7,360,134	-	-	7,360,134
Buildings and improvements	7,189,593	-	-	7,189,593
Machinery and equipment	6,499,034	80,700	-	6,579,734
Vehicles	<u>4,247,349</u>	<u>97,677</u>	<u>(71,259)</u>	<u>4,273,767</u>
Total capital assets, being depreciated	<u>25,296,110</u>	<u>178,377</u>	<u>(71,259)</u>	<u>25,403,228</u>
Less accumulated depreciation for:				
Infrastructure	(843,257)	(119,488)	-	(962,745)
Buildings and improvements	(5,393,787)	(176,103)	-	(5,569,890)
Machinery and equipment	(4,863,927)	(199,220)	-	(5,063,147)
Vehicles	<u>(3,624,056)</u>	<u>(142,818)</u>	<u>53,041</u>	<u>(3,713,833)</u>
Total accumulated depreciation	<u>(14,725,027)</u>	<u>(637,629)</u>	<u>53,041</u>	<u>(15,309,615)</u>
Total capital assets being depreciated, net	<u>10,571,083</u>	<u>(459,252)</u>	<u>(18,218)</u>	<u>10,093,613</u>
Total capital assets, net	<u>\$ 11,001,519</u>	<u>\$ 26,794</u>	<u>\$ (18,218)</u>	<u>\$ 11,010,095</u>

Based on a valuation of the Town's capital assets performed during the year ended December 31, 2015, the Town has restated net position of governmental activities by \$3,663,480 as of December 31, 2014.

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

Governmental activities:	
General government support	\$ 86,718
Public safety	149,205
Health	1,275
Transportation	117,324
Economic assistance and opportunity	10,202
Culture and recreation	44,634
Home and community services	<u>228,271</u>
Total	<u>\$ 637,629</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 “System”). These are cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. The net position of the System 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 System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. 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 System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The system is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 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, 2015, 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, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2014, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town’s proportion of the net pension liabilities were based on projections of the Town’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Town.

	PFRS	ERS
Measurement date	March 31, 2015	March 31, 2015
Net pension liability	\$ 79,511	\$ 434,206
Town's portion of the Plan's total net pension liability	0.0288857%	0.0128530%

For the year ended December 31, 2015, the Town recognized pension expenses of \$172,168 and \$416,359, respectively, for PFRS and ERS. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 9,588	\$ 13,899	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	26,694	75,416	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	-	93,594	61,027	-
Town contributions subsequent to the measurement date	161,862	415,355	-	-
Total	<u>\$ 198,144</u>	<u>\$ 598,264</u>	<u>\$ 61,027</u>	<u>\$ -</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	PFRS	ERS
2016	\$ (3,614)	\$ 45,727
2017	(3,614)	45,727
2018	(3,614)	45,727
2019	(3,614)	45,728
2020	(10,289)	-

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

	PFRS	ERS
Measurement date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Interest rate	7.50%	7.50%
Salary scale	6.00%	4.90%
Decrement tables	April 1 2010- March 31, 2010	April 1, 2005- March 31, 2010
Inflation rate	2.7%	2.7%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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, 2015	
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	<u>100.0 %</u>	

**Discount Rate**—The discount rate used to calculate the total pension liabilities was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart on the following page presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability (asset)—PFRS	\$ 1,058,644	\$ 79,511	\$ (741,062)
Employer's proportionate share of the net pension liability (asset)—ERS	2,894,168	434,206	(1,642,613)

**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	March 31, 2015	March 31, 2015	
Employers' total pension liability	\$ 28,474,417	\$ 164,591,504	\$ 193,065,921
Plan fiduciary net position	28,199,157	161,213,259	189,412,416
Employers' net pension liability	<u>\$ 275,260</u>	<u>\$ 3,378,245</u>	<u>\$ 3,653,505</u>
System fiduciary net position as a percentage of total pension liability	99.0%	97.9%	98.1%

## 7. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

**Plan Description**—The Town administers the Town’s retiree medical, prescription, and life insurance plan (the “Plan”) as a single-employer defined benefit other post-employment benefit plan. The Plan provides for continuation of medical, prescription, and life insurance benefits for certain retirees and their spouses and can be amended by action of the Town subject to applicable collective bargaining and employment agreements.

**Funding Policy**—Authorization for the Town to pay a portion of retiree benefits was enacted through collective bargaining and employee contracts authorized by the Town Board. The Town’s annual OPEB cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The table below shows the components of the Town’s annual OPEB cost for the past two years, the amounts actually contributed to the plan, and changes in the Town’s net OPEB obligation.

