

TOWN OF GATES
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Gates' 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, 2019, 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 13 to the financial statements, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended December 31, 2019. Our opinions are not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 12, budgetary comparison information on pages 41 - 43, schedule of changes in the Town's total OPEB liability and related ratios on page 44, schedule of the Town's proportionate share of the net pension liability on page 45, schedule of employer's contributions on page 46 and notes to the required supplementary information on page 47 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town of Gates' 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
April 20, 2020

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

The following is a discussion and analysis of the Town of Gates' (the "Town") financial performance for the fiscal year ended December 31, 2019. 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 \$2,004,652 for the year ended December 31, 2019, with expenses of \$20,435,218 exceeding revenues of \$18,430,566. Total net position of the Town is deficit balance of \$5,933,372. During the year revenues increased by 3.9% and expenses increased by 14.7%.
- The Town's governmental fund balances decreased by \$458,104 for the year ended December 31, 2019, with expenditures and other financing uses of \$19,655,298 exceeding revenues and other financing sources of \$19,197,194. Total governmental fund balances of the Town are \$2,696,775. The decrease was due to planned usage of the fund balance in the current year.
- The Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended December 31, 2019. This resulted in a restatement of fiduciary net position of an increase of \$59,897 from what was reported as of December 31, 2018.

USING THIS ANNUAL REPORT

This annual report consists of three parts: *management's discussion and analysis* (this section), *the basic financial statements* and *required supplementary information*. 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.

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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 custodial 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 position and statement of changes in fiduciary net position. 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, 2019

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, 2019 and 2018

	<u>Governmental Activities</u>		<u>%</u>
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Assets			
Current assets	\$ 3,145,678	\$ 3,609,674	(12.9)
Capital assets	<u>17,082,145</u>	<u>17,130,828</u>	(0.3)
Total assets	<u>20,227,823</u>	<u>20,740,502</u>	(2.5)
Deferred Outflows of Resources	<u>6,377,231</u>	<u>4,974,362</u>	28.2
Total Assets and Deferred Outflows of Resources	<u>26,605,054</u>	<u>25,714,864</u>	3.5
Liabilities			
Other liabilities	710,046	458,522	54.9
Long-term liabilities	<u>29,421,471</u>	<u>22,656,891</u>	29.9
Total liabilities	<u>30,131,517</u>	<u>23,115,413</u>	30.4
Deferred Inflows of Resources	<u>2,406,909</u>	<u>6,528,171</u>	(63.1)
Total Liabilities and Deferred Inflows of Resources	<u>32,538,426</u>	<u>29,643,584</u>	9.8
Net Position			
Net investment in capital assets	16,863,196	17,130,828	(1.6)
Restricted	113,716	90,388	25.8
Unrestricted	<u>(22,910,284)</u>	<u>(21,149,936)</u>	8.3
Total net position	<u>\$ (5,933,372)</u>	<u>\$ (3,928,720)</u>	51.0

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

(Table 2)

Changes in Net Position from Operating Results
For the Years Ended December 31, 2019 and 2018

