

**TOWN OF GATES**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2013**

## TOWN OF GATES

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Town Board  
Town of Gates  
Gates, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Gates, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Gates's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Gates as of December 31, 2013, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Correction of Error**

As described in Note 11 to the financial statements, the Town corrected an error by restating prior year capital assets. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 11 and budgetary comparison information and schedule of funding progress for other postemployment benefit obligation on pages 32 - 34 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 of Gates' basic financial statements. The supplementary schedules of combining balance sheets for nonmajor funds, and combining schedule of revenues, expenditures and changes in fund balances for nonmajor funds on pages 35 - 36 are presented for the purpose of additional analysis and are not a required part of the financial statements.

The supplemental schedules of combining balance sheets for nonmajor funds, and combining schedule of revenues, expenditures and changes in fund balances for nonmajor funds are the responsibility of management and were derived from and relate 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 supplemental schedules of combining balance sheets for nonmajor funds, and the combining schedule of revenues, expenditures and changes in fund balances for nonmajor funds are 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 May 7, 2014, on our consideration of the Town of Gates' 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 of Gates' internal control over financial reporting and compliance.

*EFP Rotenberg, LLP*

EFP Rotenberg, LLP  
Rochester, New York  
May 7, 2014

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

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The following is a discussion and analysis of the Town of Gates' (the "Town") financial performance for the fiscal year ended December 31, 2013. This section is a summary of the Town's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund based financial statements. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The Town's net position decreased by \$463,365 for the year ended December 31, 2013, with expenses of \$16,820,109 (including OPEB expenses of \$100,093) exceeding revenues of \$16,356,744. Total net position of the Town is \$12,669,106. During the year revenues increased by 3.9% and expenses increased by 7.9%.
- The Town's governmental fund balances decreased by \$432,283 for the year ended December 31, 2013, with expenditures of \$17,311,124 exceeding revenues of \$16,878,841. Total governmental fund balances of the Town are \$5,374,381.
- As required by GASB 45, the Town recorded Other Post Employment Benefits (OPEB). As a result, liabilities on the statement of net assets and expenses on the statement of activities were increased by \$100,093, resulting in a liability of \$9,758,511. The liability and expenditures are included only on the government-wide financial statements and are not included on the fund financial statements.
- The Town made the final payment on their serial bonds in 2013. As of December 31, 2013, the Town had no outstanding balance in bonds payable.

**USING THIS ANNUAL REPORT**

This annual report consists of four parts: *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Town.

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.
- The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

In addition, the statements include a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in single columns in the basic financial statements.

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

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**Government-wide Statements**

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how they have changed. Net position, the difference between the Town's assets and liabilities, is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town the user will need to consider additional nonfinancial factors such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town include

- Governmental activities - The Town's basic services including general government support, public safety, transportation, economic assistance, culture and recreation, home and community services, and debt interest are reported here. Property taxes, sales taxes, mortgage taxes, franchise fees and other grants finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Town's most significant funds, not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Town Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Town has two types of funds

- **Governmental Funds** - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the Town provides additional information in the footnotes for fixed assets and long-term debt that support the basic financial statements.
- **Fiduciary Funds** - The Town is the trustee, or fiduciary, for its trust and agency account. It is also responsible for other assets that because of a trust arrangement - can be used only for the trust beneficiaries. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Town's fiduciary activities are reported in a separate statement of fiduciary net assets. The Town excludes these activities from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

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**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The condensed statements of net assets provides the perspective of the Town as a whole.

(Table 1)

**Condensed Statements of Net Position**  
**December 31, 2013 and 2012**

	<u>Governmental Activities</u>		<u>%</u>
	<u>2013</u>	<u>Restated</u> <u>2012</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 7,221,501	\$ 7,497,916	(3.7)
Capital assets	<u>17,738,286</u>	<u>17,962,937</u>	(1.3)
Total assets	<u>24,959,787</u>	<u>25,460,853</u>	(2.0)
<b>Liabilities</b>			
Other liabilities	760,912	767,347	(0.8)
Long-term liabilities	<u>11,529,769</u>	<u>11,561,035</u>	(0.3)
Total liabilities	<u>12,290,681</u>	<u>12,328,382</u>	(0.3)
<b>Net Position</b>			
Net investment in capital assets	17,738,286	17,667,937	0.4
Restricted	46,340	56,240	(17.6)
Unrestricted	<u>(5,115,520)</u>	<u>(4,591,706)</u>	11.4
Total net position	<u>\$ 12,669,106</u>	<u>\$ 13,132,471</u>	(3.5)

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

(Table 2)

**Changes in Net Position from Operating Results**  
**For the Years Ended December 31, 2013 and 2012**

	<u>Governmental Activities</u>		<u>%</u>
	<u>2013</u>	<u>2012</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 1,653,472	\$ 1,457,471	13.4
Operating grants and contributions	259,783	205,141	26.6
General Revenues			
Real property taxes	10,321,084	10,363,424	(0.4)
Real property tax items	503,589	475,805	5.8
Non property tax items	2,461,530	2,456,628	0.2
Use of money and property	18,567	23,905	(22.3)
Sale of property and compensation for (loss) income	221,838	(26,759)	929.0
Miscellaneous local sources	170,214	153,246	11.1
State and federal aid	<u>746,667</u>	<u>629,132</u>	18.7
Total revenues	<u>16,356,744</u>	<u>15,737,993</u>	3.9
<b>Expenses</b>			
General government support	3,267,348	3,269,532	(0.1)
Public safety	5,374,163	5,136,137	4.6
Transportation	5,104,138	4,383,138	16.4
Economic assistance	17,743	6,716	164.2
Culture and recreation	2,803,286	2,599,684	7.8
Home and community services	250,134	174,848	43.1
Debt interest	<u>3,297</u>	<u>15,291</u>	(78.4)
Total expenses	<u>16,820,109</u>	<u>15,585,346</u>	7.9
<b>Change in Net Position</b>	<u>\$ (463,365)</u>	<u>\$ 152,647</u>	(403.6)