	Year ended December 31,	
	2015	2014
Annual required contribution ("ARC")	\$ 1,018,352	\$ 771,883
Adjustment to ARC	(141,225)	(116,883)
Interest on net OPEB obligation	118,373	97,476
Annual OPEB cost (expense)	995,500	752,476
Contributions made	<u>(282,423)</u>	<u>(230,065)</u>
Increase in net OPEB obligation	713,077	522,411
Net OPEB obligation - beginning	2,959,305	2,436,894
Net OPEB obligation - ending	<u>\$ 3,672,382</u>	<u>\$ 2,959,305</u>

**Funded Status and Funding Progress**—The January 1, 2015 valuation included calculations based on plan data as of January 1, 2015, and a measurement date of December 31, 2015. The actuarial accrued liability for benefits was \$12,250,397, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,393,542, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.61.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2015	\$ 995,500	\$ 282,423	28.4%	\$ 3,672,382
2014	752,476	230,065	30.6%	2,959,305

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer 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, 2015 valuation, the entry age actuarial cost method was used. The actuarial assumptions included a valuation date of January 1, 2015 and measurement date of December 31, 2015. The expected investment rate of return on the employer’s assets is 4.00%. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. The expected inflation rate is 2.50%. Future mortality improvements were projected using the Improvement Scale MP-2014. The rates of decrement due to disability are assumed to be zero. The assumed rates of increase in health care vary from 5.0% to 9.0%. The unfunded actuarial accrued liability is being amortized over 30 years on a level percentage of projected payroll of active plan members on a closed basis, and the remaining amortization period at December 31, 2015 was twenty-five years.

**8. 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. 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 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 Harbridge Consulting Group LLC 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, 2015			\$ 1,434,646
Less: Assets available for benefits			
		<u>% of total</u>	
<i>Receivables:</i>			
Interest & dividends receivable	4.5%	\$	65,100
<i>Investments at fair value:</i>			
Annuity contract	95.5%		<u>1,369,546</u>
Total assets available for benefits			<u>1,434,646</u>
Total unfunded benefits, December 31, 2015			<u>\$ -</u>

***Receipts and Disbursements:***

Plan net assets, January 1, 2015			\$ 1,345,142
<i>Receipts:</i>			
Contributions for current service	\$	65,100	
Plan service fee		2,759	
Earnings on investments		<u>52,197</u>	120,056
<i>Disbursements:</i>			
Distributions to participants		(27,793)	
Plan service fee		<u>(2,759)</u>	<u>(30,552)</u>
Plan net assets, December 31, 2015			<u>\$ 1,434,646</u>

During the year ended December 31, 2015, the Town accounted for Amounts Held for LOSAP within its Agency Fund. Information was available as of December 31, 2015 regarding the program assets as follows:

Annuity contract	\$	1,369,546
Interest receivable		<u>65,100</u>
Total		<u>\$ 1,434,646</u>

**9. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injuries 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 \$2,000,000 aggregate. Law enforcement liability is limited to \$1,000,000 per person, \$1,000,000 each wrongful act with a \$2,000,000 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. The following is a summary of the Town’s short-term debt for the year ended December 31, 2015:

Description	Interest Rate	Maturity Date	Balance 1/1/2015	Issues	Redemptions	Balance 12/31/2015
Capital Projects Fund:						
Road construction and highway equipment	0.80%	9/10/2015	\$ 1,750,000	\$ -	\$ 1,750,000	\$ -
Road construction and highway equipment	0.89%	9/8/2016	-	1,600,000	-	1,600,000
Total			<u>\$ 1,750,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,750,000</u>	<u>\$ 1,600,000</u>

## 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, installment purchase contract, 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, 2015 follows:

	Balance 1/1/2015 (as restated)	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Governmental activities:					
Serial bonds	\$ 12,040,000	\$ 6,080,000	\$ 6,450,000	\$ 11,670,000	\$ 780,000
Premium on serial bonds	-	220,341	6,121	214,220	12,241
Compensated absences	1,267,482	-	251,824	1,015,658	106,379
Installment purchase contract	-	71,700	20,000	51,700	17,290
OPEB obligation	2,959,305	995,500	282,423	3,672,382	-
Net pension liability*	701,063	-	187,346	513,717	-
Total governmental activities	<u>\$ 16,967,850</u>	<u>\$ 7,367,541</u>	<u>\$ 7,197,714</u>	<u>\$ 17,137,677</u>	<u>\$ 915,910</u>

\*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.

On July 8, 2015, the Town issued \$6,080,000 in public improvement refunding bonds, which partially refunded the previously issued 2006 and 2008 serial bonds. The refunding bonds were issued at a premium of \$220,341 and included issuance costs of \$119,439. The Town deposited \$6,180,902 with an escrow agent and as a result, the previously issued serial bonds, as shown in the following table, are considered refunded and the aggregate outstanding liability of these bonds, \$5,700,000, has been removed from the financial statements. Principal payments on these bonds began December 15, 2015, and the bonds' interest rate ranges from 2.25 percent to 4.00 percent. The refunding bonds will produce a net present value debt service savings of approximately \$224,736.

