

TOWN OF GATES
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

TOWN OF GATES

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Gates, as of and for the year ended December 31, 2017, 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, 2017, 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

Change in Accounting Principle

As discussed in Note 1 and Note 12 to the financial statements, during the year ended December 31, 2017, the Town of Gates adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these 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 on pages 37-39, schedule of changes in the Town's total OPEB liability and related ratios on page 40, schedule of Town's OPEB contributions on page 41, schedule of the Town's proportionate share of the net pension liability on page 42, schedule of employer's contributions on page 43 and notes to the required supplementary information on page 44 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 other governmental funds, and combining schedule of revenues, expenditures and changes in fund balances for other governmental funds on pages 45-46 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 other governmental funds, and combining schedule of revenues, expenditures and changes in fund balances for other governmental 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 other governmental funds, and the combining schedule of revenues, expenditures and changes in fund balances for other governmental 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 2, 2018, 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 2, 2018

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2017

The following is a discussion and analysis of the Town of Gates' (the "Town") financial performance for the fiscal year ended December 31, 2017. 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 \$1,121,303 for the year ended December 31, 2017, with expenses of \$18,209,725 exceeding revenues of \$17,088,422. Total net position of the Town is deficit balance of \$3,860,449. During the year revenues increased by 3.5% and expenses increased by 4.0%. The majority of the increase in expenses is due to additional pension expense from the Town being in compliance with GASB 68, as well as increased OPEB expense due to the implementation of GASB 75.
- The Town's governmental fund balances decreased by \$101,626 for the year ended December 31, 2017, with expenditures of \$17,447,813 exceeding revenues of \$17,346,187. Total governmental fund balances of the Town are \$4,389,411. The decrease was due to planned usage of the fund balance in the current year.
- The Town implemented GASB 75 which resulted in the reporting of the entire liability for other postemployment benefits (OPEB). As a result the statement of net position has an OPEB liability of \$24,291,384 at December 31, 2017. The liability and its changes and deferred outflows and inflows 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 other 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, 2017

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, 2017

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, 2017 and 2016

	<u>Governmental Activities</u>	<u>Restated</u>	<u>%</u>
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Current assets	\$ 4,637,118	\$ 4,707,939	(1.5)
Capital assets	<u>16,998,188</u>	<u>17,140,515</u>	(0.8)
Total assets	<u>21,635,306</u>	<u>21,848,454</u>	(1.0)
Deferred Outflows of Resources	<u>4,339,677</u>	<u>5,937,086</u>	(26.9)
Total Assets and Deferred Outflows of Resources	<u>25,974,983</u>	<u>27,785,540</u>	(6.5)
Liabilities			
Other liabilities	558,563	525,120	(1.0)
Long-term liabilities	<u>27,798,086</u>	<u>29,156,539</u>	(4.7)
Total liabilities	<u>28,356,649</u>	<u>29,681,659</u>	(4.5)
Deferred Inflows of Resources	<u>1,478,783</u>	<u>843,027</u>	75.4
Total Liabilities and Deferred Inflows of Resources	<u>29,835,432</u>	<u>30,524,686</u>	(2.3)
Net Position			
Net investment in capital assets	16,998,188	17,140,515	(0.8)
Restricted	100,331	96,338	4.1
Unrestricted	<u>(20,958,968)</u>	<u>(19,975,999)</u>	4.9
Total net position	<u>\$ (3,860,449)</u>	<u>\$ (2,739,146)</u>	40.9

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2017

(Table 2)

Changes in Net Position from Operating Results
For the Years Ended December 31, 2017 and 2016

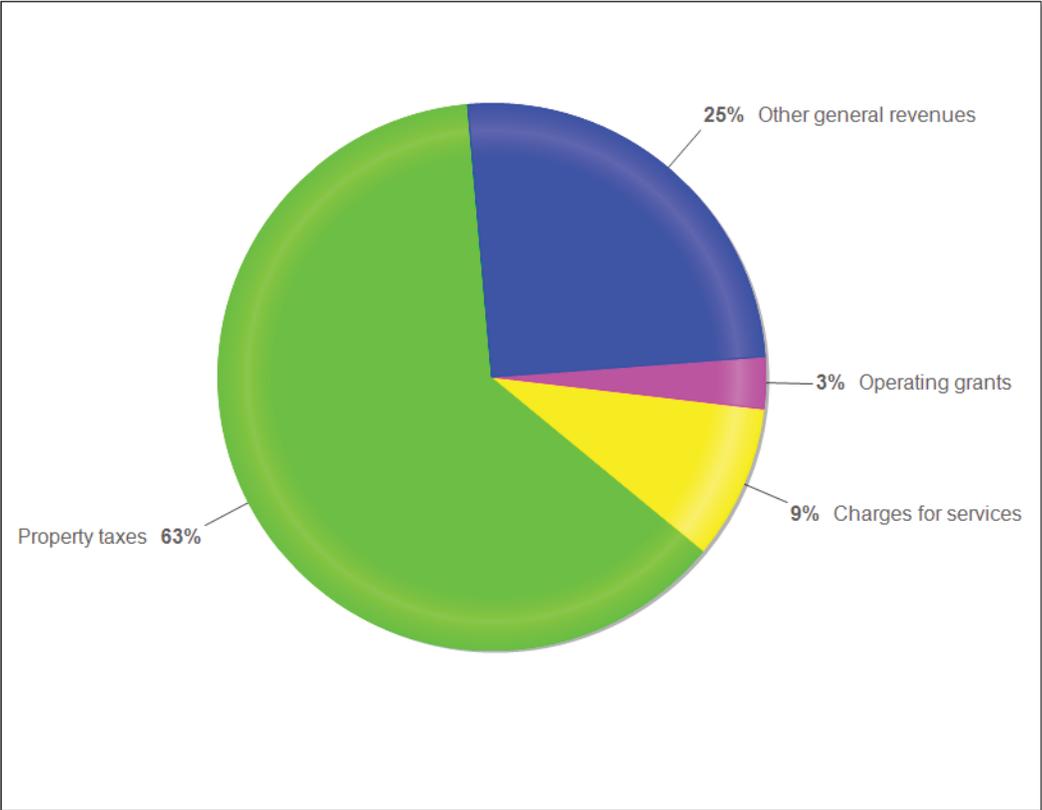
	<u>Governmental Activities</u>		<u>%</u>
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for services	\$ 1,571,182	\$ 1,679,474	(6.4)
Operating grants and contributions	564,288	379,302	48.8
General Revenues			
Real property taxes	10,600,362	10,431,877	1.6
Real property tax items	447,037	520,769	(14.2)
Non property tax items	2,905,919	2,629,096	10.5
Use of money and property	4,946	5,332	(7.2)
Sale of property and compensation for income	56,695	129,692	(56.3)
Miscellaneous local sources	123,012	99,573	23.5
State and federal aid	814,981	631,687	29.0
Total revenues	<u>17,088,422</u>	<u>16,506,802</u>	3.5
Expenses			
General government support	3,630,010	3,596,554	0.9
Public safety	6,585,182	6,267,782	5.1
Transportation	4,493,591	4,336,221	3.6
Economic assistance	6,351	-	100.0
Culture and recreation	3,152,640	2,961,427	6.5
Home and community services	341,951	344,992	(0.9)
Total expenses	<u>18,209,725</u>	<u>17,506,976</u>	4.0
Change in Net Position	<u>\$ (1,121,303)</u>	<u>\$ (1,000,174)</u>	(12.1)