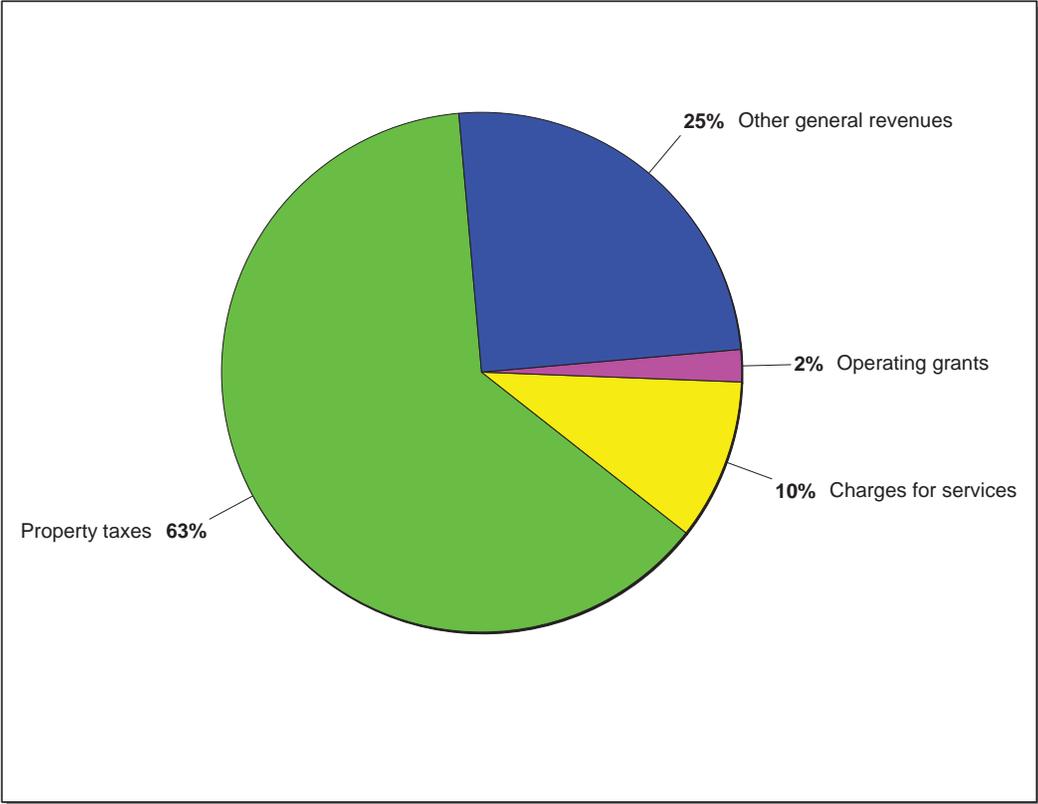
**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

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As reported in the statement of activities the cost of all governmental activities was \$16,820,109. However, the amount that taxpayers ultimately financed for these activities through the Town real property taxes was \$10,321,084.

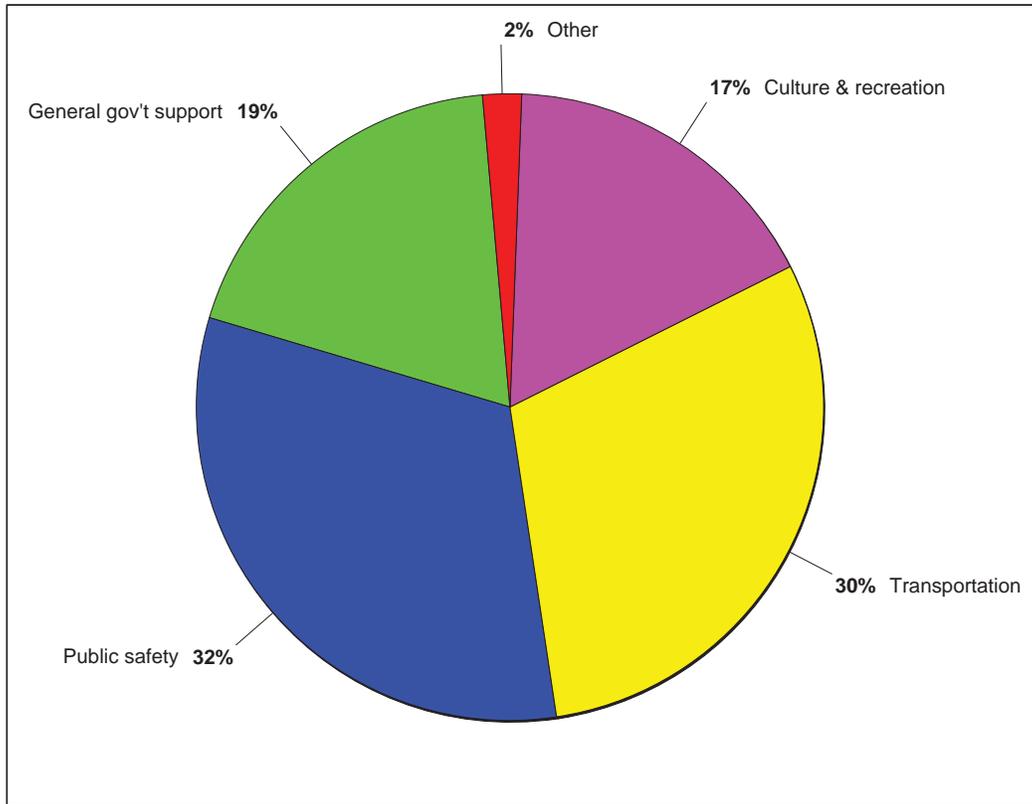
Tables 3-A&B show the revenues and expenses on a percentage basis for the governmental activities:

**Table 3-A**  
**Sources of Revenues for Governmental Activities**  
**Fiscal Year 2013**



**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

**Table 3-B**  
**Expenses for Governmental Activities**  
**Fiscal Year 2013**



**Governmental Activities**

In Table 4, we have presented the cost of each of the Town functions and programs, as well as each function's net cost (total cost less revenues generated by the activities). Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**(Table 4)**

<b><u>Functions/Programs</u></b>	<b><u>Total Cost of Services 2013</u></b>	<b><u>Net Cost of Services 2013</u></b>	<b><u>Total Cost of Services 2012</u></b>	<b><u>Net Cost of Services 2012</u></b>
General government support	\$ 3,267,348	\$ 2,880,906	\$ 3,269,532	\$ 3,019,648
Public safety	5,374,163	4,986,107	5,136,137	4,687,767
Transportation	5,104,138	4,422,849	4,383,138	3,860,913
Economic assistance	17,743	17,743	6,716	6,716
Culture and recreation	2,803,286	2,353,593	2,599,684	2,167,401
Home and community services	250,134	242,359	174,848	164,998
Debt interest	3,297	3,297	15,291	15,291
Total expenses	<b><u>\$ 16,820,109</u></b>	<b><u>\$ 14,906,854</u></b>	<b><u>\$ 15,585,346</u></b>	<b><u>\$ 13,922,734</u></b>

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

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- **General government support** - Includes expenses of the Town Board, Town offices and administration, contracted professional services, buildings and grounds maintenance, and insurance along with the associated employee benefits.
- **Public safety** - Includes the expenses for the police and public safety departments along with the associated employee benefits.
- **Transportation** - Includes salaries for employees in the highway department and the cost of repairing and maintaining Town roads along with the associated employee benefits.
- **Economic assistance** - Includes expenses for the Town's social services.
- **Culture and recreation** - Includes the salaries for employees and cost associated with maintaining the Town playgrounds, library and historical society along with the associated employee benefits.
- **Home and community services** - Includes the salaries for employees and cost associated with maintaining the Town zoning, planning and conservation boards along with the associated employee benefits.
- **Debt interest** - Includes the transactions associated with the payment of interest on debt for improvements to the Town.

