

**TOWN OF GATES**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

## TOWN OF GATES

### TABLE OF CONTENTS

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	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheets - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Fiduciary Funds	
Statement of Fiduciary Net Position	18
Notes to Financial Statements	19 - 36
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	37
Budgetary Comparison Schedule - Highway Fund	38
Budgetary Comparison Schedule - Library Fund	39
Schedule of Funding Progress for Other Postemployment Benefits Obligation	40
Schedule of Town's Proportionate Share of the Net Pension Liability - ERS	41
Schedule of Town's Proportionate Share of the Net Pension Liability - PFRS	41
Schedule of Employer's Contribution - ERS	42
Schedule of Employer's Contribution - PFRS	42
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheets - Other Governmental Funds	43
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds	44
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 <i>GOVERNMENT AUDITING STANDARDS</i>	45 - 46

## 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, 2016, 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, 2016, 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.

## **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, budgetary comparison information and schedule of funding progress for other postemployment benefit obligation on pages 37-40, schedule of the Town's proportionate share of the net pension liability on page 41, and the schedule of employer's contributions on page 42 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 43-44 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 15, 2017, 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.

*EFPR Group, CPAs, PLLC*

EFPR Group, CPAs, PLLC  
Rochester, New York  
May 15, 2017

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2016**

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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, 2016. 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 \$1,000,174 for the year ended December 31, 2016, with expenses of \$17,506,976 exceeding revenues of \$16,506,802. Total net position of the Town is \$11,034,687. During the year revenues increased by 1.3% and expenses increased by 5.2%. The majority of the increase in expenses is due to additional pension expense from the Town being in compliance with GASB 68.
- The Town's governmental fund balances decreased by \$509,229 for the year ended December 31, 2016, with expenditures of \$17,055,454 exceeding revenues of \$16,546,225. Total governmental fund balances of the Town are \$4,491,037. The decrease was due to planned usage of the fund balance in the current year.
- As required by GASB 45, the Town recorded Other Post Employment Benefits (OPEB). As a result, liabilities and deferred inflows on the statement of net assets and expenses on the statement of activities were decreased by \$65,817. The liability and expenditures are included only on the government-wide financial statements and are not included on the fund financial statements.

**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, 2016**

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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, 2016**

**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, 2016 and 2015**

	<u>Governmental Activities</u>		<u>%</u>
	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 4,707,939	\$ 5,136,176	(8.3)
Capital assets	<u>17,140,515</u>	<u>17,231,599</u>	(0.1)
Total assets	<u>21,848,454</u>	<u>22,367,775</u>	(9.6)
<b>Deferred Outflows of Resources</b>	<u>5,937,086</u>	<u>1,640,504</u>	261.9
<b>Total Assets and Deferred Outflows of Resources</b>	<u>27,785,540</u>	<u>24,008,279</u>	15.7
<b>Liabilities</b>			
Other liabilities	525,120	478,963	(9.6)
Long-term liabilities	<u>15,382,706</u>	<u>11,343,223</u>	35.6
Total liabilities	<u>15,907,826</u>	<u>11,822,186</u>	34.6
<b>Deferred Inflows of Resources</b>	<u>843,027</u>	<u>151,232</u>	457.4
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>16,750,853</u>	<u>11,973,418</u>	39.9
<b>Net Position</b>			
Net investment in capital assets	17,140,515	17,231,599	(0.5)
Restricted	96,338	94,218	2.3
Unrestricted	<u>(6,202,166)</u>	<u>(5,290,956)</u>	17.2
Total net position	<u>\$ 11,034,687</u>	<u>\$ 12,034,861</u>	(8.3)

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2016**

(Table 2)

**Changes in Net Position from Operating Results**  
**For the Years Ended December 31, 2016 and 2015**

	<u>Governmental Activities</u>		<u>%</u>
	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 1,679,474	\$ 1,603,065	4.8
Operating grants and contributions	379,302	327,886	15.7
General Revenues			
Real property taxes	10,431,877	10,360,914	0.7
Real property tax items	520,769	462,710	12.5
Non property tax items	2,629,096	2,476,532	6.2
Use of money and property	5,332	5,318	0.3
Sale of property and compensation for income	129,692	81,819	58.5
Miscellaneous local sources	99,573	49,570	100.9
State and federal aid	<u>631,687</u>	<u>925,709</u>	(31.8)
Total revenues	<u>16,506,802</u>	<u>16,293,523</u>	1.3
<b>Expenses</b>			
General government support	3,596,554	3,342,764	7.6
Public safety	6,267,782	5,772,149	8.6
Transportation	4,336,221	4,249,250	2.0
Economic assistance	-	8,584	(100.0)
Culture and recreation	2,961,427	2,953,051	0.3
Home and community services	<u>344,992</u>	<u>318,782</u>	8.2
Total expenses	<u>17,506,976</u>	<u>16,644,580</u>	5.2
<b>Change in Net Position</b>	<u>\$ (1,000,174)</u>	<u>\$ (351,057)</u>	184.9