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2017

As reported in the statement of activities the cost of all governmental activities was \$18,209,725. However, the amount that taxpayers ultimately financed for these activities through the Town's real property taxes was \$10,600,362.

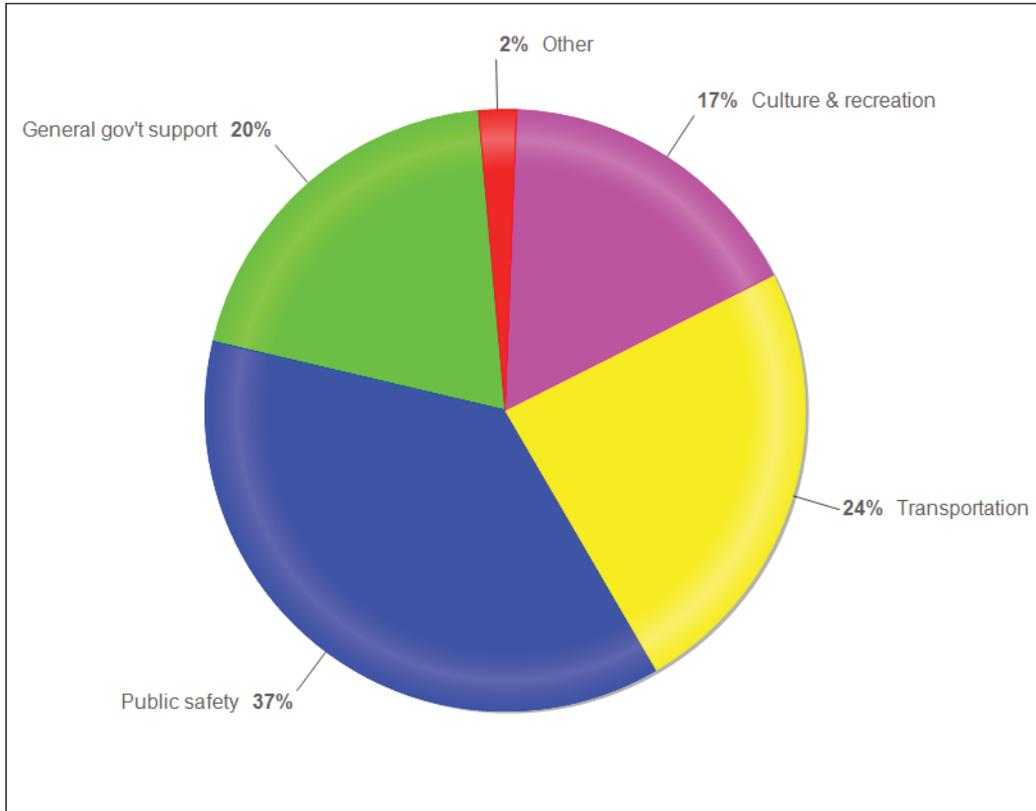
Tables 3-A&B show the revenues and expenses on a percentage basis for the governmental activities:

Table 3-A
Sources of Revenues for Governmental Activities
Fiscal Year 2017



TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Table 3-B
Expenses for Governmental Activities
Fiscal Year 2017



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)

<u>Functions/Programs</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
General government support	\$ 3,630,010	\$ 3,385,987	\$ 3,596,554	\$ 3,221,327
Public safety	6,585,182	6,187,356	6,267,782	5,795,352
Transportation	4,493,591	3,738,751	4,336,221	3,667,969
Economic assistance	6,351	6,351	-	-
Culture and recreation	3,152,640	2,517,825	2,961,427	2,481,861
Home and community services	341,951	237,985	344,992	281,691
Total expenses	<u>\$ 18,209,725</u>	<u>\$ 16,074,255</u>	<u>\$ 17,506,976</u>	<u>\$ 15,448,200</u>

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2017

- **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's 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's 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 \$17,346,187 and expenditures of \$17,447,813. The fund balance in the general fund decreased by \$361,623 decreasing the fund balance to \$3,771,492 at December 31, 2017. In the highway fund, the fund balance increased by \$6,395 increasing the fund balance to \$73,615. In the library fund, the fund balance increased by \$252,794 increasing the fund balance to \$521,444. The fund balance in the other governmental funds increased by \$808 increasing the fund balance to \$22,860, for a total decrease of \$101,626 for all government funds.

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

- Revenues - Actual revenues exceeded budgeted revenues by \$289,341. The increase over the budgeted revenues was due to higher sales tax revenues.
- Expenditures - Budgeted expenditures exceeded actual expenditures by \$116,436. The increase over the actual expenditures was due to lower than budgeted police wages, a project for parks and recreation being put on hold and lower than budgeted insurance premiums in the general fund.

HIGHWAY FUND BUDGETARY HIGHLIGHTS

- Revenues - Budgeted revenues exceeded actual revenues by \$2,355. The increase over actual revenues was due to County Road work projects not happening as planned.
- Expenditures - Budgeted expenditures exceeded actual expenditures by \$8,750. The increase over the actual expenditures was due to contractual services expenditures being underbudget for the year.