**THE MAJOR GOVERNMENTAL FUNDS**

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$16,878,841 and expenditures and other financing uses of \$17,311,124. The fund balance in the general fund decreased by \$159,352 decreasing the fund balance to \$5,084,830 at December 31, 2013. In the highway fund, the fund balance increased by \$4,058 increasing the fund balance to \$79,632. The fund balance in the other governmental funds decreased by \$276,989 decreasing the fund balance to \$209,919, for a total decrease of \$432,283 for all government funds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- Revenues - Actual revenues exceeded budgeted revenues by \$692,172. This is mostly explained by an increase in sales tax revenue. The region has experienced an improved economy and an increase of gasoline prices driving up sales tax revenues.
- Expenditures - actual expenditures exceeded budgeted expenditures by \$24,595. The majority of the difference is explained by unexpected and unbudgeted interfund transfers for the highway fund for additional road work done as well as additional funds for snow and ice removal during 2013.

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2013, the governmental activities of the Town had \$37,213,041 invested in land, buildings, land improvements, infrastructure, and machinery and equipment. Depreciation expense of \$828,502 has been recorded in the current year. The current net book value is \$17,738,286.

Table 5 shows the fiscal 2013 and 2012 balances for the major classes of assets:

(Table 5)

**Capital Assets (Net of Depreciation)**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>Restated 2012</u>	<u>% Change</u>
Land	\$ 149,100	\$ 149,100	-
Buildings	3,191,581	3,304,602	(3.4)
Land improvements	346,752	368,591	(5.9)
Machinery and equipment	2,675,140	2,554,307	4.7
Infrastructure	<u>11,375,713</u>	<u>11,586,337</u>	(1.8)
Total	<u>\$ 17,738,286</u>	<u>\$ 17,962,937</u>	(1.3)

Additional information on the Town's capital assets can be found in the notes to these financial statements.

**Long Term Debt**

At December 31, 2013, the Town had total long-term debt of \$11,529,769 outstanding which was a decrease of \$31,267 from the previous year.

(Table 6)

**Outstanding Debt**  
**December 31, 2013 and 2012**

<b>Governmental Activities</b>	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Bonds payable	\$ -	\$ 295,000	(100.0)
Compensated absences	553,855	518,025	6.9
Due to employee's retirement system	1,217,403	1,089,593	11.7
OPEB liability	<u>9,758,511</u>	<u>9,658,418</u>	1.0
Total	<u>\$ 11,529,769</u>	<u>\$ 11,561,036</u>	(0.3)

The Town maintains a Moody's bond rating of Aa3 as of December 31, 2013.

Additional information on the Town's long-term debt can be found in the notes to these financial statements.

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The tax base of the Town has remained stable. The 2014 budget provides for real estate tax revenues of \$9,677,421, which is also what was budgeted in 2013.
- The economic outlook for the Town is optimistic. The Town continues to see growth with businesses moving into Rochester Tech Park along with other areas in the Town. New residential developments show continued growth led by the development at Canal Landing which is a multi-year project.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Town citizens, taxpayers, customers, investors, and creditors with a general overview of the Town finances and to demonstrate the Town accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Town of Gates  
Finance Department  
1605 Buffalo Road  
Gates, New York, 14624

**TOWN OF GATES**  
**Statement of Net Position**  
**December 31, 2013**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents - unrestricted	\$ 6,046,769
Other receivables - net	106,724
Due from other governments	644,681
Investments	55,011
Prepaid expenditures	321,976
Cash and cash equivalents - restricted	46,340
Capital assets	
Capital assets not depreciated	149,100
Capital assets - net of depreciation	<u>17,589,186</u>
Total assets	<u>24,959,787</u>
<b>Liabilities</b>	
Accounts payable	462,457
Accrued liabilities	21,445
Contract advances	277,010
Long-term liabilities	
Portion due or payable within one year	
Due to employees' retirement systems	1,128,223
Portion due or payable after one year	
Compensated absences	553,855
Due to employees' retirement systems	89,180
OPEB liability	<u>9,758,511</u>
Total liabilities	<u>12,290,681</u>
<b>Net Position</b>	
Net investment in capital assets	17,738,286
Restricted for	
Police escrow reserve	24,641
Library reserve	21,699
Unrestricted	<u>(5,115,520)</u>
Total net position	<u>\$ 12,669,106</u>

The accompanying notes are an integral part of these financial statements.



**TOWN OF GATES**  
**Balance Sheets**  
**Governmental Funds**  
**December 31, 2013**

<b>ASSETS</b>	<u>General Fund</u>	<u>Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents - unrestricted	\$ 5,403,686	\$ 409,000	\$ 234,083	\$ 6,046,769
Other receivables - net	105,479	1,245	-	106,724
Due from other governments	574,886	69,795	-	644,681
Investments	-	-	55,011	55,011
Prepaid expenditures	293,788	4,549	23,639	321,976
Cash and cash equivalents - restricted	<u>24,641</u>	<u>-</u>	<u>21,699</u>	<u>46,340</u>
<b>Total Assets</b>	<b><u>\$ 6,402,480</u></b>	<b><u>\$ 484,589</u></b>	<b><u>\$ 334,432</u></b>	<b><u>\$ 7,221,501</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 181,068	\$ 205,261	\$ 76,128	\$ 462,457
Accrued liabilities	8,006	11,872	1,567	21,445
Contract advances	177,122	99,888	-	277,010
Due to employees' retirement systems	<u>951,454</u>	<u>87,936</u>	<u>46,818</u>	<u>1,086,208</u>
Total liabilities	<u>1,317,650</u>	<u>404,957</u>	<u>124,513</u>	<u>1,847,120</u>
<b>Fund Balances</b>				
Nonspendable	293,788	4,549	23,639	321,976
Restricted				
Reserve for police escrow	24,641	-	-	24,641
Reserve for library	-	-	21,699	21,699
Assigned				
Reserve for subsequent year	611,110	-	-	611,110
Reserve for highway	-	75,083	-	75,083
Reserve for library	-	-	143,612	143,612
Reserve for special districts	-	-	19,552	19,552
Reserve for debt service	-	-	1,417	1,417
Unassigned	<u>4,155,291</u>	<u>-</u>	<u>-</u>	<u>4,155,291</u>
Total fund balances	<u>5,084,830</u>	<u>79,632</u>	<u>209,919</u>	<u>5,374,381</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 6,402,480</u></b>	<b><u>\$ 484,589</u></b>	<b><u>\$ 334,432</u></b>	<b><u>\$ 7,221,501</u></b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GATES**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2013**