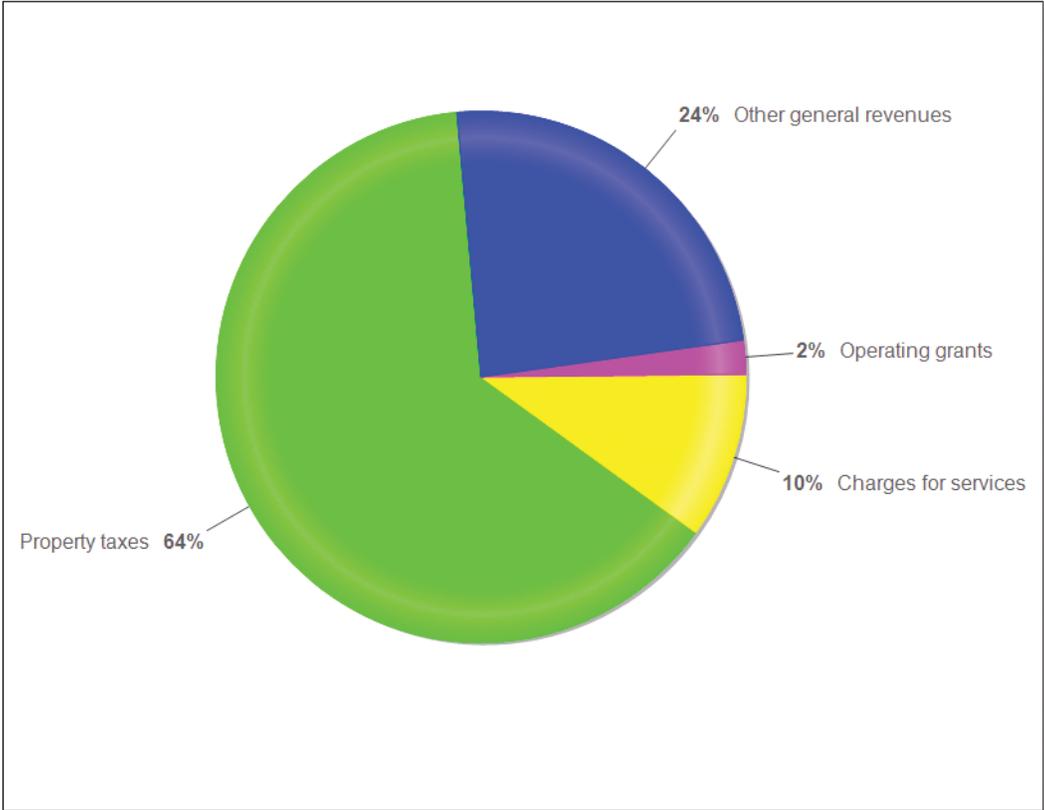
**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2016**

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As reported in the statement of activities the cost of all governmental activities was \$17,506,976. However, the amount that taxpayers ultimately financed for these activities through the Town real property taxes was \$10,431,877.

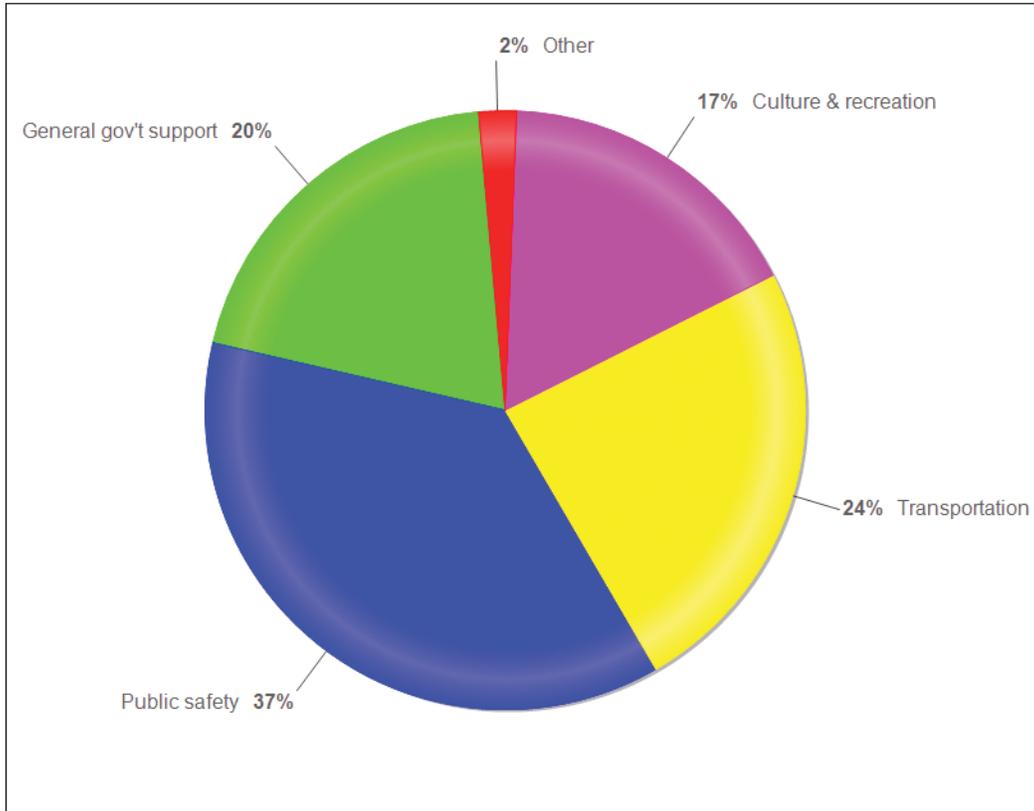
Tables 3-A&B show the revenues and expenses on a percentage basis for the governmental activities:

**Table 3-A**  
**Sources of Revenues for Governmental Activities**  
**Fiscal Year 2016**



**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2016**

**Table 3-B**  
**Expenses for Governmental Activities**  
**Fiscal Year 2016**



**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 2016</u></b>	<b><u>Net Cost of Services 2016</u></b>	<b><u>Total Cost of Services 2015</u></b>	<b><u>Net Cost of Services 2015</u></b>
General government support	\$ 3,596,554	\$ 3,221,327	\$ 3,342,764	\$ 3,072,009
Public safety	6,267,782	5,795,352	5,772,149	5,382,623
Transportation	4,336,221	3,667,969	4,249,250	3,423,084
Economic assistance	-	-	8,584	8,584
Culture and recreation	2,961,427	2,481,861	2,953,051	2,527,683
Home and community services	344,992	281,691	318,782	299,646
Total expenses	<u>\$ 17,506,976</u>	<u>\$ 15,448,200</u>	<u>\$ 16,644,580</u>	<u>\$ 14,713,629</u>

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2016**

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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.