LIBRARY FUND BUDGETARY HIGHLIGHTS

- Revenues - Actual revenues exceeded budgeted revenues by \$262,737. The increase over the budgeted revenues was due to unbudgeted grant revenue received during the year.
- Expenditures - Actual expenditures exceeded budgeted expenditures by \$9,943. The increase over the budgeted expenditures was due to an increase in repairs and maintenance on the Town Hall building during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the governmental activities of the Town had \$38,946,807 invested in land, buildings, land improvements, infrastructure, and machinery and equipment. Depreciation expense of \$800,894 has been recorded in the current year. The current net book value is \$16,998,188.

Table 5 shows the fiscal 2017 and 2016 balances for the major classes of assets:

(Table 5)

Capital Assets (Net of Depreciation)
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Land	\$ 244,400	\$ 224,400	8.9
Buildings	2,919,663	2,910,658	0.3
Land improvements	259,396	281,235	(7.8)
Machinery and equipment	2,851,193	2,855,095	(0.1)
Infrastructure	10,723,536	10,869,127	(1.3)
Total	<u>\$ 16,998,188</u>	<u>\$ 17,140,515</u>	(0.8)

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

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Long Term Debt

At December 31, 2017, the Town had total long-term debt of \$27,798,086 outstanding which was a decrease of \$1,358,453 from the previous year.

(Table 6)

Outstanding Debt
December 31, 2017 and 2016

Governmental Activities	<u>2017</u>	<u>Restated</u> <u>2016</u>	<u>%</u> <u>Change</u>
Compensated absences	\$ 577,628	\$ 572,322	0.9
Due to employee's retirement system	-	17,814	(100.0)
OPEB liability	24,291,384	23,736,530	2.3
Net pension liability	<u>2,929,074</u>	<u>4,829,873</u>	(39.4)
Total	<u>\$ 27,798,086</u>	<u>\$ 29,156,539</u>	(4.7)

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 2018 budget provides for real estate tax revenues of \$9,812,118, which is similar to \$9,769,651 budgeted in 2017.
- 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.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's 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, 2017

	Governmental Activities
Assets	
Cash and cash equivalents - unrestricted	\$ 3,460,882
Other receivables - net	28,208
Due from other governments	891,296
Investments	58,940
Prepaid expenditures	156,401
Cash and cash equivalents - restricted	41,391
Capital assets	
Capital assets not depreciated	244,400
Capital assets - net of depreciation	<u>16,753,788</u>
Total assets	21,635,306
Deferred Outflows of Resources	
Deferred outflows of resources - pension	3,463,863
Deferred outflows of resources - OPEB	<u>875,814</u>
Total deferred outflows of resources	<u>4,339,677</u>
Liabilities	
Accounts payable	487,260
Accrued liabilities	71,303
Long-term liabilities	
Portion due or payable after one year	
Compensated absences	577,628
OPEB liability	24,291,384
Net pension liability - proportionate share	<u>2,929,074</u>
Total liabilities	<u>28,356,649</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	739,721
Deferred inflows of resources - OPEB	<u>739,062</u>
Total deferred inflows of resources	<u>1,478,783</u>
Net Position	
Net investment in capital assets	16,998,188
Restricted for	
Police escrow reserve	19,613
Library reserve	80,718
Unrestricted	<u>(20,958,968)</u>
Total net position	<u>\$ (3,860,449)</u>

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

TOWN OF GATES
Balance Sheets
Governmental Funds
December 31, 2017

ASSETS	<u>General Fund</u>	<u>Highway Fund</u>	<u>Library Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents - unrestricted	\$ 2,773,268	\$ 135,478	\$ 528,030	\$ 24,106	\$ 3,460,882
Other receivables - net	18,328	9,880	-	-	28,208
Due from other funds	300,000	210,000	-	-	510,000
Due from other governments	755,668	135,628	-	-	891,296
Investments	-	-	58,940	-	58,940
Prepaid expenditures	425,890	26,360	15,007	-	467,257
Cash and cash equivalents - restricted	<u>19,613</u>	<u>-</u>	<u>21,778</u>	<u>-</u>	<u>41,391</u>
Total Assets	<u>\$ 4,292,767</u>	<u>\$ 517,346</u>	<u>\$ 623,755</u>	<u>\$ 24,106</u>	<u>\$ 5,457,974</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 289,372	\$ 98,905	\$ 97,737	\$ 1,246	\$ 487,260
Accrued liabilities	21,903	44,826	4,574	-	71,303
Due to other funds	<u>210,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>510,000</u>
Total liabilities	<u>521,275</u>	<u>443,731</u>	<u>102,311</u>	<u>1,246</u>	<u>1,068,563</u>
Fund Balances					
Nonspendable	425,890	26,360	15,007	-	467,257
Restricted					
Reserve for police escrow	19,613	-	-	-	19,613
Reserve for library	-	-	80,718	-	80,718
Assigned					
Reserve for subsequent year	854,420	-	-	-	854,420
Reserve for highway	-	47,255	-	-	47,255
Reserve for library	-	-	425,719	-	425,719
Reserve for special districts	-	-	-	21,440	21,440
Reserve for debt service	-	-	-	1,420	1,420
Unassigned	<u>2,471,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,471,569</u>
Total fund balances	<u>3,771,492</u>	<u>73,615</u>	<u>521,444</u>	<u>22,860</u>	<u>4,389,411</u>
Total Liabilities and Fund Balances	<u>\$ 4,292,767</u>	<u>\$ 517,346</u>	<u>\$ 623,755</u>	<u>\$ 24,106</u>	<u>\$ 5,457,974</u>