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Total governmental fund balances \$ 5,374,381

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

Land	\$ 149,100	
Total capital assets not depreciated		149,100

Buildings	5,590,926	
Land improvements	606,644	
Machinery and equipment	6,372,254	
Infrastructure	<u>24,494,117</u>	
Total depreciable assets	37,063,941	
Less accumulated depreciation	<u>(19,474,755)</u>	
Total capital assets, net of depreciation		17,589,186

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:

Due to employees' retirement systems	(131,195)	
Compensated absences	(553,855)	
OPEB liability	<u>(9,758,511)</u>	
Total liabilities		<u>(10,443,561)</u>

Net position of governmental activities \$ 12,669,106

**TOWN OF GATES**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Real property taxes	\$ 5,646,209	\$ 2,541,941	\$ 2,132,934	\$ 10,321,084
Real property tax items	503,589	-	-	503,589
Non property tax items	2,461,530	-	-	2,461,530
Department income	443,113	-	68,356	511,469
Intergovernmental charges	31,215	507,976	-	539,191
Use of money and property	14,959	2,082	1,526	18,567
Licenses and permits	288,076	-	-	288,076
Fines and forfeitures	314,736	-	-	314,736
Sale of property and compensation for (loss) income	161,447	85,224	2,638	249,309
Miscellaneous local sources	61,602	52,710	55,903	170,215
State aid	804,443	173,314	10,122	987,879
Federal aid	<u>18,571</u>	<u>-</u>	<u>-</u>	<u>18,571</u>
Total revenues	10,749,490	3,363,247	2,271,479	16,384,216
<b>Other Financing Source</b>				
Interfund transfers	<u>-</u>	<u>494,625</u>	<u>-</u>	<u>494,625</u>
Total revenues and other financing source	<u>10,749,490</u>	<u>3,857,872</u>	<u>2,271,479</u>	<u>16,878,841</u>
<b>Expenditures</b>				
General government support	2,285,769	-	-	2,285,769
Public safety	3,183,277	-	-	3,183,277
Transportation	473,331	3,254,291	629,256	4,356,878
Economic assistance and opportunity	17,743	-	-	17,743
Culture and recreation	783,058	-	1,275,237	2,058,295
Home and community services	242,665	-	-	242,665
Employee benefits	3,387,492	598,814	343,204	4,329,510
Debt principal	40,882	709	295,424	337,015
Debt interest	<u>-</u>	<u>-</u>	<u>5,347</u>	<u>5,347</u>
Total expenditures	10,414,217	3,853,814	2,548,468	16,816,499
<b>Other Financing Use</b>				
Interfund transfers	<u>494,625</u>	<u>-</u>	<u>-</u>	<u>494,625</u>
Total expenditures and other financing use	<u>10,908,842</u>	<u>3,853,814</u>	<u>2,548,468</u>	<u>17,311,124</u>
<b>Change in Fund Balance</b>	(159,352)	4,058	(276,989)	(432,283)
<b>Fund Balances - Beginning</b>	<u>5,244,182</u>	<u>75,574</u>	<u>486,908</u>	<u>5,806,664</u>
<b>Fund Balances - Ending</b>	<u>\$ 5,084,830</u>	<u>\$ 79,632</u>	<u>\$ 209,919</u>	<u>\$ 5,374,381</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GATES**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2013**

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Net change in fund balances - total governmental funds		\$ (432,283)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:		
Capital outlay	\$ 631,322	
Depreciation expense	<u>(828,502)</u>	
Excess of depreciation over capital outlay		(197,180)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period, these amounts are the following:		
Debt repayments		295,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:		
Compensated absences		(35,830)
OPEB liability		(100,093)
Other differences		
Accrued liabilities	2,049	
Due to employees' retirement systems	32,443	
Loss on disposition of assets	<u>(27,471)</u>	
Total other differences		<u>7,021</u>
Change in net position of governmental activities		<u>\$ (463,365)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GATES**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2013**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents - restricted	\$ 1,329,802
Total assets	<u>\$ 1,329,802</u>
<b>LIABILITIES</b>	
Agency liabilities	\$ 535,108
Due to other governments	<u>794,694</u>
Total liabilities	<u>\$ 1,329,802</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF GATES**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The financial statements of the Town of Gates (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units hereinafter referred to as generally accepted accounting principals (GAAP). The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The following is a summary of significant accounting policies and reporting practices of the Town:

**A. Reporting Entity**

**Primary Government** - The Town, which was established in 1809, is governed by Town Law and other general laws of the State of New York. The governing body is the Town Board. The scope of activities included within the accompanying financial statements are those transactions which comprise Town operations, and are governed by, or significantly influenced by, the Town Board. These services include general government support, public safety, transportation, economic assistance and opportunity, culture and recreation, and home and community service. The financial reporting entity includes all funds, account groups, functions and organizations over which the Town Board exercises oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Included in the reporting entity are the activities of the Town Clerk, Court Clerk, and the Receiver of Taxes.

**B. Basis of Presentation**

**1. Government-wide Financial Statements**

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are supported primarily through governmental subsidies and taxes, are intended to be funded primarily through fees and charges for goods or services. The fiduciary funds are excluded from the government-wide financial statements. The effect of material interfund activity has been eliminated from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods and services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town complies with the provisions of GASB Statement No, 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

**TOWN OF GATES**  
**Notes to Financial Statements**

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The Town also complies with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. Net position represent assets and deferred outflows of resources less liabilities and deferred inflows of resources. GASB requires the classification of net position into three classifications defined as follows:

**Net investment in capital assets** - This component of net position consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

**Restricted net position** - This component of net position is considered restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. At December 31, 2013, the Town had \$46,340 in restricted net position.