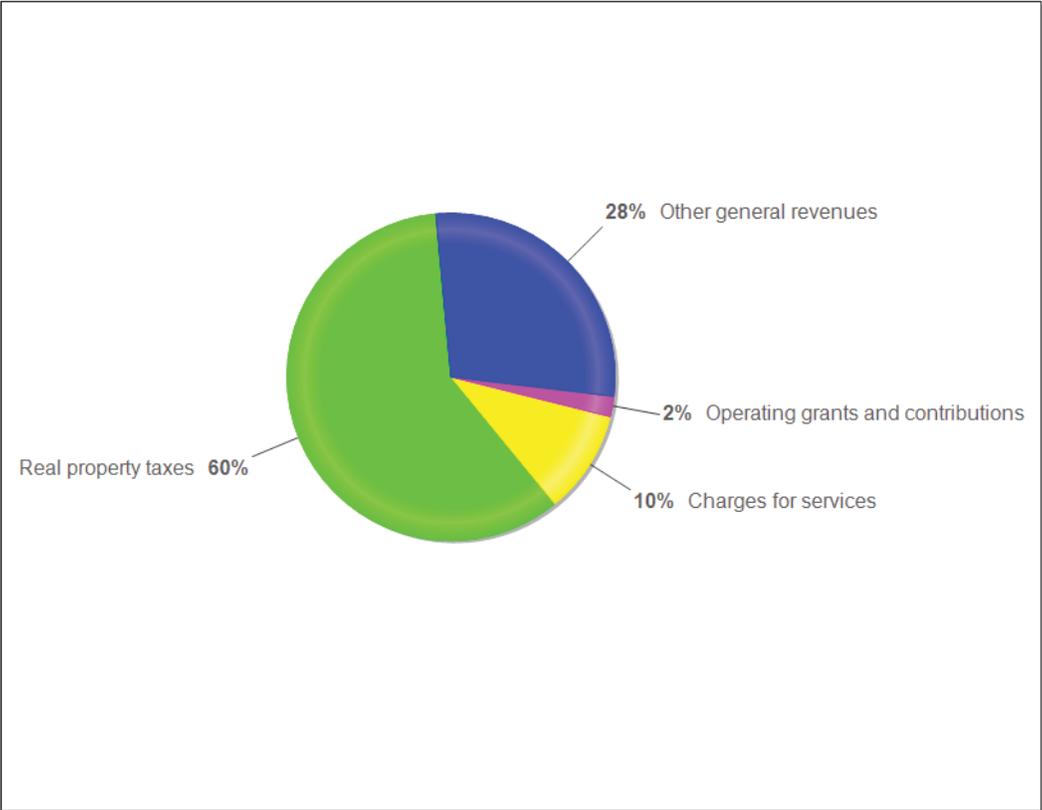
	<u>Governmental Activities</u>		<u>%</u>
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for services	\$ 1,899,203	\$ 1,752,847	8.3
Operating grants and contributions	366,456	548,608	(33.2)
General Revenues			
Real property taxes	10,944,722	10,614,758	3.1
Real property tax items	458,828	441,031	4.0
Non property tax items	3,306,733	3,106,144	6.5
Use of money and property	45,823	24,609	86.2
Sale of property and compensation for loss	302,404	136,044	122.3
Miscellaneous local sources	142,542	105,874	34.6
State and federal aid	<u>963,855</u>	<u>1,016,570</u>	(5.2)
Total revenues	<u>18,430,566</u>	<u>17,746,485</u>	3.9
Expenses			
General government support	4,105,248	3,407,844	20.5
Public safety	7,237,619	5,719,659	26.5
Transportation	5,046,412	5,085,207	(0.8)
Economic assistance	4,690	5,200	(9.8)
Culture and recreation	3,548,153	3,137,937	13.1
Home and community services	487,496	458,909	6.2
Debt interest	<u>5,600</u>	<u>-</u>	100.0
Total expenses	<u>20,435,218</u>	<u>17,814,756</u>	14.7
Change in Net Position	<u>\$ (2,004,652)</u>	<u>\$ (68,271)</u>	2,836.3

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

As reported in the statement of activities the cost of all governmental activities was \$20,435,218. However, the amount that taxpayers ultimately financed for these activities through the Town's real property taxes was \$10,944,722.