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, 2017

Total governmental fund balances		\$ 4,389,411
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	\$ 244,400	
Total capital assets not depreciated		244,400
Buildings	5,775,816	
Land improvements	606,644	
Machinery and equipment	7,013,150	
Infrastructure	<u>25,306,797</u>	
Total depreciable assets	38,702,407	
Less accumulated depreciation	<u>(21,948,619)</u>	
Total capital assets, net of depreciation		16,753,788
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:		
Compensated absences		(577,628)
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	3,463,863	
Deferred inflows of resources - pensions	(739,721)	
Prepaid expenditures - pensions	(310,856)	
Net pension liability - proportionate share	<u>(2,929,074)</u>	
Total pension related items		(515,788)
OPEB 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 - OPEB	875,814	
Deferred inflows of resources - OPEB	(739,062)	
OPEB liability	<u>(24,291,384)</u>	
Total OPEB related items		<u>(24,154,632)</u>
Net position of governmental activities		<u>\$ (3,860,449)</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, 2017

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Library Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Real property taxes	\$ 5,991,550	\$ 2,006,498	\$ 1,833,554	\$ 768,760	\$ 10,600,362
Real property tax items	447,037	-	-	-	447,037
Non property tax items	2,905,919	-	-	-	2,905,919
Department income	513,940	-	61,553	-	575,493
Intergovernmental charges	31,294	509,610	-	-	540,904
Use of money and property	3,892	479	556	19	4,946
Licenses and permits	154,473	-	-	-	154,473
Fines and forfeitures	300,312	-	-	-	300,312
Sale of property and compensation for loss	56,036	47,401	1,023	-	104,460
Miscellaneous local sources	49,117	9,335	64,560	-	123,012
State aid	901,344	245,230	232,695	-	1,379,269
Total revenues	<u>11,354,914</u>	<u>2,818,553</u>	<u>2,193,941</u>	<u>768,779</u>	<u>17,136,187</u>
Other Financing Source					
Interfund transfers	-	210,000	-	-	210,000
Total revenues and other financing source	<u>11,354,914</u>	<u>3,028,553</u>	<u>2,193,941</u>	<u>768,779</u>	<u>17,346,187</u>
Expenditures					
General government support	2,465,623	-	-	-	2,465,623
Public safety	3,581,945	-	-	-	3,581,945
Transportation	373,812	2,315,620	-	767,971	3,457,403
Economic assistance and opportunity	6,351	-	-	-	6,351
Culture and recreation	863,980	-	1,488,644	-	2,352,624
Home and community services	331,562	-	-	-	331,562
Employee benefits	3,864,560	706,538	452,503	-	5,023,601
Debt principal	18,704	-	-	-	18,704
Total expenditures	<u>11,506,537</u>	<u>3,022,158</u>	<u>1,941,147</u>	<u>767,971</u>	<u>17,237,813</u>
Other Financing Use					
Interfund transfers	210,000	-	-	-	210,000
Total expenditures and other financing use	<u>11,716,537</u>	<u>3,022,158</u>	<u>1,941,147</u>	<u>767,971</u>	<u>17,447,813</u>
Change in Fund Balance	(361,623)	6,395	252,794	808	(101,626)
Fund Balances - Beginning	<u>4,133,115</u>	<u>67,220</u>	<u>268,650</u>	<u>22,052</u>	<u>4,491,037</u>
Fund Balances - Ending	<u>\$ 3,771,492</u>	<u>\$ 73,615</u>	<u>\$ 521,444</u>	<u>\$ 22,860</u>	<u>\$ 4,389,411</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, 2017

Net change in fund balances - total governmental funds \$ (101,626)

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	\$ 706,332	
Depreciation expense	<u>(800,894)</u>	
Excess of depreciation over capital outlay		(94,562)

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		(5,306)
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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:

(471,756)

Changes in the OPEB 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:

(418,102)

Other differences

Due to employees' retirement systems	17,814	
Loss on disposition of assets	<u>(47,765)</u>	
Total other differences		<u>(29,951)</u>

Change in net position of governmental activities

\$ (1,121,303)

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

TOWN OF GATES
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents - restricted	\$ 994,188
Total assets	<u>\$ 994,188</u>
LIABILITIES	
Agency liabilities	\$ 994,188
Total liabilities	<u>\$ 994,188</u>

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

TOWN OF GATES
Notes to Financial Statements

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. 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

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, 2017, the Town had \$100,331 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, 2017, 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, 2017, 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

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

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 paid.
- 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 proportionate 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 6.

Accounting and Financial Reporting for Post Employment Benefits - During the year ended December 31, 2017, the Town adopted provisions of GASB Statement No. 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See note 7 and note 12 of the financial statements for the impact of the implementation on the financial statements.

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. 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 its share of the insurance premiums for the currently enrolled retirees, as an expenditure in 2017.

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 four items that qualify for reporting in this category which are related to pensions and the OPEB liability 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

TOWN OF GATES
Notes to Financial Statements

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. The fourth item represents the difference between actual and expected experience of the Town's total OPEB liability.

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 three items that qualify for reporting in the category. 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. The third item represents the change of assumptions or other inputs related to the total OPEB liability.

3. Future Changes in Accounting Standards

GASB has issued Statement No. 83 - "*Certain Asset Retirement Obligations.*" Effective for periods beginning after June 15, 2018.

GASB has issued Statement No. 84 - "*Fiduciary Activities.*" Effective for periods beginning after December 15, 2018.

GASB has issued Statement No. 85 - "*Omnibus 2017.*" Effective for periods beginning after June 15, 2017.

GASB has issued Statement No. 86 - "*Certain Debt Extinguishment Issues.*" Effective for periods beginning after June 15, 2017.

GASB has issued Statement No. 87 - "*Leases.*" Effective for periods beginning after December 15, 2019.

GASB has issued Statement No. 88 - "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*" Effective for periods beginning after June 15, 2018.

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.

TOWN OF GATES
Notes to Financial Statements

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.

7. Investments

Investments consist of bonds and mutual funds, and are carried at cost, which approximates market. Interest earned is allocated to the respective fund.

8. 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.

9. 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.

TOWN OF GATES
Notes to Financial Statements

10. 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 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

11. 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.

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.

TOWN OF GATES
Notes to Financial Statements

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.
- **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.

TOWN OF GATES
Notes to Financial Statements

A. Nonspendable

1. Nonspendable - Amounts classified as nonspendable for prepaid expenditures related NYS retirement expense and insurance payments. The balance at December 31, 2017 for all governmental funds is \$467,257.

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, 2017 is \$19,613.

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, 2017 is \$80,718.

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, 2017 is \$854,420.