**THE MAJOR GOVERNMENTAL FUNDS**

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,546,225 and expenditures of \$17,055,454. The fund balance in the general fund decreased by \$419,814 decreasing the fund balance to \$4,133,115 at December 31, 2016. In the highway fund, the fund balance decreased by \$132,542 decreasing the fund balance to \$67,220. In the library fund, the fund balance increased by \$42,426 increasing the fund balance to \$268,650. The fund balance in the other governmental funds increased by \$701 increasing the fund balance to \$22,052, for a total decrease of \$509,229 for all government funds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- Revenues - Actual revenues exceeded budgeted revenues by \$74,701. The increase over the budgeted revenues was due to higher sales tax revenues.
- Expenditures - Budgeted expenditures exceeded actual expenditures by \$457,485. The increase over the actual expenditures was due to police wages, playground equipment and retirement costs.

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2016**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2016, the governmental activities of the Town had \$38,490,871 invested in land, buildings, land improvements, infrastructure, and machinery and equipment. Depreciation expense of \$798,266 has been recorded in the current year. The current net book value is \$17,140,515.

Table 5 shows the fiscal 2016 and 2015 balances for the major classes of assets:

(Table 5)

**Capital Assets (Net of Depreciation)**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Land	\$ 224,400	\$ 224,400	-
Buildings	2,910,658	2,965,539	(1.9)
Land improvements	281,235	303,074	(7.2)
Machinery and equipment	2,855,095	2,728,912	4.6
Infrastructure	<u>10,869,127</u>	<u>11,009,674</u>	(1.3)
Total	<u>\$ 17,140,515</u>	<u>\$ 17,231,599</u>	(0.5)

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

**Long Term Debt**

At December 31, 2016, the Town had total long-term debt of \$15,382,706 outstanding which was an increase of \$4,039,483 from the previous year.

(Table 6)

**Outstanding Debt**  
**December 31, 2016 and 2015**

<b>Governmental Activities</b>	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Compensated absences	\$ 572,322	\$ 583,695	(1.9)
Due to employee's retirement system	17,814	66,309	(73.1)
OPEB liability	9,962,697	10,028,514	(0.7)
Net pension liability	<u>4,829,873</u>	<u>664,705</u>	626.6
Total	<u>\$ 15,382,706</u>	<u>\$ 11,343,223</u>	35.6

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

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

- The tax base of the Town has remained stable. The 2017 budget provides for real estate tax revenues of \$9,769,651, which is similar to \$9,663,677 budgeted in 2016.
- The economic outlook for the Town is optimistic. The Town continues to see growth with businesses moving into Rochester Tech Park and Canal Landing. Other new developments that are growing are Villas at Coldwater, Ivy Bridge and Parkview Commons.

**TOWN OF GATES**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2016**

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**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, 2016**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and cash equivalents - unrestricted	\$ 3,580,763
Other receivables - net	119,309
Due from other governments	899,367
Investments	54,998
Prepaid expenditures	12,161
Cash and cash equivalents - restricted	41,341
Capital assets	
Capital assets not depreciated	224,400
Capital assets - net of depreciation	<u>16,916,115</u>
Total assets	<u>21,848,454</u>
<b>Deferred Outflows of Resources</b>	<u>5,937,086</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>27,785,540</u>
<b>Liabilities</b>	
Accounts payable	375,087
Accrued liabilities	54,106
Contract advances	95,927
Long-term liabilities	
Portion due or payable within one year	
Due to employees' retirement systems	17,814
Portion due or payable after one year	
Compensated absences	572,322
OPEB liability	9,962,697
Net pension liability - proportionate share	<u>4,829,873</u>
Total liabilities	<u>15,907,826</u>
<b>Deferred Inflows of Resources</b>	<u>843,027</u>
<b>Total Liabilities and Deferred Outflows of Resources</b>	<u>16,750,853</u>
<b>Net Position</b>	
Net investment in capital assets	17,140,515
Restricted for	
Police escrow reserve	19,351
Library reserve	76,987
Unrestricted	<u>(6,202,166)</u>
Total net position	<u>\$ 11,034,687</u>

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

**TOWN OF GATES**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in Net</u> <u>Assets</u>
					<u>Governmental</u> <u>Activities</u>
<b>Primary Government</b>					
Governmental activities					
General government support	\$ 3,596,554	\$ 375,227	\$ -	\$ -	\$ (3,221,327)
Public safety	6,267,782	332,187	140,243	-	(5,795,352)
Transportation	4,336,221	455,485	212,767	-	(3,667,969)
Culture and recreation	2,961,427	453,274	26,292	-	(2,481,861)
Home and community services	<u>344,992</u>	<u>63,301</u>	<u>-</u>	<u>-</u>	<u>(281,691)</u>
Total primary government	<u>\$ 17,506,976</u>	<u>\$ 1,679,474</u>	<u>\$ 379,302</u>	<u>\$ -</u>	<u>(15,448,200)</u>
<b>General Revenues</b>					
Real property taxes					10,431,877
Real property tax items					520,769
Non property tax items					2,629,096
Use of money and property					5,332
Sale of property and compensation for loss					129,692
Miscellaneous local sources					99,573
State and federal aid					<u>631,687</u>
Total general revenues					<u>14,448,026</u>
<b>Change in Net Position</b>					(1,000,174)
<b>Net Position - Beginning</b>					<u>12,034,861</u>
<b>Net Position - Ending</b>					<u>\$ 11,034,687</u>