**Unrestricted net position** - This component of net position consists of all other net position that does not meet the definition of the above two components and is available for general use by the agency.

**2. Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including governmental and fiduciary. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining nonmajor funds are aggregated and reported as "other governmental" funds.

- a. The Town reports the following major governmental funds:
  - i. The general fund is the Town's primary operating fund and is always considered a major fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.
  - ii. For the year ended December 31, 2013, the highway fund qualified as a major fund. The highway fund is a special revenue fund that is used to account for the Town's Department of Public Works.

**C. Fund Types**

**1. Governmental Fund Types**

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Town's governmental fund types:

**TOWN OF GATES**  
**Notes to Financial Statements**

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**General Fund** - The general fund is the general operating fund of the Town. This fund is used to account for all financial resources except for those required to be accounted for in a separate fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes or for which separate accounting is required by administrative action. The special revenue funds consist of the following funds:

- **Highway Fund** - Used to account for all transactions of the Department of Public Works except for Public Works administration which is included in the general fund.
- **Library Fund** - Used to account for all transactions of the Town's Public Library.
- **Special District Funds** - Used to account for the transactions of districts which do not encompass the tax base of the entire Town. Such funds include the lighting districts and ambulance district.

**Debt Service Fund** - The debt service fund is used to finance and account for revenues raised for the payment of interest and principal on debt and to account for those expenditures.

**2. Fiduciary Funds (Trust and Agency Funds)**

Fiduciary funds are used to account for fiduciary activities. Fiduciary activities are those in which the Town acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements because their resources do not belong to the Town and are not available for use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Included in the trust and agency fund are the assets and liabilities of the Town Clerk, Court Clerk and Receiver of Taxes.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**1. Accrual Basis**

The government-wide financial statements, along with the fiduciary fund type on the government fund statements, are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements except when the elimination would distort direct costs and program revenue reported for the various functions concerned.

**2. Modified Accrual Basis**

The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. Available means collectable within 60 days of the end of the current fiscal period to be used to pay liabilities of the current period. Revenues, which are subject to accrual, include real property taxes, sales taxes and state and federal aid. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made. Expenditures are recorded when the fund liability is incurred except that:

**TOWN OF GATES**  
**Notes to Financial Statements**

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- a. Expenditures for inventory-type items are recognized at the time of the disbursements.
- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure when paid.

**3. Use of Estimates**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from these estimates.

**4. Budgetary Data**

The budget of the Town is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget utilizes the modified accrual method of accounting and includes:

- The programs, projects, services and activities to be carried on during the fiscal year.
- The estimated revenue available to finance the operating plan.
- The estimated spending requirements of the operating plan.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

- The Town adopts an annual budget for governmental funds, special revenue funds and debt service funds in November for the following year.
- The Town Board is authorized to transfer budgeted amounts within funds, however, transfers between funds are regulated by State law.
- Amended budgets for budgeted funds are presented in the statement of revenues, expenditures and changes in fund balances - budget and actual. All annual appropriations lapse at fiscal year end.

**5. Cash and Cash Equivalents**

The Town includes all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less from the date of purchase as cash and cash equivalents.

**6. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental type activity column in the government-wide financial statements. Capital assets are defined by the Town within the capitalization policies established by the Town. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**TOWN OF GATES**  
**Notes to Financial Statements**

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>		<u>Capitalization Threshold</u>
Buildings and improvements	25-50	\$	25,000
Infrastructure			
Roads and surfaces	25-75	\$	50,000
Sidewalks	25	\$	25,000
Machinery and equipment	3-20	\$	5,000

**7. Compensated Absences**

Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Estimated vacation and sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the government-wide financial statements.

Payment of vacation and sick leave recorded in the government-wide financial statements 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 vacation and sick leave and compensatory absences when such payments become due.

**8. Post Employment Benefits**

In addition to the retirement benefits, the Town provides post-employment health insurance coverage to its retired employees and their survivors. Substantially all employees may become eligible for these benefits when they reach age 62 and have worked 10 consecutive years for the Town. Currently 90 retirees meet those eligibility requirements. The Town pays 100% of the cost of premiums to an insurance company which provides health care insurance. Expenditures for postretirement healthcare benefits are recognized as health care premiums are incurred. The Town recognized the cost of providing benefits by recording \$790,745 as its share of the insurance premiums for the currently enrolled retirees, as an expenditure in 2013.

**9. Interfund Transfers**

Interfund transfers are generally recorded as operating transfers in (out) except for the following types of transactions:

- Interfund revenues, which are recorded as revenues of the performing fund and expenditures of the requesting fund.
- Reimbursements for services performed, which are recorded as a reduction of expenditures in the performing fund and an expenditure of the requesting fund.

**TOWN OF GATES**  
**Notes to Financial Statements**

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**10. Workers' Compensation Insurance**

In 2006, the Town elected to become a participant in the Monroe County Municipal Workers' Compensation Plan. The Plan is an unincorporated association of municipalities in New York State formed in June 2004 pursuant to Article 5-G of General Municipal Law. By agreement, the Town is self-insured for claims up to \$200,000, shares in claims from \$200,000 to \$400,000, and the Plan provides insurance for claims in excess of \$400,000.

**11. Fund Balance - Reservations and Designations**

**1. Fund Financial Statements**

The Town complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness and clarity of fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable Fund Balance** - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.
- **Restricted Fund Balance** - amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.
- **Committed Fund Balance** - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the Town, the highest level of decision making authority resides with the Town Board.
- **Assigned Fund Balance** - amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Town Board delegates the authority.
- **Unassigned Fund Balance** - amounts that are available for any purpose.

For the classification of governmental fund balances, the Town considers an expenditure to be made from budgetary appropriation first when more than one classification is available. The Town established and modifies fund balance commitments by a passage of a resolution in meetings of the Town Board. Assigned fund balance is established by the Town through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The Town Supervisor is responsible for all the purchasing activities of the Town and encumbrances at year end, which are considered assigned funds and therefore, the Town Supervisor is designated as having the authority to assign amounts intended to be used for specific purposes. The Town Board approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance.