2. Reserve for Highway - Represents the amount of outstanding fund balance in the highway fund at year end. The balance at December 31, 2017 is \$47,255.

3. Reserve for Library - Represents the amount of outstanding fund balance in the library fund at year end. The balance at December 31, 2017 is \$425,719.

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, 2017 is \$21,440.

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, 2017 is \$1,420.

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, 2017, 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.

TOWN OF GATES
Notes to Financial Statements

Deposits

At December 31, 2017, the Town's bank balances can be categorized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents and investments	\$ 4,555,401	\$ 4,539,483
Collateralized with securities held by the Town or by its agent in the Town's name		\$ 3,603,000
Covered by FDIC insurance		877,543
Uncollateralized		<u>58,940</u>
Total deposits		<u>\$ 4,539,483</u>

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Balance 12/31/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2017</u>
Governmental Activities Capital Assets				
Capital Assets Not Depreciated				
Land	\$ 224,400	\$ 20,000	\$ -	\$ 244,400
Capital Assets Depreciated				
Buildings	5,650,131	125,685	-	5,775,816
Land improvements	606,644	-	-	606,644
Machinery and equipment	6,927,937	335,609	(250,396)	7,013,150
Infrastructure	<u>25,081,759</u>	<u>225,038</u>	-	<u>25,306,797</u>
Total capital assets depreciated	<u>38,266,471</u>	<u>686,332</u>	<u>(250,396)</u>	<u>38,702,407</u>
Less - Accumulated Depreciation				
Buildings	2,739,473	116,680	-	2,856,153
Land improvements	325,409	21,839	-	347,248
Machinery and equipment	4,072,842	291,746	(202,631)	4,161,957
Infrastructure	<u>14,212,632</u>	<u>370,629</u>	-	<u>14,583,261</u>
Total accumulated depreciation	<u>21,350,356</u>	<u>800,894</u>	<u>(202,631)</u>	<u>21,948,619</u>
Total capital assets depreciated - net	<u>16,916,115</u>	<u>(114,562)</u>	<u>(47,765)</u>	<u>16,753,788</u>
Governmental Activities Capital Assets - Net	<u>\$ 17,140,515</u>	<u>\$ (94,562)</u>	<u>\$ (47,765)</u>	<u>\$ 16,998,188</u>

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

Governmental Activities	
General government support	\$ 70,279
Public safety	109,595
Transportation	524,107
Culture and recreation	<u>96,913</u>
Total depreciation expense	<u>\$ 800,894</u>

Note 4. Other Long-term Debt

TOWN OF GATES
Notes to Financial Statements

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

	Restated Balance <u>12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2017</u>
Compensated absences	\$ 572,322	\$ 5,306	\$ -	\$ 577,628
Due to employees' retirement systems	17,814	-	17,814	-
OPEB liability	23,736,530	554,854	-	24,291,384
Net pension liability	<u>4,829,873</u>	<u>-</u>	<u>1,900,799</u>	<u>2,929,074</u>
Total	<u>\$ 29,156,539</u>	<u>\$ 560,160</u>	<u>\$ 1,918,613</u>	<u>\$ 27,798,086</u>
Due in one year				\$ -
Due in more than one year				<u>27,798,086</u>
Total				<u>\$ 27,798,086</u>

Note 5. Interfund Receivables and Payables

Interfund balances at December 31, 2017, consisted of the following:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
General fund	\$ 300,000	\$ 210,000
Highway fund	<u>210,000</u>	<u>300,000</u>
Total	<u>\$ 510,000</u>	<u>\$ 510,000</u>

Note 6. 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 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 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

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Notes to Financial Statements

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>
2017	\$ 520,717	\$	701,366	\$	1,222,083
2016	\$ 529,462	\$	696,233	\$	1,225,695
2015	\$ 619,274	\$	715,848	\$	1,335,122

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%. The balance was paid off during the year ended December 31, 2017.

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, 2017, 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, 2017:

Actuarial valuation date	4/1/2016
Net pension liability	\$999,645
Agency's portion of the Plan's total net pension liability	0.0106388%

For the year ended December 31, 2017, the Town recognized pension expense of \$615,607. At December 31, 2017 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>
Differences between expected and actual experience	\$ 25,050	\$ 151,802
Changes in assumptions	341,515	-
Net difference between projected and actual investment earnings on pension plan investments	199,670	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	159,336	37,753
Employer contributions subsequent to the measurement date	<u>524,915</u>	<u>-</u>
Total	<u>\$ 1,250,486</u>	<u>\$ 189,555</u>

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Notes to Financial Statements

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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:		
2018	\$	232,200
2019	\$	232,200
2020	\$	197,434
2021	\$	(125,818)

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, 2017, 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, 2017:

Actuarial valuation date	4/1/2016
Net pension liability	\$1,929,429
Town's portion of the Plan's total net pension liability	0.0930899%

For the year ended December 31, 2017, the Town's recognized pension expense of \$1,078,230. At December 31, 2017 the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 253,108	\$ 333,363
Changes in assumptions	950,549	-
Net difference between projected and actual investment earnings on pension plan investments	288,157	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,053	216,803
Employer contributions subsequent to the measurement date	718,510	-
Total	<u>\$ 2,213,377</u>	<u>\$ 550,166</u>

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Notes to Financial Statements

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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:		
2018	\$	325,909
2019	\$	325,909
2020	\$	304,402
2021	\$	(41,557)
2022	\$	30,038

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	3/31/2017
Actuarial valuation date	4/1/2016
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 target asset allocation percentage and by adding expected inflation. Best estimates of the real rates of return for each major asset class included in the target asset allocation are summarized below:

<u>Asset Type</u>	Long Term Expected Real Rate*
Domestic equity	4.6 %
International equity	6.4
Private equity	7.8
Real estate	5.8
Absolute return strategies	4.0
Opportunistic portfolio	5.9
Real assets	5.5
Bonds and mortgages	1.3
Cash	(0.3)
Inflation-indexed bonds	1.5

*Real rates of return are net of long-term inflation assumption of 2.5% for 2017.