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

**TOWN OF GATES**  
**Balance Sheets**  
**Governmental Funds**  
**December 31, 2016**

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Library Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents - unrestricted	\$ 3,184,915	\$ 160,275	\$ 211,141	\$ 24,432	\$ 3,580,763
Other receivables - net	117,861	610	838	-	119,309
Due from other governments	827,397	71,970	-	-	899,367
Investments	-	-	54,998	-	54,998
Prepaid expenditures	282,226	25,450	12,703	-	320,379
Cash and cash equivalents - restricted	<u>19,351</u>	<u>-</u>	<u>21,990</u>	<u>-</u>	<u>41,341</u>
<b>Total Assets</b>	<b><u>\$ 4,431,750</u></b>	<b><u>\$ 258,305</u></b>	<b><u>\$ 301,670</u></b>	<b><u>\$ 24,432</u></b>	<b><u>\$ 5,016,157</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 276,625	\$ 68,004	\$ 28,078	\$ 2,380	\$ 375,087
Accrued liabilities	22,010	27,154	4,942	-	54,106
Contract advances	-	95,927	-	-	95,927
Total liabilities	<u>298,635</u>	<u>191,085</u>	<u>33,020</u>	<u>2,380</u>	<u>525,120</u>
<b>Fund Balances</b>					
Nonspendable	282,226	25,450	12,703	-	320,379
Restricted					
Reserve for police escrow	19,351	-	-	-	19,351
Reserve for library	-	-	76,987	-	76,987
Assigned					
Reserve for subsequent year	767,400	-	-	-	767,400
Reserve for highway	-	41,770	-	-	41,770
Reserve for library	-	-	178,960	-	178,960
Reserve for special districts	-	-	-	20,633	20,633
Reserve for debt service	-	-	-	1,419	1,419
Unassigned	<u>3,064,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,064,138</u>
Total fund balances	<u>4,133,115</u>	<u>67,220</u>	<u>268,650</u>	<u>22,052</u>	<u>4,491,037</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,431,750</u></b>	<b><u>\$ 258,305</u></b>	<b><u>\$ 301,670</u></b>	<b><u>\$ 24,432</u></b>	<b><u>\$ 5,016,157</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, 2016**

Total governmental fund balances		\$ 4,491,037
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	\$ 224,400	
Total capital assets not depreciated		224,400
Buildings	5,650,131	
Land improvements	606,644	
Machinery and equipment	6,927,937	
Infrastructure	<u>25,081,759</u>	
Total depreciable assets	38,266,471	
Less accumulated depreciation	<u>(21,350,356)</u>	
Total capital assets, net of depreciation		16,916,115
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	(17,814)	
Compensated absences	(572,322)	
OPEB liability	<u>(9,962,697)</u>	
Total liabilities		(10,552,833)
Pension related assets, liabilities, deferred inflows and outflows are not financial resources or are not due and payable in the current period and therefore are not reported in the funds. These consist of the following:		
Deferred outflows of resources - pensions	5,628,868	
Deferred inflows of resources - pensions	(843,027)	
Net pension liability - proportionate share	(4,829,873)	
Total pension related items		<u>(44,032)</u>
Net position of governmental activities		<u>\$ 11,034,687</u>

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

**TOWN OF GATES**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Library Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Real property taxes	\$ 5,737,652	\$ 2,251,244	\$ 1,723,228	\$ 719,753	\$ 10,431,877
Real property tax items	520,769	-	-	-	520,769
Non property tax items	2,629,096	-	-	-	2,629,096
Department income	524,221	-	66,233	-	590,454
Intergovernmental charges	43,155	455,485	-	-	498,640
Use of money and property	3,768	628	921	15	5,332
Licenses and permits	274,096	-	-	-	274,096
Fines and forfeitures	316,284	-	-	-	316,284
Sale of property and compensation for loss	81,821	84,447	2,847	-	169,115
Miscellaneous local sources	19,628	5,954	73,991	-	99,573
State aid	771,929	212,768	26,292	-	1,010,989
Total revenues	<u>10,922,419</u>	<u>3,010,526</u>	<u>1,893,512</u>	<u>719,768</u>	<u>16,546,225</u>
<b>Expenditures</b>					
General government support	2,458,824	-	-	-	2,458,824
Public safety	3,538,131	-	-	-	3,538,131
Transportation	343,093	2,493,793	-	719,067	3,555,953
Culture and recreation	732,878	-	1,430,995	-	2,163,873
Home and community services	335,798	-	-	-	335,798
Employee benefits	3,892,627	648,566	419,668	-	4,960,861
Debt principal	40,882	709	423	-	42,014
Total expenditures	<u>11,342,233</u>	<u>3,143,068</u>	<u>1,851,086</u>	<u>719,067</u>	<u>17,055,454</u>
<b>Change in Fund Balance</b>	(419,814)	(132,542)	42,426	701	(509,229)
<b>Fund Balances - Beginning</b>	<u>4,552,929</u>	<u>199,762</u>	<u>226,224</u>	<u>21,351</u>	<u>5,000,266</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,133,115</u>	<u>\$ 67,220</u>	<u>\$ 268,650</u>	<u>\$ 22,052</u>	<u>\$ 4,491,037</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, 2016**

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Net change in fund balances - total governmental funds		\$ (509,229)
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	\$ 746,605	
Depreciation expense	<u>(798,266)</u>	
Excess of depreciation over capital outlay		(51,661)
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		11,373
OPEB liability		65,817
Changes in the proportionate share of the net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:		(525,546)
Other differences		
Due to employees' retirement systems	48,495	
Loss on disposition of assets	<u>(39,423)</u>	
Total other differences		<u>9,072</u>
Change in net position of governmental activities		<u>\$ (1,000,174)</u>

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

**TOWN OF GATES**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2016**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents - restricted	\$ 498,498
Total assets	<u>\$ 498,498</u>
<b>LIABILITIES</b>	
Agency liabilities	\$ 498,498
Total liabilities	<u>\$ 498,498</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, 2016, the Town had \$96,338 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, 2016, 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.
  - iii. For the year ended December 31, 2016, the library fund qualified as a major fund. The library fund is a special revenue fund that is used to account for all transactions of the Town's Public Library.