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

Description	Year of		Interest Rate (%)	Balance			Balance 12/31/2015
	Issue/ Maturity	Original Issue		1/1/2015	Additions	Reductions	
Governmental activities:							
EFC Sewer Miller Nesbit (Phase I)	2002/2021	\$ 103,000	2.2	\$ 35,000	\$ -	\$ 5,000	\$ 30,000
EFC Sewer Sanborn (Phase II)	2002/2021	370,000	2.5	140,000	-	20,000	120,000
EFC Sewer Sanborn (Phase III)	2002/2021	422,557	2.5	165,000	-	20,000	145,000
EFC Sewer Hewitt/Edna/Brookside	2002/2022	380,000	2.2	160,000	-	20,000	140,000
Public improvement	2006/2021	2,275,000	4.0-4.1	1,140,000	-	1,140,000	-
Water improvement	2008/2033	6,947,500	4.0-4.8	5,510,000	-	4,975,000	535,000
Master sewer improvements	2013/2033	5,119,159	3.3-4.0	4,890,000	-	235,000	4,655,000
Public improvement refunding	2015/2033	6,080,000	2.3-4.0	-	6,080,000	35,000	6,045,000
Total governmental activities				<u>\$ 12,040,000</u>	<u>\$ 6,080,000</u>	<u>\$ 6,450,000</u>	<u>\$ 11,670,000</u>

**Amortization of Bond Premium**—As discussed previously, on July 8, 2015 the Town issued general obligation refunding 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, 2015 was \$214,220.

**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, 2015 for governmental activities is \$1,015,658. Since the payment of sick time is dependent upon many factors, the timing of future payments is not readily determinable; however, management estimates \$106,379 is due within one year.

**Installment Purchase Contract**—On March 2, 2015, the Town entered into an installment purchase contract for the acquisition of a sewer camera system. The installment purchase contract carries an interest rate of 2.41% and is payable in annual installments, with the final payment due on March 13, 2018. The total installment purchase contract outstanding balance at December 31, 2015 was \$51,700. The capitalized assets acquired through the installment purchase contract are presented below:

	Governmental Activities
Assets:	
Sewer camera system	\$ 71,700
Less: accumulated depreciation	-
Total	<u>\$ 71,700</u>

The requirements of the installment purchase contract are summarized below:

	Governmental Activities
Year ended December 31,	
2016	\$ 17,290
2017	18,570
2018	<u>18,420</u>
Total minimum lease payments	54,280
Less: amount representing imputed interest	<u>(2,580)</u>
Present value of minimum lease payments	<u>\$ 51,700</u>

**OPEB Obligation**—As explained in Note 7, 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 \$3,672,382 at December 31, 2015.

**Net Pension Liability**—The Town reported a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employees’ Retirement System. The net pension liability is estimated to be \$513,717 in the governmental activities. Refer to Note 6 for additional information related to the Town’s net pension liability.

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

Year ending December 31,	Serial Bonds	Premium on Serial Bonds	Compensated Absences	Installment Purchase Contract	OPEB Obligation	Net Pension Liability	Total
2016	\$ 780,000	\$ 12,241	\$ 106,379	\$ 17,290	\$ -	\$ -	\$ 915,910
2017	790,000	12,241	-	17,707	-	-	819,948
2018	805,000	12,241	-	16,703	-	-	833,944
2019	815,000	12,241	-	-	-	-	827,241
2020	825,000	12,241	-	-	-	-	837,241
2021-2025	2,890,000	61,205	-	-	-	-	2,951,205
2026-2030	2,845,000	61,205	-	-	-	-	2,906,205
2031-thereafter	1,920,000	30,605	909,279	-	3,672,382	513,717	7,045,983
	<u>\$ 11,670,000</u>	<u>\$ 214,220</u>	<u>\$ 1,015,658</u>	<u>\$ 51,700</u>	<u>\$ 3,672,382</u>	<u>\$ 513,717</u>	<u>\$ 17,137,677</u>

Interest requirements on serial bonds payable are as follows:

Year Ending December 31,	Interest
2016	345,928
2017	334,087
2018	319,256
2019	298,855
2020	278,289
2021-2025	1,328,330
2026-2030	584,150
2031-thereafter	63,600
Total	<u>\$ 3,552,495</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 on the following page.

Capital assets, net of accumulated depreciation		\$ 11,010,095
Less related debt:		
Serial bonds	\$(11,670,000)	
Unspent debt proceeds	2,501,862	
Unamortized bond premium	(214,220)	
Deferred charge on refunding	463,727	
Bond anticipation notes ("BANs") payable	(1,600,000)	
Installment purchase contract	<u>(51,700)</u>	<u>(10,570,331)</u>
Net investment in capital assets		<u>\$ 439,764</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 \$2,272,480 is restricted for capital projects, \$2,270,619, and for justice courts, \$1,861, 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, 2015 includes:

- **Prepaid Items**—Represents amounts prepaid that are applicable to future accounting periods. The General Fund reported amounts of \$9,958 at December 31, 2015.