TOWN OF GATES
Notes to Financial Statements

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for the year ended December 31, 2017. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to 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:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town of Gates' proportionate share of the ERS Net Pension Liability	\$ 3,192,668	\$ 999,645	\$ (854,552)
Town of Gates' proportionate share of the PFRS Net Pension Liability	\$ 5,469,820	\$ 1,929,429	\$ (1,040,092)

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:

	ERS	PFRS
Valuation date	4/1/2016	4/1/2016
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483
Plan net position	<u>(168,004,363)</u>	<u>(29,597,831)</u>
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 2,072,652</u>
Ratio of plan net position to the employers' total pension liability	94.7 %	93.5 %

Note 7. Post Employment Healthcare Plan

Plan Description - The Town provides medical benefits to active and retired employees. Currently, health care premiums are paid to health care providers and recorded as a hospital/medical insurance expense. All full-time Town Hall employees are eligible to participate and retire at age 62 with at least 10 years of service. All full-time highway department employees are eligible to participate and retire at age 62 with at least 10 years of service or at age 55 with 20 years of service. All full-time library employees are eligible to participate and retire at age 62 with at least 10 years of service or at age 55 with 25 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.

TOWN OF GATES
Notes to Financial Statements

Employees Covered by Benefit Terms -

Participant Data

Active not eligible to retire	61
Active eligible to retire	21
Retired and surviving spouses	70
Retiree spouses covered	<u>48</u>
Total	<u>200</u>

Total OPEB Liability - The Town's total OPEB liability of \$24,291,384 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions - The method used to calculate the costs of the Plan is known as the Entry Age Normal, Level Percent of Pay Actuarial Cost Method. No assets have been set aside to fund the liabilities for this plan. All active employees eligible to participate in any OPEB benefit plan offered by the employer are included in this valuation. Retirees and surviving spouses currently enrolled in an OPEB plan offered by the employer are included in the valuation. Retirees who have opted out or otherwise waived all coverage are not included in the valuation unless explicitly stated otherwise. All amortizable amounts are amortized on a straight line basis over the GASB amortization basis. The measurement date is three months prior to the fiscal year end. The following is a summary of the key actuarial assumptions and other inputs used for this valuation:

Long-term bond rate	3.50%
Year in which assets expire	2017
Single discount rate	3.50%
Initial healthcare cost trend rate	5.30%
Ultimate healthcare cost trend rate	4.17%
Salary scale increases	3.00%

The single discount rate reflects a blending of the investment rate of return and the long-term bond rate using expected plan benefit payments. Mortality rates are based on the adjusted RP-2014 combined mortality, fully generational using scale MP-2017. Termination rates are based on the 2003 Society of Actuaries small plan withdrawal. Marital assumptions are based on 70% of both male and female employees assumed to be married at retirement and elect coverage for a spouse. Spousal ages are actual age, if reported, for retirees. Otherwise males are assumed to be three years older than females. Participation rates are 100% of all active employees currently enrolled in the OPEB plan are assumed to continue coverage into retirement. Employees who have currently waived coverage are assumed not to re-enter the plan prior to retirement. The following represents the retirement rates used:

<u>Police</u>		<u>All Others</u>	
<u>Age</u>	<u>Retirement</u>	<u>Age</u>	<u>Retirement</u>
40-54	3.0%	55	15.0%
55-61	15.0%	56-61	10.0%
62-69	40.0%	62-64	15.0%
70	100.0%	65-69	30.0%
		70	100.0%

TOWN OF GATES
Notes to Financial Statements

The following table shows the changes to the total OPEB liability:

Original OPEB liability as of January 1, 2017 (under GASB 45)	\$ 9,962,697
Cumulative effect of change in accounting principle (required by GASB 75)	<u>13,773,833</u>
Total OPEB liability as of January 1, 2017	23,736,530
Changes for the year:	
Service cost	492,267
Interest	724,115
Differences between expected and actual experience	1,336,768
Changes in assumptions or other inputs	(1,128,042)
Benefit payments	<u>(870,254)</u>
Net changes	554,854
Total OPEB liability as of December 31, 2017	<u>\$ 24,291,384</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the Town's OPEB liability calculated using the discount rate of 3.5% per annum (the "current rate"), as well as what the Town's OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.5%) or 1% point higher (4.5%) than the current rate:

	1% Decrease (2.5%)	Current Assumption (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$ 27,528,505	\$ 24,291,384	\$ 21,565,399

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the Town recognized OPEB expense of \$1,288,356. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 875,814	\$ -
Changes of assumptions or other inputs	\$ -	\$ 739,062

Note 8. Risk Management

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

Note 9. Commitments and Contingencies

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

TOWN OF GATES
Notes to Financial Statements

Note 10. Stewardship, Compliance, Accountability

Material Violations of Finance-Related Provisions

Expenditures exceeding the budget are explained as follows:

General Fund

Expenditures for home and community services exceeded the budgeted amount. This is due to a larger number of sidewalks needing replacement than originally anticipated. Interfund transfers exceeded the budgeted amount due to unbudgeted transfers to the highway fund to cover unanticipated highway expenditures.

Library Fund

Expenditures for employee benefits exceeded the budgeted amount. This is due to an increase in insurance premiums from the original budget.

Note 11. Tax Abatements

As of December 31, 2017, tax abatement programs include abatements on property taxes, sales taxes and mortgage recording taxes. The programs have the stated purpose of increasing business activity and employment in the region and the state, respectively. The Town is subject to tax abatements granted by the County of Monroe Industrial Development Agency (the "Agency").