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

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**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:

**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.

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

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**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:

- 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.

**Accounting and Financial Reporting for Pensions** - The Town complies with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to 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 primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the Town to report as a liability its portion of the collective pension liability in the New York State and Local Employees' Retirement System and the Police and Fire Retirement System. The implementation of the Statements also requires the Town to report a deferred outflow and/or inflow for the effect of the net change in the Town's proportion of the collective net pension liability and difference during the measurement period between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the Town contributions to the pension system subsequent to the measurement date. See Note 5 for the financial statement impact.

**Deferred Outflows and Inflows of Resources** - In addition to assets, the statements of net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category which are related to pensions reported in the statements of net position. The first item represents the effect of the net change in the Town's proportion of the collective net pension liability and difference during the measurement period between projected versus actual investment earnings on pension plan investments not included in pension expense. The second item represents the differences between expected and actual experience of the Town's proportionate share of the net pension liability and difference during the measurement period. The third item is the Town's contributions to the pension system subsequent to the measurement date.

In addition to liabilities, the statement of net 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. The Town has two items that qualify for reporting in the category, which are related to advances on future period pensions reported in the statement of net position. The first item represents the effect of the net change in the Town's proportion of the collective net pension liability and difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item represents the differences between expected and actual experience of the Town's proportionate share of the net pension liability and difference during the measurement period.

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

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**3. Future Changes in Accounting Standards**

GASB Statement No. 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This Statement, issued in June 2015, replaces existing standards of accounting and financial reporting for postemployment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the Town. This statement is being evaluated for its effect on the financial statements of the Town.

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning January 1, 2018 for the Town. This statement is being evaluated for its effect on the financial statements of the Town.

The GASB has issued Statement No. 80 - "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14." This Statement, issued in January 2016, amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the Town. This statement is being evaluated for its effect on the financial statements of the Town.

GASB Statement No. 81 - "Irrevocable Split-Interest Agreements." This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016. For the Town, this statement becomes effective for the fiscal year beginning January 1, 2017. This statement is being evaluated for its effect on the financial statements of the Town.

GASB Statement No. 82 - "Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the Town, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning January 1, 2018 for the Town. This statement is being evaluated for its effect on the financial statements of the Town.

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

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GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related for tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the Town. This statement is being evaluated for its effect on the financial statements of the Town.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the Town. This statement is being evaluated for its effect on the financial statements of the Town.

As noted, the Town will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**4. 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.

**5. 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.

**6. 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.

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

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**7. Due To/From Other Governments**

The Town reports amounts due to and due from other governments, which consisted of funds claimed but not received from various state, federal and other governmental agencies.

**8. Prepaid Expenditures**

Prepaid items represent payments made by the Town for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for these non-liquid assets (prepaid items) has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures.

**9. 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.

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</u> <u>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

**10. 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.

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

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**11. 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 97 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 \$1,077,547 as its share of the insurance premiums for the currently enrolled retirees, as an expenditure in 2016.

**12. 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.

**13. Workers' Compensation Insurance**

The Town is 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.

**14. 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.

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

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- **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.

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, 2016 for all governmental funds is \$320,379.

**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, 2016 is \$19,351.

**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, 2016 is \$76,987.

**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, 2016 is \$767,400.

**2. Reserve for Highway** - Represents the amount of outstanding fund balance in the highway fund at year end. The balance at December 31, 2016 is \$41,770.

**3. Reserve for Library** - Represents the amount of outstanding fund balance in the library fund at year end. The balance at December 31, 2016 is \$178,960.

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

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**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, 2016 is \$20,633.

**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, 2016 is \$1,419.

**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.

**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, 2016, 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, 2016, 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>\$ 4,175,600</u></b>	<b><u>\$ 4,248,509</u></b>
Collateralized with securities held by the Town or by its agent in the Town's name		\$ 3,693,511
Covered by FDIC insurance		500,000
Uncollateralized		<u>54,998</u>
Total deposits		<b><u>\$ 4,248,509</u></b>

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

**Note 3. Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Balance</u> <u>12/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2016</u>
<b>Governmental Activities Capital Assets</b>				
<b>Capital Assets Not Depreciated</b>				
Land	\$ 224,400	\$ -	\$ -	\$ 224,400
<b>Capital Assets Depreciated</b>				
Buildings	5,590,926	59,205	-	5,650,131
Land improvements	606,644	-	-	606,644
Machinery and equipment	6,663,477	461,573	(197,113)	6,927,937
Infrastructure	<u>24,855,932</u>	<u>225,827</u>	<u>-</u>	<u>25,081,759</u>
Total capital assets depreciated	<u>37,716,979</u>	<u>746,605</u>	<u>(197,113)</u>	<u>38,266,471</u>
<b>Less - Accumulated Depreciation</b>				
Buildings	2,625,387	114,086	-	2,739,473
Land improvements	303,570	21,839	-	325,409
Machinery and equipment	3,934,565	295,967	(157,690)	4,072,842
Infrastructure	<u>13,846,258</u>	<u>366,374</u>	<u>-</u>	<u>14,212,632</u>
Total accumulated depreciation	<u>20,709,780</u>	<u>798,266</u>	<u>(157,690)</u>	<u>21,350,356</u>
Total capital assets depreciated - net	<u>17,007,199</u>	<u>(51,661)</u>	<u>(39,423)</u>	<u>16,916,115</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$ 17,231,599</u>	<u>\$ (51,661)</u>	<u>\$ (39,423)</u>	<u>\$ 17,140,515</u>