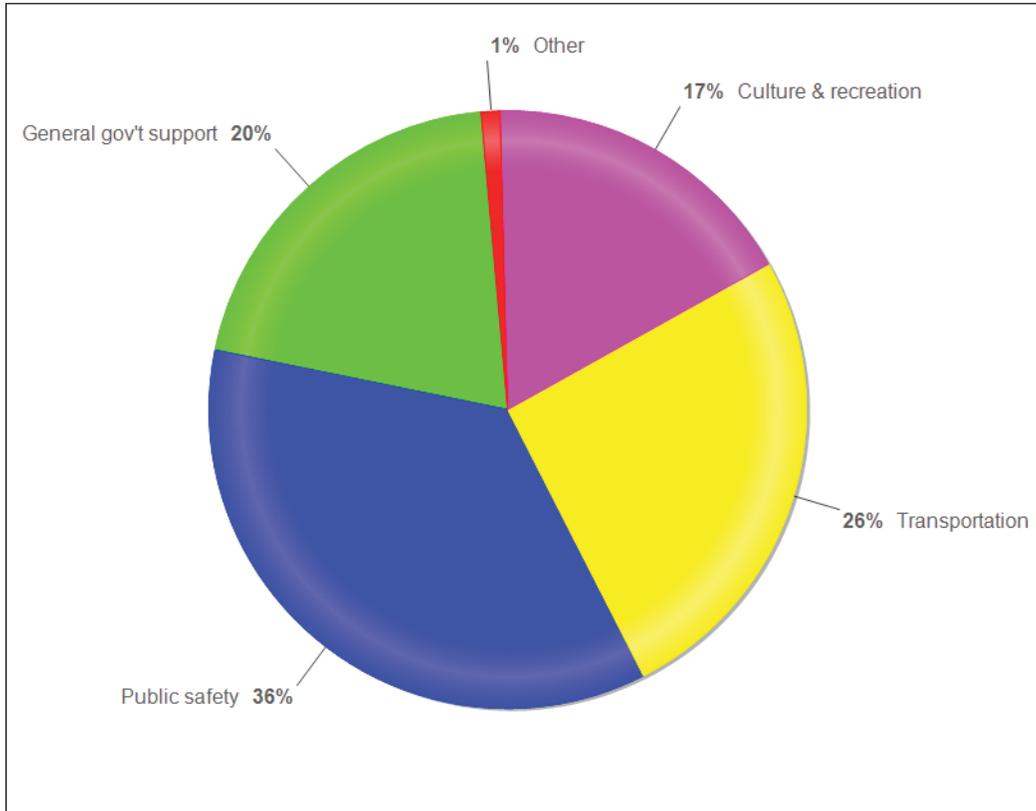
Tables 3-A&B show the revenues and expenses on a percentage basis for the governmental activities:

Table 3-A
Sources of Revenues for Governmental Activities
Fiscal Year 2019



TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Table 3-B
Expenses for Governmental Activities
Fiscal Year 2019



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 2019</u>	<u>Net Cost of Services 2019</u>	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>
General government support	\$ 4,105,248	\$ 3,807,083	\$ 3,407,844	\$ 3,123,886
Public safety	7,237,619	6,685,657	5,719,659	5,210,444
Transportation	5,046,412	4,198,609	5,085,207	4,133,105
Economic assistance	4,690	4,690	5,200	5,200
Culture and recreation	3,548,153	3,061,525	3,137,937	2,682,825
Home and community services	487,496	406,395	458,909	357,841
Debt interest	5,600	5,600	-	-
Total expenses	<u>\$ 20,435,218</u>	<u>\$ 18,169,559</u>	<u>\$ 17,814,756</u>	<u>\$ 15,513,301</u>

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

- **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.
- **Debt interest** - Includes the transactions associated with the payment of interest on capital leases to the Town.

THE MAJOR GOVERNMENTAL FUNDS

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,197,194 and expenditures and other financing uses of \$19,655,298. The fund balance in the general fund decreased by \$618,966 decreasing the fund balance to \$2,140,019 at December 31, 2019. In the highway fund, the fund balance increased by \$54,604 increasing the fund balance to \$135,413. In the library fund, the fund balance increased by \$104,569 increasing the fund balance to \$397,141. The fund balance in the special district fund increased by \$1,688 increasing the fund balance to \$22,780. The fund balance in the debt service fund increased by \$1 increasing the fund balance to \$1,422, for a total decrease of \$458,104 for all government funds.