**TOWN OF GATES**  
**Notes to Financial Statements**

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The following is a summary of the Town's fund balance classifications and categories within those classifications. Restricted and assigned fund balance categories are available to the Town. Any capital gains or interest earned on restricted or assigned fund resources becomes part of the respective restricted or assigned fund balance category. While a separate bank account is not necessary for each restricted or assigned fund, a separate identity for each reserve fund must be maintained.

**A. Nonspendable**

**1. Nonspendable** - Amounts classified as nonspendable for prepaid expenditures related directly to the amounts recorded in the statement of net position as prepaid expenditures. The balance at December 31, 2013 for all governmental funds is \$321,976.

**B. Restricted**

**1. Police Escrow Reserve** - Represents the cash balance outstanding in the police escrow reserve. The reserve is accounted for in the general fund. The balance at December 31, 2013 is \$24,641.

**2. Library Reserve** - Represents the cash balance outstanding in the library reserve. The reserve is accounted for in the library fund. The balance at December 31, 2013 is \$21,699.

**C. Assigned**

**1. Reserve for Subsequent Year** - Represents the estimated fund balance that is appropriated into the adopted budget in the general fund at year end. The balance at December 31, 2013 is \$611,110.

**2. Reserve for Highway** - Represents the amount of outstanding fund balance in the highway fund at year end. The balance at December 31, 2013 is \$75,083.

**3. Reserve for Library** - Represents the amount of outstanding fund balance in the library fund at year end. The balance at December 31, 2013 is \$143,612.

**4. Reserve for Special Districts** - Represents the amount of outstanding fund balance in the special districts fund at year end. The balance at December 31, 2013 is \$19,552.

**5. Reserve for Debt Service** - Represents the amount of outstanding fund balance in the debt service fund at year end. The balance at December 31, 2013 is \$1,417.

**E. Property Taxes**

Real property taxes are levied annually by the Town Board no later than December 31 and become a lien on January 1. Taxes are collected during the period January 1 to May 31. Uncollected real property taxes are subsequently enforced by the County of Monroe, in which the Town is located. As such, the Town receives its entire real property tax levy on a current basis.

**TOWN OF GATES**  
**Notes to Financial Statements**

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**Note 2. Deposits 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 the State. The Town is authorized to invest in certificates of deposit, time deposit accounts, obligations of New York State and the U.S. Government and repurchase agreements. At December 31, 2013, cash and cash equivalents are entirely composed of demand accounts and certificates of deposit and the investments are composed of an endowment blended fund.

Collateral is required for time deposits and certificates of deposit not covered by federal deposit insurance. The written investment policy requires repurchase agreements to be purchased from banks located within New York State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 102 percent of the cost of the repurchase agreement.

**Deposits**

At December 31, 2013, the Town's bank balances can be categorized as follows:

	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash and cash equivalents and investments	<b><u>\$ 7,422,911</u></b>	<b><u>\$ 7,514,006</u></b>
Collateralized with securities held by the Town or by its agent in the Town's name		\$ 6,029,565
Covered by FDIC insurance		1,429,430
Uncollateralized		<u>55,011</u>
Total deposits		<b><u>\$ 7,514,006</u></b>

**TOWN OF GATES**  
**Notes to Financial Statements**

**Note 3. Capital Assets**

Capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Restated Balance 12/31/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2013</u>
<b>Governmental Activities Capital Assets</b>				
<b>Capital Assets Not Depreciated</b>				
Land	\$ 149,100	\$ -	\$ -	\$ 149,100
<b>Capital Assets Depreciated</b>				
Buildings	5,590,926	-	-	5,590,926
Land improvements	606,644	-	-	606,644
Machinery and equipment	6,054,768	473,642	(156,156)	6,372,254
Infrastructure	<u>24,336,437</u>	<u>157,680</u>	<u>-</u>	<u>24,494,117</u>
Total capital assets depreciated	<u>36,588,775</u>	<u>631,322</u>	<u>(156,156)</u>	<u>37,063,941</u>
<b>Less - Accumulated Depreciation</b>				
Buildings	2,286,324	113,021	-	2,399,345
Land improvements	238,053	21,839	-	259,892
Machinery and equipment	3,500,461	325,338	(128,685)	3,697,114
Infrastructure	<u>12,750,100</u>	<u>368,304</u>	<u>-</u>	<u>13,118,404</u>
Total accumulated depreciation	<u>18,774,938</u>	<u>828,502</u>	<u>(128,685)</u>	<u>19,474,755</u>
Total capital assets depreciated - net	<u>17,813,837</u>	<u>(197,180)</u>	<u>(27,471)</u>	<u>17,589,186</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$ 17,962,937</u>	<u>\$ (197,180)</u>	<u>\$ (27,471)</u>	<u>\$ 17,738,286</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>		
General government support		\$ 81,985
Public safety		105,841
Transportation		537,815
Culture and recreation		<u>102,861</u>
Total depreciation expense		<u>\$ 828,502</u>

**Note 4. Bonds Payable and Other Long-term Debt**

The Town borrows money in order to acquire land, equipment, construction of buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the Town. The following is a description of bonds payable as of December 31, 2013:

<u>Purpose</u>	<u>Due Date / Interest Rate</u>	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>
Public improvement serial bond (issued 2003)	02/13; 3.30%	\$ 295,000	\$ -	\$ 295,000	\$ -

**TOWN OF GATES**  
**Notes to Financial Statements**

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Changes in other long-term liabilities for the governmental activities during the fiscal year were as follows:

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2013</u>
Compensated absences	\$ 518,025	\$ 35,830	\$ -	\$ 553,855
Due to employees' retirement systems	1,089,593	127,810	-	1,217,403
OPEB liability	<u>9,658,418</u>	<u>100,093</u>	-	<u>9,758,511</u>
Total	<u>\$ 11,266,036</u>	<u>\$ 263,733</u>	<u>\$ -</u>	<u>\$ 11,529,769</u>
Due in one year				\$ 1,128,223
Due in more than one year				<u>10,401,546</u>
Total				<u>\$ 11,529,769</u>

**Note 5. Interfund Transfers**

Interfund transfers for the year ended December 31, 2013 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 494,625
Highway fund	<u>494,625</u>	<u>-</u>
Total	<u>\$ 494,625</u>	<u>\$ 494,625</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) move residual cash from closed projects to debt service to be used for debt payments at a later date.

**Note 6. Retirement Plan**

Plan Description

The Town participates in the New York State Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (the Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing New York State and Local Retirement Systems, Gov. Alfred E. Smith, State Office Building, Albany, NY 12244.