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, 2015, the Town reported the following restricted fund balances:

- **Restricted for Justice Court**—Represents funds, \$1,861, accumulated for justice court expenditures.
- **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, 2015, the Town had \$3,094,104 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, 2015, 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, 2015, the Town reported the following fund balance assignments:

	Encumbrances	Specific	Compensated	Total
		Use	Absences	Assigned
General Fund	\$ 622	\$ -	\$ 34,826	\$ 35,448
Town Outside Village Fund	61,686	948,190	206,212	1,216,088
Highway Fund	44,529	316,010	90,918	451,457
Water District Fund	-	111,431	31,639	143,070
Sewer District Fund	33,121	2,262,269	59,286	2,354,676
Nonmajor governmental funds	-	191,659	-	191,659
Total	<u>\$ 139,958</u>	<u>\$ 3,829,559</u>	<u>\$ 422,881</u>	<u>\$4,392,398</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.
- **Assigned to Compensated Absences**—Represents available fund balance assigned to meet future compensated absences obligations of the Town.

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, 2015 is as follows:

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 9,378	\$ -
Town Outside Village Fund	3,353	-
Highway Fund	2,124	-
Water District Fund	150	-
Sewer District Fund	15,185	-
Capital Projects Fund	68,413	-
Lighting District Fund	1,727	-
Agency Fund	-	100,330
Total	<u>\$ 100,330</u>	<u>\$ 100,330</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, 2015:

Fund	Transfers in:					Total
	General Fund	Highway Fund	Water District Fund	Sewer District Fund	Capital Projects Fund	
Transfers out:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 86,317	\$ 86,317
Highway Fund	-	-	-	-	150,000	150,000
Capital Projects Fund	<u>101,832</u>	<u>462,000</u>	<u>46,804</u>	<u>50,000</u>	-	<u>660,636</u>
Total	<u>\$ 101,832</u>	<u>\$ 462,000</u>	<u>\$ 46,804</u>	<u>\$ 50,000</u>	<u>\$ 236,317</u>	<u>\$ 896,953</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, 2015 is presented below:

	Balance 1/1/15	Additions	Deductions	Balance 12/31/15
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,641,379	\$ 9,744,619	\$ 9,901,994	\$ 1,484,004
Receivables	-	125	-	125
Intergovernmental receivables	265,698	31,528	-	297,226
LOSAP assets	<u>1,345,142</u>	<u>89,504</u>	-	<u>1,434,646</u>
Total assets	<u>\$ 3,252,219</u>	<u>\$ 9,865,776</u>	<u>\$ 9,901,994</u>	<u>\$ 3,216,001</u>
<b>LIABILITIES</b>				
Agency liabilities	\$ 1,641,379	\$ -	\$ 257,580	\$ 1,383,799
Intergovernmental payables	265,698	31,528	-	\$ 297,226
Due to other funds	-	100,330	-	100,330
Amounts held for LOSAP	<u>1,345,142</u>	<u>89,504</u>	-	<u>1,434,646</u>
Total liabilities	<u>\$ 3,252,219</u>	<u>\$ 221,362</u>	<u>\$ 257,580</u>	<u>\$ 3,216,001</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. has an unsettled contract and is in negotiations as of December 31, 2015. The Teamsters Local 264 (Highway, Drainage, and Water Departments) and the Teamsters Local 264 (Police Department) have negotiated contracts in place through December 31, 2016 and December 31, 2017, 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. The Town did not have any significant encumbrances at December 31, 2015.

## 17. CONTINGENCIES

**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.

**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.

## 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 16, 2016, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION



**TOWN OF LEWISTON, NEW YORK**  
**Schedule of Funding Progress—Other Post-Employment Benefits Plan**  
**Year Ended December 31, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability ("AAL")</b>	<b>Unfunded AAL ("UAAL")</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
As of January 1, 2015	\$ -	\$ 12,250,397	\$ 12,250,397	-	\$ 3,393,542	361.0%
As of January 1, 2012	-	8,543,914	8,543,914	-	n/a	n/a
As of January 1, 2009	-	7,374,416	7,374,416	-	2,696,298	273.5%

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

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	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Measurement date	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0288857%	0.0288857%
Town's proportionate share of the net pension liability	<u>\$ 79,511</u>	<u>\$ 120,254</u>
Town's covered-employee payroll	\$ 795,500	\$ 795,856
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.0%	15.1%
Plan fiduciary net position as a percentage of the total pension liability	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 Two Years \***

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	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 188,167	\$ 229,679
Contributions in relation to the contractually required contribution	(188,167)	(229,679)
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 795,500	\$ 795,856
Contributions as a percentage of covered-employee payroll	23.7%	28.9%

\* 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 Two Years \***

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	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Measurement date	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0128530%	0.0128530%
Town's proportionate share of the net pension liability	<u>\$ 434,206</u>	<u>\$ 580,809</u>
Town's covered-employee payroll	\$ 3,574,020	\$ 3,829,631
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.1%	15.2%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	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 Two Years \***