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

- Revenues - Actual revenues exceeded budget revenues and other financing sources by \$850,620. The increase over budgeted revenues was due to an increase in sales tax revenues, funds that were received from the stated an county for sidewalk and gutter replacements, a workers compensation refund and leasing of town vehicles.
- Expenditures - Actual expenditures and other financing uses exceeded budgeted expenditures by \$667,586. The increase over the budgeted expenditures was due to an interfund transfer of \$450,000 to the highway fund, as well as, higher than budgeted repairs to the gutters and sidewalks and higher than expected overtime in the police department.

HIGHWAY FUND BUDGETARY HIGHLIGHTS

- Revenues - Actual revenues and other financing sources exceeded budgeted revenues by \$446,032. The increase over budgeted revenues was due to an interfund transfer received from the general fund.
- Expenditures - Actual expenditures exceeded budgeted expenditures by \$391,428. The increase over the budgeted expenditures was due to the Town being overbudget on road paving, as well as, higher than expected repairs to the highway department vehicles and overage on salt purchases.

LIBRARY FUND BUDGETARY HIGHLIGHTS

- Revenues - Actual revenues exceeded budgeted revenues by \$83,688. The excess revenue was due to rent money received from the YMCA for space at the library for their pre-school program as well as better than budgeted earnings on the private money held by the library.
- Expenditures - Budgeted expenditures exceeded actual expenditures by \$20,881. The increase over the actual expenditures was due to additional purchases of books and supplies.

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the governmental activities of the Town had \$40,174,061 invested in land, buildings, land improvements, infrastructure, and machinery and equipment. Depreciation expense of \$965,625 has been recorded in the current year. The current net book value is \$17,082,145.

Table 5 shows the fiscal 2019 and 2018 balances for the major classes of assets:

(Table 5)

Capital Assets (Net of Depreciation)
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Land	\$ 244,400	\$ 244,400	-
Buildings	2,686,301	2,802,981	(4.2)
Land improvements	215,718	237,557	(9.2)
Machinery and equipment	3,454,465	3,256,730	6.1
Infrastructure	<u>10,481,261</u>	<u>10,589,160</u>	(1.0)
Total	<u>\$ 17,082,145</u>	<u>\$ 17,130,828</u>	(0.3)

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

Long Term Debt

At December 31, 2019, the Town had total long-term debt of \$29,482,173 outstanding which was an increase of \$6,825,282 from the previous year.

(Table 6)

Outstanding Debt
December 31, 2019 and 2018

Governmental Activities	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Compensated absences	\$ 570,812	\$ 514,995	10.8
Capital lease obligations	218,949	-	100.0
OPEB liability	26,320,957	20,788,796	26.6
Net pension liability	<u>2,371,455</u>	<u>1,353,100</u>	75.3
Total	<u>\$ 29,482,173</u>	<u>\$ 22,656,891</u>	30.1

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

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The tax base of the Town has remained stable. The 2020 budget provides for real estate tax revenues of \$10,149,265, which is similar to \$10,045,118 budgeted in 2019.
- 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.
- The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Town and its future results and financial position is not presently determinable.