Property Taxes - All property tax abatements are performed through Payment In Lieu of Tax (PILOT) agreements made by the Agency. The PILOT agreements are made to support industrial, manufacturing, storage and other purposes. Total taxes abated by the Agency in each of these categories for the year ended December 31, 2017 are as follows:

Industrial	\$ 781,535
Manufacturing	\$ 54,088
Other	\$ 83,323
Storage	\$ 71,890

Note 12. Change in Accounting Principle

For the year ended December 31, 2017, the Town implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this Statement resulted in the reporting of the entire liability for other postemployment benefits. The Town's net position has been restated as follows:

Net position beginning of year - as previously stated	\$ 11,034,687
GASB Statement No. 75 implementation	<u>(13,773,833)</u>
Net position beginning of year - as restated	<u>\$ (2,739,146)</u>

TOWN OF GATES
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 5,929,599	\$ 5,929,599	\$ 5,991,550	\$ 61,951
Real property tax items	558,634	558,634	447,037	(111,597)
Non property tax items	2,542,804	2,542,804	2,905,919	363,115
Department income	615,544	615,544	513,940	(101,604)
Intergovernmental charges	39,000	39,000	31,294	(7,706)
Use of money and property	4,000	4,000	3,892	(108)
Licenses and permits	195,000	195,000	154,473	(40,527)
Fines and forfeitures	290,000	290,000	300,312	10,312
Sale of property and compensation for loss	39,000	39,000	56,036	17,036
Miscellaneous local sources	12,000	12,000	49,117	37,117
State aid	<u>839,992</u>	<u>839,992</u>	<u>901,344</u>	<u>61,352</u>
Total revenues	<u>11,065,573</u>	<u>11,065,573</u>	<u>11,354,914</u>	<u>289,341</u>
Expenditures				
General government support	2,608,205	2,608,205	2,465,623	142,582
Public safety	3,778,055	3,778,055	3,581,945	196,110
Transportation	418,176	418,176	373,812	44,364
Economic assistance and opportunity	19,303	19,303	6,351	12,952
Culture and recreation	910,450	910,450	863,980	46,470
Home and community services	158,965	158,965	331,562	(172,597)
Employee benefits	3,939,819	3,939,819	3,864,560	75,259
Debt principal	-	-	18,704	(18,704)
Total expenditures	<u>11,832,973</u>	<u>11,832,973</u>	<u>11,506,537</u>	<u>326,436</u>
Other Financing Uses				
Interfund transfers	-	-	210,000	(210,000)
Total expenditures and other financing uses	<u>11,832,973</u>	<u>11,832,973</u>	<u>11,716,537</u>	<u>116,436</u>
Change in Fund Balance	(767,400)	(767,400)	(361,623)	405,777
Fund Balance - Beginning	<u>4,133,115</u>	<u>4,133,115</u>	<u>4,133,115</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,365,715</u>	<u>\$ 3,365,715</u>	<u>\$ 3,771,492</u>	<u>\$ 405,777</u>

TOWN OF GATES
Budgetary Comparison Schedule
Highway Fund
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 2,006,498	\$ 2,006,498	\$ 2,006,498	\$ -
Intergovernmental charges	657,000	657,000	509,610	(147,390)
Use of money and property	700	700	479	(221)
Sale of property and compensation for loss	2,000	2,000	47,401	45,401
Miscellaneous local sources	2,000	2,000	9,335	7,335
State aid	<u>362,710</u>	<u>362,710</u>	<u>245,230</u>	<u>(117,480)</u>
Total revenues	<u>3,030,908</u>	<u>3,030,908</u>	<u>2,818,553</u>	<u>(212,355)</u>
Other Financing Sources				
Interfund transfers	<u>-</u>	<u>-</u>	<u>210,000</u>	<u>210,000</u>
Total revenues and other financing sources	<u>3,030,908</u>	<u>3,030,908</u>	<u>3,028,553</u>	<u>(2,355)</u>
Expenditures				
Transportation	2,337,605	2,337,605	2,315,620	21,985
Employee benefits	<u>693,303</u>	<u>693,303</u>	<u>706,538</u>	<u>(13,235)</u>
Total expenditures	<u>3,030,908</u>	<u>3,030,908</u>	<u>3,022,158</u>	<u>8,750</u>
Change in Fund Balance	-	-	6,395	6,395
Fund Balance - Beginning	<u>67,220</u>	<u>67,220</u>	<u>67,220</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 67,220</u>	<u>\$ 67,220</u>	<u>\$ 73,615</u>	<u>\$ 6,395</u>

TOWN OF GATES
Budgetary Comparison Schedule
Library Fund
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 1,833,554	\$ 1,833,554	\$ 1,833,554	\$ -
Department income	64,000	64,000	61,553	(2,447)
Use of money and property	500	500	556	56
Sale of property and compensation for loss	1,000	1,000	1,023	23
Miscellaneous local sources	22,150	22,150	64,560	42,410
State aid	<u>10,000</u>	<u>10,000</u>	<u>232,695</u>	<u>222,695</u>
Total revenues	<u>1,931,204</u>	<u>1,931,204</u>	<u>2,193,941</u>	<u>262,737</u>
Expenditures				
Culture and recreation	1,503,040	1,503,040	1,488,644	14,396
Employee benefits	<u>428,164</u>	<u>428,164</u>	<u>452,503</u>	<u>(24,339)</u>
Total expenditures	<u>1,931,204</u>	<u>1,931,204</u>	<u>1,941,147</u>	<u>(9,943)</u>
Change in Fund Balance	-	-	252,794	252,794
Fund Balance - Beginning	<u>268,650</u>	<u>268,650</u>	<u>268,650</u>	-
Fund Balance - Ending	<u>\$ 268,650</u>	<u>\$ 268,650</u>	<u>\$ 521,444</u>	<u>\$ 252,794</u>

TOWN OF GATES
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2017

Total OPEB Liability	
Service cost	\$ 492,267
Interest	724,115
Changes of benefit terms	-
Differences between expected and actual experience	1,336,768
Changes in assumptions or other inputs	(1,128,042)
Expected benefit payments	<u>(870,254)</u>
Net changes in total OPEB liability	554,854
Total OPEB liability - beginning	<u>23,736,530</u>
Total OPEB liability - ending	<u>\$ 24,291,384</u>
Covered employee payroll	\$ 7,566,967
Total OPEB liability as a percentage of covered employee payroll	31.15 %

TOWN OF GATES
Schedule of Town's OPEB Contributions
For the Year Ended December 31, 2017