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

<b>Governmental Activities</b>		
General government support		\$ 68,578
Public safety		99,393
Transportation		535,532
Culture and recreation		<u>94,763</u>
Total depreciation expense		<u>\$ 798,266</u>

**Note 4. Other Long-term Debt**

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

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>
Compensated absences	\$ 583,695	\$ -	\$ 11,373	\$ 572,322
Due to employees' retirement systems	66,309	-	48,495	17,814
OPEB liability	10,028,514	-	65,817	9,962,697
Net pension liability	664,705	4,165,168	-	4,829,873
Total	<u>\$ 11,343,223</u>	<u>\$ 4,165,168</u>	<u>\$ 125,685</u>	<u>\$ 15,382,706</u>
Due in one year				\$ 17,814
Due in more than one year				<u>15,364,892</u>
Total				<u>\$ 15,382,706</u>

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

---

**Note 5. Retirement Plan**

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net 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. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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 Town of Gates also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report 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.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent 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 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly 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 percent of the contributions required, and were as follows:

	<u>ERS</u>		<u>PFRS</u>		<u>Total</u>
2016	\$ 529,462	\$	696,233	\$	1,225,695
2015	\$ 619,274	\$	715,848	\$	1,335,122
2014	\$ 654,769	\$	709,165	\$	1,363,934

In 2004 through 2006, the Town elected, at the permission of New York State, to defer a portion of the required payment which is being amortized with New York State and is accruing interests annually at 5%. At December 31, 2016, the remaining portion to be amortized was \$17,814.

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

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**Employee's Retirement System (ERS)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Town's proportion of the net pension liability was based on a projection 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 ERS System in reports provided to the Town. At December 31, 2016, the Town reported the following liability for its proportionate share of the net pension liability for the System, which was measured as of March 31, 2016:

Actuarial valuation date	4/1/2015
Net pension liability	\$1,888,554
Agency's portion of the Plan's total net pension liability	0.0117665%

For the year ended December 31, 2016, the Town recognized pension expense of \$709,428. At December 31, 2016 the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b><u>2016</u></b>		
Differences between expected and actual experience	\$ 9,543	\$ 223,857
Changes in assumptions	503,620	-
Net difference between projected and actual investment earnings on pension plan investments	1,120,394	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	124,094	1,384
Employer contributions subsequent to the measurement date	508,123	-
Total	<u>\$ 2,265,774</u>	<u>\$ 225,241</u>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the fiscal year ended:	
2017	\$ 392,284
2018	\$ 392,284
2019	\$ 392,284
2020	\$ 355,558

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

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**Police and Fire Retirement System (PFRS)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Town's proportion of the net pension liability was based on a projection 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 PFRS System in reports provided to the Town. At December 31, 2016, the Town reported the following liability for its proportionate share of the net pension liability for the System, which was measured as of March 31, 2016:

Actuarial valuation date	4/1/2015
Net pension liability	\$2,941,319
Town's portion of the Plan's total net pension liability	0.0993425%

For the year ended December 31, 2016, the Town's recognized pension expense of \$1,042,067. At December 31, 2016 the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>PFRS</u></b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
<b><u>2016</u></b>		
Differences between expected and actual experience	\$ 26,381	\$ 444,692
Changes in assumptions	1,267,993	-
Net difference between projected and actual investment earnings on pension plan investments	1,648,372	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,816	173,094
Employer contributions subsequent to the measurement date	<u>724,750</u>	<u>-</u>
Total	<b><u>\$ 3,671,312</u></b>	<b><u>\$ 617,786</u></b>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the fiscal year ended:	
2017	\$ 549,181
2018	\$ 549,181
2019	\$ 549,181
2020	\$ 526,230
2021	\$ 155,003

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

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*Actuarial Assumptions*

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

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	3/31/2016
Actuarial valuation date	4/1/2015
Interest rate	7.0%
Salary scale	3.8% average in ERS, 4.5% average in PFRS
Inflation	2.5%
Decrement table	April 1, 2010 - March 31, 2015 System's Experience

Annuitant mortality rates are based on April 1, 2010 - March 31, 2016 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

<u>Asset Type</u>	<b>Long Term Expected Real Rate</b>
Domestic equity	7.3 %
International equity	8.6
Private equity	11.0
Real estate	8.3
Absolute return strategies	6.8
Opportunistic portfolio	8.6
Real assets	8.7
Bonds and mortgages	4.0
Cash	2.3
Inflation-indexed bonds	4.0

*Discount Rate*

The discount rate used to calculate the total pension liability was 7.0% for the year ended December 31, 2016. 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.

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

*Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption*

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0% per annum (the "current rate"), as well as what the Town's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1% point higher (8.0%) than the current rate:

	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
Town of Gates' proportionate share of the ERS Net Pension Liability	\$ 4,258,553	\$ 1,888,554	\$ (113,993)
Town of Gates' proportionate share of the PFRS Net Pension Liability	\$ 6,569,745	\$ 2,941,319	\$ (100,089)

*Pension Plan Fiduciary Net Position*

The components (in thousands) of the current year net pension liability of the employers as of valuation date was as follows:

	<b>ERS</b>	<b>PFRS</b>	<b>Total</b>
	4/1/2015	4/1/2015	4/1/2015
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727	\$ 202,651,271
Plan net position	<u>(156,253,265)</u>	<u>(27,386,940)</u>	<u>(183,640,205)</u>
Employers' net pension liability	<u>\$ 16,050,279</u>	<u>\$ 2,960,787</u>	<u>\$ 19,011,066</u>

Ratio of plan net position to the employers' total pension liability	90.7 %	90.2 %	90.6 %
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**Note 6. 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.

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.