**TOWN OF GATES**  
**Notes to Financial Statements**

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Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 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 3% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
2013	\$ 613,398	\$ 739,448	\$ 1,352,846
2012	\$ 520,992	\$ 614,987	\$ 1,135,979
2011	\$ 444,209	\$ 554,795	\$ 999,004

In 2004, 2005 and 2006, the Town elected, at the permission of New York State, to pay the required minimum payment due of \$457,278, \$567,097 and \$552,116, respectively. These amounts were paid in February 2005, 2006 and 2007. The Town then elected to defer the remainder of the required payments for 2004, 2005 and 2006 which amounted to \$387,764, \$204,487 and \$106,851, respectively. The deferred portion of the payment is being amortized with New York State and is accruing interest annually at 5%. In 2011, 2012 and 2013, the remaining portion to be amortized was \$331,764, \$163,638 and \$131,195, respectively. In 2012, the Town elected to paydown the entire remaining balance of the 2004 amount.

Overall, at December 31, 2013, the Town's financial statements reflect a total due to employees' retirement system of \$1,217,403.

**Note 7. Post Employment Healthcare Plan**

**Plan Description** - The Town provides medical benefits to active and retired employees. Currently, health care premiums are paid to health care providers and recorded as a hospital/medical insurance expense. All full-time non-police employees are eligible to participate and retire at age 62 with at least 10 years of service. All full-time police employees are eligible to participate if they retire with at least 20 year of service. Upon retirement, participants and their spouses are eligible for continued medical benefits provided through the Town. No employee contributions are required. When the employee becomes eligible for Medicare, the coverage converts to a Medicare PPO plan.

**Actuarial Methods and Assumptions** - The method used to calculate the costs of the Plan is known as the Entry Age Normal Actuarial Cost Method. Under this method, the valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The Normal Cost is the portion of the Actuarial Present Value attributed to employee service during the valuation year. The Actuarial Accrued Liability is the portion of the Actuarial Present Value of benefits attributed to employee service rendered prior to the valuation date. The Unfunded Actuarial Accrued Liability is amortized over 30 years as a level dollar amount. To determine the annual pension cost, the Plan's assets are determined as the accumulated benefit of prior accruals less benefits paid.

**TOWN OF GATES**  
**Notes to Financial Statements**

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Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In December 31, 2011, an actuarial valuation was performed in which the Entry Age Normal method was used. The actuarial assumptions include a 4.0% investment rate of return and an annual healthcare cost trend rate of 9.5% in 2013, reduced to an ultimate rate of 5.0% after 2022.

The actuarial value of the Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments. The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability is a level period of thirty years. As of December 31, 2013, the Other Post Employment Benefits ("OPEB") plan's unfunded accrued liability was \$15,270,613.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the Plan:

Annual required contribution	\$ 877,521
Interest on net OPEB obligation	376,014
Adjustment to annual required contribution	<u>(362,697)</u>
Annual OPEB cost (expense)	890,838
Contributions made	<u>(790,745)</u>
Increase in OPEB obligation - net	100,093
Net OPEB obligation - beginning	<u>9,658,418</u>
Net OPEB obligation - ending	<u>\$ 9,758,511</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2013	\$ 890,838	88.8%	\$ 9,758,511
12/31/2012	\$ 890,838	85.4%	\$ 9,658,418
12/31/2011	\$ 890,838	85.6%	\$ 9,528,646

**Note 8. Risk Management**

The Town is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

**Note 9. Commitments and Contingencies**

The Town is a defendant in a number of liability and assessment cases that have arisen from the normal course of Town activities. In the opinion of the Town and independent legal counsel, the ultimate disposition of all the liability matters should not have a material impact on the Town.

**TOWN OF GATES**  
**Notes to Financial Statements**

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**Note 10. Stewardship, Compliance, Accountability**

**Material Violations of Finance-Related Provisions**

Expenditures exceeding the budget are explained as follows:

**General Fund**

Expenditures for home and community services and debt principal and interest exceeded budgeted amounts. The Town had higher than expected home and community services costs as a result of a larger number of sidewalks being replaced by the Town. The Town also did not budget for the debt amortization of the NYS retirement payment which resulted in the expenditures for debt principal and interest.

**Highway Fund**

Expenditures for transportation, employee benefits and debt principal exceeded the budgeted amount. The Town had higher than expected transportation expenditures as a result of the cost of materials to complete road improvements. After reviewing the 2013 actual and projected revenues and expenditures, the Town was in a position to do more road improvements than originally planned for in 2013. The employee benefits were over budget due to higher costs for medical insurance. The debt principal was over budget due to the fact that the Town did not budget for the debt amortization of the NYS retirement payment which resulted in the expenditures for debt principal.

**Note 11. Restatement**

The Town restated the capital assets to properly reflect both the purchase and sale of land in the prior year. The net effect of this restatement was to decrease net assets by \$1,134,900.

**TOWN OF GATES**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Real property taxes	\$ 5,631,568	\$ 5,631,568	\$ 5,646,209	\$ 14,641
Real property tax items	505,000	505,000	503,589	(1,411)
Non property tax items	2,085,000	2,085,000	2,461,530	376,530
Department income	458,000	458,000	443,113	(14,887)
Intergovernmental charges	50,000	50,000	31,215	(18,785)
Use of money and property	26,000	26,000	14,959	(11,041)
Licenses and permits	123,000	123,000	288,076	165,076
Fines and forfeitures	385,000	385,000	314,736	(70,264)
Sale of property and compensation for loss	15,000	15,000	161,447	146,447
Miscellaneous local sources	30,150	30,150	61,602	31,452
State aid	748,600	748,600	804,443	55,843
Federal aid	-	-	18,571	18,571
Total revenues	<u>10,057,318</u>	<u>10,057,318</u>	<u>10,749,490</u>	<u>692,172</u>
<b>Expenditures</b>				
General government support	2,444,565	2,444,565	2,285,769	158,796
Public safety	3,516,681	3,516,681	3,183,277	333,404
Transportation	502,858	502,858	473,331	29,527
Economic assistance and opportunity	24,303	24,303	17,743	6,560
Culture and recreation	832,960	832,960	783,058	49,902
Home and community services	107,544	107,544	242,665	(135,121)
Employee benefits	3,455,336	3,455,336	3,387,492	67,844
Debt principal	-	-	40,882	(40,882)
Total expenditures	<u>10,884,247</u>	<u>10,884,247</u>	<u>10,414,217</u>	<u>470,030</u>
<b>Other Financing Uses</b>				
Interfund transfers	-	-	494,625	(494,625)
Total expenditures and other financing uses	<u>10,884,247</u>	<u>10,884,247</u>	<u>10,908,842</u>	<u>(24,595)</u>
<b>Change in Fund Balance</b>	(826,929)	(826,929)	(159,352)	667,577
<b>Fund Balance - Beginning</b>	<u>5,244,182</u>	<u>5,244,182</u>	<u>5,244,182</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 4,417,253</u>	<u>\$ 4,417,253</u>	<u>\$ 5,084,830</u>	<u>\$ 667,577</u>