	<u>2017</u>	<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>
Actuarially determined contribution	\$ 870,254	\$1,077,547	\$ 922,695	\$ 830,762	\$ 790,745	\$ 761,066	\$ 762,542	\$1,056,936	\$ 341,243	\$ 310,221
Contribution in relation to the actuarially determined contribution	<u>870,254</u>	<u>1,077,547</u>	<u>922,695</u>	<u>830,762</u>	<u>790,745</u>	<u>761,066</u>	<u>762,542</u>	<u>1,056,936</u>	<u>341,243</u>	<u>310,221</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered employee payroll	<u>\$7,566,968</u>	<u>\$7,379,782</u>	<u>\$7,274,825</u>	<u>\$7,069,872</u>	<u>\$6,884,060</u>	<u>\$6,647,352</u>	<u>\$6,695,681</u>	<u>\$6,647,746</u>	<u>\$6,449,723</u>	<u>\$6,139,009</u>
Contribution as a percentage of covered employee payroll	11.50 %	14.60 %	12.68 %	11.75 %	11.49 %	11.45 %	11.39 %	15.90 %	5.29 %	5.05 %

TOWN OF GATES
Schedule of Town's Proportionate Share of the Net Pension Liability - ERS
For The Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Town's proportion of the net pension liability	0.0106388 %	0.0117665 %	0.0118310 %	0.0118310 %
The Town's proportionate share of the net pension liability	\$ 999,645	\$ 1,888,554	\$ 399,679	\$ 534,625
The Town's covered employee payroll	\$ 4,513,604	\$ 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	22.15 %	43.32 %	9.29 %	12.68 %
Plan fiduciary net position as a percentage of the total pension liability	94.70 %	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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Town's proportion of the net pension liability	0.0930899 %	0.0993425 %	0.0962823 %	0.0962823 %
The Town's proportionate share of the net pension liability	\$ 1,929,429	\$ 2,941,319	\$ 265,026	\$ 400,832
The Town's covered employee payroll	\$ 3,053,363	\$ 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	63.19 %	97.38 %	8.91 %	14.05 %
Plan fiduciary net position as a percentage of the total pension liability	93.50 %	90.20 %	99.00 %	98.50 %

TOWN OF GATES
Schedule of Employer's Contributions - ERS
For The Year Ended December 31, 2017

	<u>2017</u>	<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>
Contractually required contribution	\$ 520,717	\$ 529,462	\$ 619,274	\$ 654,769	\$ 613,398	\$ 520,992	\$ 444,209	\$ 331,773	\$ 241,726	\$ 239,774
Contribution in relation to the contractually required contribution	<u>520,717</u>	<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>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Contribution as a percentage of covered employee payroll	11.54 %	12.15 %	14.40 %	15.53 %	14.77 %	12.98 %	10.80 %	7.88 %	5.80 %	6.07 %

TOWN OF GATES
Schedule of Employer's Contributions - PFRS
For The Year Ended December 31, 2017

	<u>2017</u>	<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>
Contractually required contribution	\$ 701,366	\$ 696,233	\$ 715,848	\$ 709,165	\$ 739,448	\$ 614,987	\$ 554,795	\$ 430,567	\$ 354,143	\$ 354,250
Contribution in relation to the contractually required contribution	<u>701,366</u>	<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>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Contribution as a percentage of covered employee payroll	22.97 %	23.05 %	24.07 %	24.86 %	27.08 %	23.36 %	21.49 %	17.66 %	15.51 %	16.19 %

TOWN OF GATES
Notes to Required Supplementary Information
December 31, 2017

Note 1. Budgetary Comparison Schedule and Budgetary Basis Reporting

An operating budget for the general fund, highway fund and library fund are adopted prior to the beginning of each year on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required by New York State Municipal Law and it must be approved by the Town Board and the voters of the Town. Budget amendments require approval by the Town Board. The budgetary comparison schedule has been prepared on the legal level of budgetary control. Therefore, the Town's budgetary comparison schedule presents expenditures by department, with separate identification of personnel object codes, where applicable. The Town prepares and reports its budgetary information in accordance with accounting principles generally accepted in the United States of America.

Note 2. Schedule of Changes in the Town's Total OPEB Liability and Related Ratios and Schedule of Town's OPEB Contributions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information for the other postemployment benefit obligation, latest actuarial valuation and actuarial assumptions and methods can be found in the notes to the financial statements.

The Schedule of Changes in the Town's Total OPEB Liability and Related Ratios is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Note 3. Schedule of Town's Proportionate Share of the Net Pension Asset (Liability) and Schedule of Employer's Contributions

The information presented in these required supplementary schedules was determined as part of an audit of the New York State Employees' Retirement System Plan (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). Additional information for the pension schedules can be found in the notes to the financial statements.

The Schedules of Town's Proportionate Share of the Net Pension Asset (Liability) are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF GATES
Combining Balance Sheets
Other Governmental Funds
December 31, 2017

	Special Districts <u>Fund</u>	Debt Service <u>Fund</u>	Total Other Governmental <u>Funds</u>
ASSETS			
Assets			
Cash and cash equivalents - unrestricted	\$ 22,686	\$ 1,420	\$ 24,106
Total Assets	<u>\$ 22,686</u>	<u>\$ 1,420</u>	<u>\$ 24,106</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,246	\$ -	\$ 1,246
Total liabilities	<u>1,246</u>	<u>-</u>	<u>1,246</u>
Fund Balances			
Assigned			
Reserve for special districts	21,440	-	21,440
Reserve for debt service	-	1,420	1,420
Total fund balances	<u>21,440</u>	<u>1,420</u>	<u>22,860</u>
Total Liabilities and Fund Balances	<u>\$ 22,686</u>	<u>\$ 1,420</u>	<u>\$ 24,106</u>

TOWN OF GATES
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended December 31, 2017

	Special Districts Fund	Debt Service Fund	Total Other Governmental Funds
Revenues			
Real property taxes	\$ 768,760	\$ -	\$ 768,760
Use of money and property	<u>18</u>	<u>1</u>	<u>19</u>
Total revenues	<u>768,778</u>	<u>1</u>	<u>768,779</u>
 Expenditures			
Transportation	<u>767,971</u>	<u>-</u>	<u>767,971</u>
Total expenditures	<u>767,971</u>	<u>-</u>	<u>767,971</u>
 Change in Fund Balance	807	1	808
 Fund Balances - Beginning	<u>20,633</u>	<u>1,419</u>	<u>22,052</u>
 Fund Balances - Ending	<u>\$ 21,440</u>	<u>\$ 1,420</u>	<u>\$ 22,860</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, 2017, 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 2, 2018.

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 2, 2018