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

---

In December 31, 2014, 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 6.2% in 2016, reduced to an ultimate rate of 4.2% after 2050.

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, 2016, the Other Post Employment Benefits ("OPEB") plan's unfunded accrued liability was \$15,841,999.

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	\$ 1,025,621
Interest on net OPEB obligation	390,340
Adjustment to annual required contribution	<u>(404,231)</u>
Annual OPEB cost (expense)	1,011,730
Contributions made	<u>(1,077,547)</u>
Decrease in OPEB obligation - net	(65,817)
Net OPEB obligation - beginning	<u>10,028,514</u>
Net OPEB obligation - ending	<u>\$ 9,962,697</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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>
12/31/2016	\$ 1,011,730	106.5%	\$ 9,962,697
12/31/2015	\$ 1,011,730	91.2%	\$ 10,028,514
12/31/2014	\$ 1,011,730	82.1%	\$ 9,939,479

**Note 7. 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 8. 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 9. 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 exceeded the budgeted amount. This is due to more sidewalks than budgeted being replaced in the town and town trees being taken down and replaced.

**Highway Fund**

Expenditures for transportation exceeded the budgeted amount. This is due to additional needed milling and paving of town streets.

**TOWN OF GATES**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2016**

	<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	\$ 5,689,205	\$ 5,689,205	\$ 5,737,652	\$ 48,447
Real property tax items	550,586	550,586	520,769	(29,817)
Non property tax items	2,392,267	2,392,267	2,629,096	236,829
Department income	459,000	459,000	524,221	65,221
Intergovernmental charges	49,000	49,000	43,155	(5,845)
Use of money and property	5,000	5,000	3,768	(1,232)
Licenses and permits	155,000	155,000	274,096	119,096
Fines and forfeitures	315,000	315,000	316,284	1,284
Sale of property and compensation for loss	34,000	34,000	81,821	47,821
Miscellaneous local sources	10,000	10,000	19,628	9,628
State aid	<u>1,188,660</u>	<u>1,188,660</u>	<u>771,929</u>	<u>(416,731)</u>
Total revenues	<u>10,847,718</u>	<u>10,847,718</u>	<u>10,922,419</u>	<u>74,701</u>
<b>Expenditures</b>				
General government support	2,543,765	2,543,765	2,458,824	84,941
Public safety	3,700,591	3,726,210	3,538,131	188,079
Transportation	435,070	409,451	343,093	66,358
Economic assistance and opportunity	19,303	19,303	-	19,303
Culture and recreation	973,861	973,861	732,878	240,983
Home and community services	133,711	133,711	335,798	(202,087)
Employee benefits	3,993,417	3,993,417	3,892,627	100,790
Debt principal	<u>-</u>	<u>-</u>	<u>40,882</u>	<u>(40,882)</u>
Total expenditures	<u>11,799,718</u>	<u>11,799,718</u>	<u>11,342,233</u>	<u>457,485</u>
<b>Change in Fund Balance</b>	(952,000)	(952,000)	(419,814)	532,186
<b>Fund Balance - Beginning</b>	<u>4,552,929</u>	<u>4,552,929</u>	<u>4,552,929</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 3,600,929</u>	<u>\$ 3,600,929</u>	<u>\$ 4,133,115</u>	<u>\$ 532,186</u>

**TOWN OF GATES**  
**Budgetary Comparison Schedule**  
**Highway Fund**  
**For the Year Ended December 31, 2016**

	<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	\$ 2,251,244	\$ 2,251,244	\$ 2,251,244	\$ -
Intergovernmental charges	642,000	642,000	455,485	(186,515)
Use of money and property	600	600	628	28
Sale of property and compensation for loss	10,000	10,000	84,447	74,447
Miscellaneous local sources	4,000	4,000	5,954	1,954
State aid	<u>173,256</u>	<u>173,256</u>	<u>212,768</u>	<u>39,512</u>
Total revenues	<u>3,081,100</u>	<u>3,081,100</u>	<u>3,010,526</u>	<u>(70,574)</u>
<b>Expenditures</b>				
Transportation	2,404,220	2,404,220	2,493,793	(89,573)
Employee benefits	676,880	676,880	648,566	28,314
Debt principal	<u>-</u>	<u>-</u>	<u>709</u>	<u>(709)</u>
Total expenditures	<u>3,081,100</u>	<u>3,081,100</u>	<u>3,143,068</u>	<u>(61,968)</u>
<b>Change in Fund Balance</b>	-	-	(132,542)	(132,542)
<b>Fund Balance - Beginning</b>	<u>199,762</u>	<u>199,762</u>	<u>199,762</u>	-
<b>Fund Balance - Ending</b>	<u>\$ 199,762</u>	<u>\$ 199,762</u>	<u>\$ 67,220</u>	<u>\$ (132,542)</u>

**TOWN OF GATES**  
**Budgetary Comparison Schedule**  
**Library Fund**  
**For the Year Ended December 31, 2016**

	<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	\$ 1,723,228	\$ 1,723,228	\$ 1,723,228	\$ -
Department income	66,300	66,300	66,233	(67)
Use of money and property	500	500	921	421
Sale of property and compensation for loss	-	-	2,847	2,847
Miscellaneous local sources	12,000	12,000	73,991	61,991
State aid	<u>10,000</u>	<u>10,000</u>	<u>26,292</u>	<u>16,292</u>
Total revenues	<u>1,812,028</u>	<u>1,812,028</u>	<u>1,893,512</u>	<u>81,484</u>
<b>Expenditures</b>				
Culture and recreation	1,398,578	1,420,333	1,430,995	(10,662)
Employee benefits	413,450	418,288	419,668	(1,380)
Debt principal	<u>-</u>	<u>-</u>	<u>423</u>	<u>(423)</u>
Total expenditures	<u>1,812,028</u>	<u>1,838,621</u>	<u>1,851,086</u>	<u>(12,465)</u>
<b>Change in Fund Balance</b>	-	(26,593)	42,426	69,019
<b>Fund Balance - Beginning</b>	<u>226,224</u>	<u>226,224</u>	<u>226,224</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 226,224</u>	<u>\$ 199,631</u>	<u>\$ 268,650</u>	<u>\$ 69,019</u>