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	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 745,872	\$ 767,443
Contributions in relation to the contractually required contribution	(745,872)	(767,443)
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 3,574,020	\$ 3,829,631
Contributions as a percentage of covered-employee payroll	20.9%	20.0%

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

**TOWN OF LEWISTON, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other property tax items	\$ 14,000	\$ 14,000	\$ 16,676	\$ 2,676
Non-property tax items	1,582,575	1,582,575	1,533,497	(49,078)
Departmental income	256,140	270,140	262,526	(7,614)
Use of money and property	1,200	1,200	188	(1,012)
Licenses and permits	21,770	21,770	36,572	14,802
Fines and forfeitures	325,000	325,000	334,682	9,682
Miscellaneous	76,500	76,500	141,989	65,489
Interfund revenue	-	-	27,955	27,955
State aid and local sources	<u>85,000</u>	<u>85,000</u>	<u>107,904</u>	<u>22,904</u>
Total revenues	<u>2,362,185</u>	<u>2,376,185</u>	<u>2,461,989</u>	<u>85,804</u>
<b>EXPENDITURES</b>				
Current:				
General government support	1,194,360	1,202,915	1,168,498	34,417
Public safety	46,627	46,827	46,076	751
Health	4,000	-	-	-
Transportation	156,003	156,003	146,088	9,915
Economic assistance and opportunity	176,551	170,413	167,173	3,240
Culture and recreation	440,144	454,296	452,058	2,238
Home and community services	19,760	20,055	16,365	3,690
Employee benefits	<u>502,697</u>	<u>503,633</u>	<u>501,021</u>	<u>2,612</u>
Total expenditures	<u>2,540,142</u>	<u>2,554,142</u>	<u>2,497,279</u>	<u>56,863</u>
Excess (deficiency) of revenues over expenditures	<u>(177,957)</u>	<u>(177,957)</u>	<u>(35,290)</u>	<u>142,667</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	101,832	101,832	101,832	-
Transfers out	<u>-</u>	<u>-</u>	<u>(86,317)</u>	<u>(86,317)</u>
Total other financing sources (uses)	<u>101,832</u>	<u>101,832</u>	<u>15,515</u>	<u>(86,317)</u>
Net change in fund balances*	(76,125)	(76,125)	(19,775)	56,350
Fund balances—beginning	<u>389,370</u>	<u>389,370</u>	<u>389,370</u>	<u>-</u>
Fund balances—ending	<u>\$ 313,245</u>	<u>\$ 313,245</u>	<u>\$ 369,595</u>	<u>\$ 56,350</u>

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

The note to the required supplementary information is 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other property tax items	\$ 83,837	\$ 83,837	\$ 79,838	\$ (3,999)
Non-property tax items	2,331,300	2,331,300	2,341,297	9,997
Departmental income	327,000	327,000	263,975	(63,025)
Use of money and property	250	250	-	(250)
Licenses and permits	75,700	75,700	66,946	(8,754)
Miscellaneous	<u>9,100</u>	<u>9,100</u>	<u>7,543</u>	<u>(1,557)</u>
Total revenues	<u>2,827,187</u>	<u>2,827,187</u>	<u>2,759,599</u>	<u>(67,588)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	134,307	117,865	86,976	30,889
Public safety	1,258,559	1,268,169	1,162,632	105,537
Health	17,809	22,809	21,960	849
Culture and recreation	306,735	306,735	260,688	46,047
Home and community services	701,530	706,562	688,820	17,742
Employee benefits	<u>618,030</u>	<u>614,830</u>	<u>591,880</u>	<u>22,950</u>
Total expenditures	<u>3,036,970</u>	<u>3,036,970</u>	<u>2,812,956</u>	<u>224,014</u>
Net change in fund balances *	(209,783)	(209,783)	(53,357)	156,426
Fund balances—beginning	<u>1,156,865</u>	<u>1,156,865</u>	<u>1,156,865</u>	<u>-</u>
Fund balances—ending	<u>\$ 947,082</u>	<u>\$ 947,082</u>	<u>\$ 1,103,508</u>	<u>\$ 156,426</u>