**TOWN OF GATES**  
**Budgetary Comparison Schedule**  
**Highway Fund**  
**For the Year Ended December 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Real property taxes	\$ 2,541,941	\$ 2,541,941	\$ 2,541,941	\$ -
Intergovernmental charges	500,000	500,000	507,976	7,976
Use of money and property	2,000	2,000	2,082	82
Sale of property and compensation for loss	7,000	7,000	85,224	78,224
Miscellaneous local sources	25,000	25,000	52,710	27,710
State aid	<u>135,314</u>	<u>135,314</u>	<u>173,314</u>	<u>38,000</u>
Total revenues	3,211,255	3,211,255	3,363,247	151,992
<b>Other Financing Sources</b>				
Interfund transfers	<u>-</u>	<u>-</u>	<u>494,625</u>	<u>494,625</u>
Total revenues and other financing sources	<u>3,211,255</u>	<u>3,211,255</u>	<u>3,857,872</u>	<u>646,617</u>
<b>Expenditures</b>				
Transportation	2,628,554	2,628,554	3,254,291	(625,737)
Employee benefits	582,701	582,701	598,814	(16,113)
Debt principal	<u>-</u>	<u>-</u>	<u>709</u>	<u>(709)</u>
Total expenditures	<u>3,211,255</u>	<u>3,211,255</u>	<u>3,853,814</u>	<u>(642,559)</u>
<b>Change in Fund Balance</b>	-	-	4,058	4,058
<b>Fund Balance - Beginning</b>	<u>75,574</u>	<u>75,574</u>	<u>75,574</u>	-
<b>Fund Balance - Ending</b>	<u>\$ 75,574</u>	<u>\$ 75,574</u>	<u>\$ 79,632</u>	<u>\$ 4,058</u>

**TOWN OF GATES**  
**Schedule of Funding Progress for Other Postemployment Benefits Obligation**  
**For the Year Ended December 31, 2013**

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<b>Year End Date</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a)/(c)</b>
12/31/2011	12/31/2011	\$ -	\$ 16,570,665	\$ 16,570,665	- %	\$ 6,695,681	247.5 %
12/31/2012	12/31/2011	\$ -	\$ 15,920,639	\$ 15,920,639	- %	\$ 6,647,352	239.5 %
12/31/2013	12/31/2011	\$ -	\$ 15,270,613	\$ 15,270,613	- %	\$ 6,884,060	221.8 %

**TOWN OF GATES**  
**Combining Balance Sheets**  
**Other Governmental Funds**  
**December 31, 2013**

<b>ASSETS</b>	<u>Library Fund</u>	<u>Special Districts Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents - unrestricted	\$ 210,817	\$ 21,849	\$ 1,417	\$ 234,083
Investments	55,011	-	-	55,011
Prepaid expenditures	23,639	-	-	23,639
Cash and cash equivalents - restricted	<u>21,699</u>	<u>-</u>	<u>-</u>	<u>21,699</u>
<b>Total Assets</b>	<u>\$ 311,166</u>	<u>\$ 21,849</u>	<u>\$ 1,417</u>	<u>\$ 334,432</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 73,831	\$ 2,297	\$ -	\$ 76,128
Accrued liabilities	1,567	-	-	1,567
Due to employees' retirement systems	<u>46,818</u>	<u>-</u>	<u>-</u>	<u>46,818</u>
Total liabilities	<u>122,216</u>	<u>2,297</u>	<u>-</u>	<u>124,513</u>
<b>Fund Balances</b>				
Nonspendable	23,639	-	-	23,639
Restricted				
Reserve for library	21,699	-	-	21,699
Assigned				
Reserve for library	143,612	-	-	143,612
Reserve for special districts	-	19,552	-	19,552
Reserve for debt service	<u>-</u>	<u>-</u>	<u>1,417</u>	<u>1,417</u>
Total fund balances	<u>188,950</u>	<u>19,552</u>	<u>1,417</u>	<u>209,919</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 311,166</u>	<u>\$ 21,849</u>	<u>\$ 1,417</u>	<u>\$ 334,432</u>

**TOWN OF GATES**  
**Combining Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended December 31, 2013**

	<u>Library Fund</u>	<u>Special Districts Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
<b>Revenues</b>				
Real property taxes	\$ 1,503,911	\$ 629,023	\$ -	\$ 2,132,934
Department income	68,356	-	-	68,356
Use of money and property	1,400	51	75	1,526
Sale of property and compensation for loss	2,638	-	-	2,638
Miscellaneous local sources	55,903	-	-	55,903
State aid	<u>10,122</u>	<u>-</u>	<u>-</u>	<u>10,122</u>
Total revenues	<u>1,642,330</u>	<u>629,074</u>	<u>75</u>	<u>2,271,479</u>
<b>Expenditures</b>				
Transportation	-	629,256	-	629,256
Culture and recreation	1,275,237	-	-	1,275,237
Employee benefits	343,204	-	-	343,204
Debt principal	424	-	295,000	295,424
Debt interest	<u>-</u>	<u>-</u>	<u>5,347</u>	<u>5,347</u>
Total expenditures	<u>1,618,865</u>	<u>629,256</u>	<u>300,347</u>	<u>2,548,468</u>
<b>Change in Fund Balance</b>	23,465	(182)	(300,272)	(276,989)
<b>Fund Balances - Beginning</b>	<u>165,485</u>	<u>19,734</u>	<u>301,689</u>	<u>486,908</u>
<b>Fund Balances - Ending</b>	<u>\$ 188,950</u>	<u>\$ 19,552</u>	<u>\$ 1,417</u>	<u>\$ 209,919</u>



**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**

To the Members of the Town Board  
Town of Gates  
Gates, New York

We have audited, in accordance with the 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 Gates, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Gates' basic financial statements, and have issued our report thereon dated May 7, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*EFP Rotenberg, LLP*

EFP Rotenberg, LLP  
Rochester, New York  
May 7, 2014