**TOWN OF GATES**  
**Schedule of Funding Progress for Other Postemployment Benefits Obligation**  
**For the Year Ended December 31, 2016**

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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>
12/31/2014	3/1/2014	\$ -	\$ 17,301,799	\$ 17,301,799	- %	\$ 7,069,872	244.7 %
12/31/2015	3/1/2014	\$ -	\$ 16,571,899	\$ 16,571,899	- %	\$ 7,274,825	227.8 %
12/31/2016	3/1/2014	\$ -	\$ 15,841,999	\$ 15,841,999	- %	\$ 7,379,782	214.7 %

**TOWN OF GATES**  
**Schedule of Town's Proportionate Share of the Net Pension Liability - ERS**  
**For The Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Town's proportion of the net pension liability	0.0117665 %	0.0118310 %	0.0118310 %
The Town's proportionate share of the net pension liability	\$ 1,888,554	\$ 399,679	\$ 534,625
The Town's covered employee payroll	\$ 4,359,358	\$ 4,300,724	\$ 4,217,196
The Town's proportionate share of the net pension liability as a percentage of covered employee payroll	43.32 %	9.29 %	12.68 %
Plan fiduciary net position as a percentage of the total pension liability	90.70 %	97.90 %	97.20 %

**TOWN OF GATES**  
**Schedule of Town's Proportionate Share of the Net Pension Liability - PFRS**  
**For The Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Town's proportion of the net pension liability	0.0993425 %	0.0962823 %	0.0962823 %
The Town's proportionate share of the net pension liability	\$ 2,941,319	\$ 265,026	\$ 400,832
The Town's covered employee payroll	\$ 3,020,424	\$ 2,974,101	\$ 2,852,675
The Town's proportionate share of the net pension liability as a percentage of covered employee payroll	97.38 %	8.91 %	14.05 %
Plan fiduciary net position as a percentage of the total pension liability	90.20 %	99.00 %	98.50 %

**TOWN OF GATES**  
**Schedule of Employers Contributions - ERS**  
**For The Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 529,462	\$ 619,274	\$ 654,769	\$ 613,398	\$ 520,992	\$ 444,209	\$ 331,773	\$ 241,726	\$ 239,774	\$ 242,626
Contribution in relation to the contractually required contribution	<u>529,462</u>	<u>619,274</u>	<u>654,769</u>	<u>613,398</u>	<u>520,992</u>	<u>444,209</u>	<u>331,773</u>	<u>241,726</u>	<u>239,774</u>	<u>242,626</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Contribution as a percentage of covered employee payroll	12.15 %	14.40 %	15.53 %	14.77 %	12.98 %	10.80 %	7.88 %	5.80 %	6.07 %	6.55 %

**TOWN OF GATES**  
**Schedule of Employers Contributions - PFRS**  
**For The Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 696,233	\$ 715,848	\$ 709,165	\$ 739,448	\$ 614,987	\$ 554,795	\$ 430,567	\$ 354,143	\$ 354,250	\$ 321,124
Contribution in relation to the contractually required contribution	<u>696,233</u>	<u>715,848</u>	<u>709,165</u>	<u>739,448</u>	<u>614,987</u>	<u>554,795</u>	<u>430,567</u>	<u>354,143</u>	<u>354,250</u>	<u>321,124</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Contribution as a percentage of covered employee payroll	23.05 %	24.07 %	24.86 %	27.08 %	23.36 %	21.49 %	17.66 %	15.51 %	16.19 %	14.97 %

**TOWN OF GATES**  
**Combining Balance Sheets**  
**Other Governmental Funds**  
**December 31, 2016**

	<u>Special Districts Fund</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>			
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 23,013	\$ 1,419	\$ 24,432
<b>Total Assets</b>	<u>\$ 23,013</u>	<u>\$ 1,419</u>	<u>\$ 24,432</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,380	\$ -	\$ 2,380
Total liabilities	<u>2,380</u>	<u>-</u>	<u>2,380</u>
<b>Fund Balances</b>			
Assigned			
Reserve for special districts	20,633	-	20,633
Reserve for debt service	-	1,419	1,419
Total fund balances	<u>20,633</u>	<u>1,419</u>	<u>22,052</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 23,013</u>	<u>\$ 1,419</u>	<u>\$ 24,432</u>

**TOWN OF GATES**  
**Combining Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended December 31, 2016**

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	<b>Special Districts Fund</b>	<b>Debt Service Fund</b>	<b>Total Other Governmental Funds</b>
<b>Revenues</b>			
Real property taxes	\$ 719,753	\$ -	\$ 719,753
Use of money and property	<u>14</u>	<u>1</u>	<u>15</u>
Total revenues	<u>719,767</u>	<u>1</u>	<u>719,768</u>
<b>Expenditures</b>			
Transportation	<u>719,067</u>	<u>-</u>	<u>719,067</u>
Total expenditures	<u>719,067</u>	<u>-</u>	<u>719,067</u>
<b>Change in Fund Balance</b>	700	1	701
<b>Fund Balances - Beginning</b>	<u>19,933</u>	<u>1,418</u>	<u>21,351</u>
<b>Fund Balances - Ending</b>	<u>\$ 20,633</u>	<u>\$ 1,419</u>	<u>\$ 22,052</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, 2016, 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 15, 2017.

**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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC  
Rochester, New York  
May 15, 2017