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

The note to the required supplementary information is 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Non-property tax items	\$ 1,836,000	\$ 1,836,000	\$ 2,032,200	\$ 196,200
Departmental income	244,500	244,500	317,168	72,668
Use of money and property	100	100	-	(100)
Miscellaneous	-	-	5,233	5,233
State aid and local sources	<u>109,000</u>	<u>109,000</u>	<u>158,968</u>	<u>49,968</u>
Total revenues	<u>2,189,600</u>	<u>2,189,600</u>	<u>2,513,569</u>	<u>323,969</u>
<b>EXPENDITURES</b>				
Current:				
General government support	84,391	84,391	69,418	14,973
Transportation	1,866,272	1,866,272	1,709,533	156,739
Employee benefits	714,688	710,212	668,440	41,772
Debt service:				
Principal	50,000	55,900	55,900	-
Interest and other fiscal charges	<u>32,451</u>	<u>31,027</u>	<u>31,025</u>	<u>2</u>
Total expenditures	<u>2,747,802</u>	<u>2,747,802</u>	<u>2,534,316</u>	<u>41,774</u>
Excess (deficiency) of revenues over expenditures	(558,202)	(558,202)	(20,747)	537,455
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	646,000	646,000	462,000	(184,000)
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>496,000</u>	<u>496,000</u>	<u>312,000</u>	<u>(184,000)</u>
Net change in fund balances *	(62,202)	(62,202)	291,253	353,455
Fund balances—beginning	<u>160,204</u>	<u>160,204</u>	<u>160,204</u>	<u>-</u>
Fund balances—ending	<u>\$ 98,002</u>	<u>\$ 98,002</u>	<u>\$ 451,457</u>	<u>\$ 353,455</u>

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

The note to the required supplementary information is 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 479,300	\$ 479,300	\$ 479,300	\$ -
Other tax items	-	-	36,516	36,516
Departmental income	1,377,169	1,377,169	1,228,936	(148,233)
Use of money and property	250	250	-	(250)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,362</u>	<u>362</u>
Total revenues	<u>1,857,719</u>	<u>1,857,719</u>	<u>1,746,114</u>	<u>(111,605)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	21,085	19,484	19,484	-
Home and community services	1,044,834	1,072,435	1,061,809	10,626
Employee benefits	241,888	242,888	236,716	6,172
Debt service:				
Principal	313,500	338,144	338,144	-
Interest and other fiscal charges	<u>283,216</u>	<u>231,572</u>	<u>350,908</u>	<u>(119,336)</u>
Total expenditures	<u>1,904,523</u>	<u>1,904,523</u>	<u>2,007,061</u>	<u>(102,538)</u>
Excess (deficiency) of revenues over expenditures	(46,804)	(46,804)	(260,947)	(214,143)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	46,804	46,804	46,804	-
Refunding bonds issued	-	-	6,080,000	6,080,000
Payment to escrow agent	-	-	(6,180,902)	(6,180,902)
Premium on refunding bonds	<u>-</u>	<u>-</u>	<u>220,341</u>	<u>220,341</u>
Total other financing sources (uses)	<u>46,804</u>	<u>46,804</u>	<u>166,243</u>	<u>119,439</u>
Net change in fund balances	-	-	(94,704)	(94,704)
Fund balances—beginning	<u>237,774</u>	<u>237,774</u>	<u>237,774</u>	<u>-</u>
Fund balances—ending	<u>\$ 237,774</u>	<u>\$ 237,774</u>	<u>\$ 143,070</u>	<u>\$ (94,704)</u>

The note to the required supplementary information is 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 410,249	\$ 410,249	\$ 410,245	\$ (4)
Non-property tax items	336,348	336,348	294,985	(41,363)
Departmental income	1,832,305	1,832,305	1,861,158	28,853
Use of money and property	450	450	-	(450)
Miscellaneous	<u>2,501</u>	<u>2,501</u>	<u>23,526</u>	<u>21,025</u>
Total revenues	<u>2,581,853</u>	<u>2,581,853</u>	<u>2,589,914</u>	<u>8,061</u>
<b>EXPENDITURES</b>				
Current:				
General government support	41,791	41,791	37,410	4,381
Home and community services	1,646,836	1,688,886	1,537,804	151,082
Employee benefits	631,763	589,069	538,913	50,156
Debt service:				
Principal	351,500	354,005	375,956	(21,951)
Interest and other fiscal charges	<u>164,489</u>	<u>162,628</u>	<u>149,274</u>	<u>13,354</u>
Total expenditures	<u>2,836,379</u>	<u>2,836,379</u>	<u>2,639,357</u>	<u>192,641</u>
Excess (deficiency) of revenues over expenditures	(254,526)	(254,526)	(49,443)	205,083
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>109,500</u>	<u>109,500</u>	<u>50,000</u>	<u>(59,500)</u>
Total other financing sources	<u>109,500</u>	<u>109,500</u>	<u>50,000</u>	<u>(59,500)</u>
Net change in fund balances*	(145,026)	(145,026)	557	145,583
Fund balances—beginning	<u>2,354,119</u>	<u>2,354,119</u>	<u>2,354,119</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,209,093</u>	<u>\$ 2,209,093</u>	<u>\$ 2,354,676</u>	<u>\$ 145,583</u>

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

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF LEWISTON, NEW YORK**  
**Note to the Required Supplementary Information**  
**Year Ended December 31, 2015**

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**1. 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.

***Excess of Expenditures over Appropriations***—For the year ended December 31, 2015, excess expenditures over budgeted appropriations existed in the Town’s major governmental funds’ appropriations. The General Fund has an over expended variance of \$86,317 within transfers out. The variance occurred due to excess capital project expenditures that were not anticipated within the budget; the Water District Fund has over expended variances of \$119,336 within interest and other fiscal charges due to unanticipated bond issue costs, and \$6,180,902 within payment to escrow agent, which is partially offset by refunding bonds issued of \$6,080,000; and the Sewer District Fund has an over expended variance of \$21,951 within debt service principal as a result of principal payments made on the installment purchase contract.

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## SUPPLEMENTARY INFORMATION



**TOWN OF LEWISTON, NEW YORK**  
**Combining Balance Sheet—**  
**Nonmajor Governmental Funds**  
**December 31, 2015**

	<u>Special Revenue</u>			<b>Total Nonmajor Funds</b>
	<b>Fire Protection District</b>	<b>Sanitation District</b>	<b>Lighting District</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 172,905	\$ 24,398	\$ 29,502	\$ 226,805
Due from other funds	-	-	1,727	1,727
Total assets	<u>\$ 172,905</u>	<u>\$ 24,398</u>	<u>\$ 31,229</u>	<u>\$ 228,532</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 11,599</u>	<u>\$ 27,178</u>	<u>\$ 876</u>	<u>\$ 39,653</u>
Total liabilities	<u>11,599</u>	<u>27,178</u>	<u>876</u>	<u>39,653</u>
<b>FUND BALANCES (DEFICIT)</b>				
Assigned	161,306	-	30,353	191,659
Unassigned	<u>-</u>	<u>(2,780)</u>	<u>-</u>	<u>(2,780)</u>
Total fund balances (deficit)	<u>161,306</u>	<u>(2,780)</u>	<u>30,353</u>	<u>188,879</u>
Total liabilities and fund balances (deficit)	<u>\$ 172,905</u>	<u>\$ 24,398</u>	<u>\$ 31,229</u>	<u>\$ 228,532</u>

**TOWN OF LEWISTON, NEW YORK**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2015**

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	<u>Special Revenue</u>			<b>Total Nonmajor Funds</b>
	<b>Fire Protection District</b>	<b>Sanitation District</b>	<b>Lighting District</b>	
<b>REVENUES</b>				
Real property taxes	\$ 1,278,100	\$ 327,040	\$ 8,000	\$ 1,613,140
Other property tax items	2,285	-	-	2,285
Non-property tax items	-	-	8,181	8,181
Use of money and property	-	184	-	184
Miscellaneous	92,150	-	-	92,150
Total revenues	<u>1,372,535</u>	<u>327,224</u>	<u>16,181</u>	<u>1,715,940</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	1,170,902	-	-	1,170,902
Transportation	-	-	9,057	9,057
Home and community services	-	328,363	-	328,363
Employee benefits	169,273	-	-	169,273
Total expenditures	<u>1,340,175</u>	<u>328,363</u>	<u>9,057</u>	<u>1,677,595</u>
Net change in fund balances (deficit)	32,360	(1,139)	7,124	38,345
Fund balances (deficit)—beginning	<u>128,946</u>	<u>(1,641)</u>	<u>23,229</u>	<u>150,534</u>
Fund balances (deficit)—ending	<u>\$ 161,306</u>	<u>\$ (2,780)</u>	<u>\$ 30,353</u>	<u>\$ 188,879</u>

**TOWN OF LEWISTON, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Fire Protection District Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 1,278,100	\$ 1,278,100	\$ 1,278,100	\$ -
Other property tax items	2,285	2,285	2,285	-
Miscellaneous	<u>95,300</u>	<u>95,300</u>	<u>92,150</u>	<u>(3,150)</u>
Total revenues	<u>1,375,685</u>	<u>1,375,685</u>	<u>1,372,535</u>	<u>(3,150)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	1,187,569	1,187,199	1,170,902	16,297
Employee benefits	<u>188,116</u>	<u>188,486</u>	<u>169,273</u>	<u>19,213</u>
Total expenditures	<u>1,375,685</u>	<u>1,375,685</u>	<u>1,340,175</u>	<u>35,510</u>
Net change in fund balances	-	-	32,360	(32,360)
Fund balances—beginning	<u>128,946</u>	<u>128,946</u>	<u>128,946</u>	-
Fund balances—ending	<u>\$ 128,946</u>	<u>\$ 128,946</u>	<u>\$ 161,306</u>	<u>\$ (32,360)</u>

**TOWN OF LEWISTON, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Sanitation District Fund**  
**Year Ended December 31, 2015**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 327,040	\$ 327,040	\$ 327,040	\$ -
Use of money and property	-	-	184	184
Total revenues	<u>327,040</u>	<u>327,040</u>	<u>327,224</u>	<u>184</u>
<b>EXPENDITURES</b>				
Current:				
Home and community services	<u>327,040</u>	<u>327,040</u>	<u>328,363</u>	<u>(1,323)</u>
Total expenditures	<u>327,040</u>	<u>327,040</u>	<u>328,363</u>	<u>(1,323)</u>
Net change in fund balances	-	-	(1,139)	(1,139)
Fund balances (deficit)—beginning	<u>(1,641)</u>	<u>(1,641)</u>	<u>(1,641)</u>	<u>-</u>
Fund balances (deficit)—ending	<u>\$ (1,641)</u>	<u>\$ (1,641)</u>	<u>\$ (2,780)</u>	<u>\$ (1,139)</u>

**TOWN OF LEWISTON, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Lighting District Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Non-property tax items	-	-	8,181	8,181
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>16,181</u>	<u>8,181</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	<u>14,000</u>	<u>14,000</u>	<u>9,057</u>	<u>4,943</u>
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>9,057</u>	<u>4,943</u>
Net change in fund balances*	(6,000)	(6,000)	7,124	13,124
Fund balances—beginning	<u>23,229</u>	<u>23,229</u>	<u>23,229</u>	<u>-</u>
Fund balances—ending	<u>\$ 17,229</u>	<u>\$ 17,229</u>	<u>\$ 30,353</u>	<u>\$ 13,124</u>

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

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Certified Public Accountants

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

Honorable Supervisor and Town Board  
Town of 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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 16, 2016. Our report includes a disclaimer of opinion on the results of operations, as described in our report on the Town's financial statements.

**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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2015-002 and 2015-003 to be significant deficiencies.

### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

August 16, 2016

**TOWN OF LEWISTON, NEW YORK**  
**Schedule of Findings**  
**Year Ended December 31, 2015**

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

**Finding 2015-001—Prior Period Adjustments**

*Criteria*—The Town should maintain current and accurate capital asset and compensated absences records that agree with year-end financial reports.

*Condition and Context*—During the year ended December 31, 2015, the Town had a full physical inventory and evaluation of capital assets. This process revealed that the previously reported values of capital assets were not appropriate and a restatement was needed. In addition, the compensated absences liability reported in the prior year financial statements did not reflect the internal records maintained by the Town and a restatement was needed.

*Cause*—Prior to the year ended December 31, 2015, the Town did not agree or reconcile internal capital assets or compensated absences records with the prior financial statement balances.

*Effect or Potential Effect*—The value of the Town's capital assets was overstated and compensated absences liability was understated. The net effect was an overstatement of net position of \$4,475,731 at December 31, 2014.

*Recommendation*—The Town should implement accounting policies and procedures to maintain accurate capital asset records and regularly perform analysis of year end balances. Although, the Town's current reconciliation procedures caught the misstatements, a more timely process should be implemented to detect and correct misstatements prior to the release of year-end financial reports.

*View of Responsible Officials and Corrective Action Plan*—The Town has restated net position of the governmental activities as of December 31, 2014 to more accurately reflect the balances of the capital assets and compensated absences liability. The Town does not anticipate any future adjustments of this significance going forward.

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

**Finding 2015-002—Segregation of Duties**

*Criteria*—The Town should maintain segregation of duties within the accounting cycle to ensure timely and accurate reporting.

*Condition and Context*—It was observed that the Town has only one employee performing functions within the accounting cycle. Journal entries were entered into the financial accounting software without prior review or approval, and several 2015 monthly bank reconciliations were not performed, or reviewed and approved, until 2016.

*Cause*—The Town relies on one employee to perform functions within the accounting cycle.

*Effect or Potential Effect*—The Town lacks segregation of duties throughout the accounting cycle. Bank reconciliations were not performed in a timely manner nor were they reviewed and approved. Further, journal entries were entered without review or approval. The Town's reliance on one individual increases the opportunity for misappropriation of cash and risk of material misstatement within the accounting records. As time elapses without bank reconciliations being performed or journal entries reviewed, identifying reconciling items and variances in cash accounts becomes more difficult.

*Recommendation*—The Town should consider increasing the staff within the Finance Office to facilitate an adequate segregation of duties. The additional staffing would allow for an independent review and approval of various accounting functions, as well as create an opportunity for the Director of Finance to focus on providing useful analyses and reports to the Town Board. Further, upon hiring of this additional staff, the Town should contact their financial accounting system administrator to set up automated controls for each user.

*View of Responsible Officials and Corrective Action Plan*—The Town is currently in the process of hiring a part-time individual for the Finance Office.

#### **Finding 2015-003—Bank Reconciliations**

*Criteria*—Bank reconciliations should be performed monthly for each bank account and reconcile to the corresponding general ledger account(s).

*Condition and Context*—We observed that bank reconciliations reconcile the total cash in banks to the total cash balance of all general ledger accounts.

*Cause*—The Town does not perform bank reconciliations to tie to the individual general ledger accounts.

*Effect or Potential Effect*—The absence of individual monthly bank reconciliations increases the risk of misstatement in financial reporting and misappropriation of assets due to fraud.

*Recommendation*—The Town should perform a reconciliation between individual bank balances and each corresponding general ledger account(s) on a timely basis.

*View of Responsible Officials and Corrective Action Plan*—The Town is in the process of hiring a part-time individual for the Finance Office.