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, 2019

	Governmental Activities
Assets	
Cash and cash equivalents - unrestricted	\$ 1,796,477
Other receivables - net	34,822
Due from other governments	1,098,172
Investments	66,048
Prepaid expenditures	102,491
Cash and cash equivalents - restricted	47,668
Capital assets	
Capital assets not depreciated	244,400
Capital assets - net of depreciation	<u>16,837,745</u>
Total assets	<u>20,227,823</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pension	2,819,881
Deferred outflows of resources - OPEB	<u>3,557,350</u>
Total deferred outflows of resources	<u>6,377,231</u>
Liabilities	
Accounts payable	399,877
Accrued liabilities	249,467
Long-term liabilities	
Capital lease obligation - current	60,702
Portion due or payable after one year	
Compensated absences	570,812
Capital lease obligation - net	158,247
OPEB liability	26,320,957
Net pension liability - proportionate share	<u>2,371,455</u>
Total liabilities	<u>30,131,517</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	1,084,413
Deferred inflows of resources - OPEB	1,208,473
Advances on future period revenues	<u>114,023</u>
Total deferred inflows of resources	<u>2,406,909</u>
Net Position	
Net investment in capital assets	16,863,196
Restricted for	
Police escrow reserve	25,579
Library reserve	88,137
Unrestricted	<u>(22,910,284)</u>
Total net position	<u>\$ (5,933,372)</u>

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

TOWN OF GATES
Balance Sheets
Governmental Funds
December 31, 2019

ASSETS	<u>General Fund</u>	<u>Highway Fund</u>	<u>Library Fund</u>	<u>Special Districts Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents - unrestricted	\$ 1,131,094	\$ 267,523	\$ 372,585	\$ 23,853	\$ 1,422	\$ 1,796,477
Other receivables - net	29,222	100	5,500	-	-	34,822
Due from other funds	100,000	-	-	-	-	100,000
Due from other governments	988,739	109,433	-	-	-	1,098,172
Investments	-	-	66,048	-	-	66,048
Prepaid expenditures	279,734	24,818	12,403	100,000	-	416,955
Cash and cash equivalents - restricted	<u>25,579</u>	<u>-</u>	<u>22,089</u>	<u>-</u>	<u>-</u>	<u>47,668</u>
Total Assets	<u>\$ 2,554,368</u>	<u>\$ 401,874</u>	<u>\$ 478,625</u>	<u>\$ 123,853</u>	<u>\$ 1,422</u>	<u>\$ 3,560,142</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 213,721	\$ 108,638	\$ 76,445	\$ 1,073	\$ -	\$ 399,877
Accrued liabilities	200,628	43,800	5,039	-	-	249,467
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total liabilities	<u>414,349</u>	<u>152,438</u>	<u>81,484</u>	<u>101,073</u>	<u>-</u>	<u>749,344</u>
Deferred Inflows of Resources						
Deferred revenue	<u>-</u>	<u>114,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,023</u>
Fund Balances						
Nonspendable	279,734	24,818	12,403	100,000	-	416,955
Restricted						
Reserve for police escrow	25,579	-	-	-	-	25,579
Reserve for library	-	-	88,137	-	-	88,137
Assigned						
Reserve for subsequent year	1,340,000	-	-	-	-	1,340,000
Reserve for highway	-	110,595	-	-	-	110,595
Reserve for library	-	-	296,601	-	-	296,601
Reserve for debt service	-	-	-	-	1,422	1,422
Unassigned	<u>494,706</u>	<u>-</u>	<u>-</u>	<u>(77,220)</u>	<u>-</u>	<u>417,486</u>
Total fund balances	<u>2,140,019</u>	<u>135,413</u>	<u>397,141</u>	<u>22,780</u>	<u>1,422</u>	<u>2,696,775</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,554,368</u>	<u>\$ 401,874</u>	<u>\$ 478,625</u>	<u>\$ 123,853</u>	<u>\$ 1,422</u>	<u>\$ 3,560,142</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, 2019

Total governmental fund balances		\$ 2,696,775
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	7,717,169	
Infrastructure	<u>25,830,032</u>	
Total depreciable assets	39,929,661	
Less accumulated depreciation	<u>(23,091,916)</u>	
Total capital assets, net of depreciation		16,837,745
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:		
Capital lease obligations	(218,949)	
Compensated absences	<u>(570,812)</u>	
Total liabilities		(789,761)
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	2,819,881	
Deferred inflows of resources - pensions	(1,084,413)	
Prepaid expenditures - pensions	(314,464)	
Net pension liability - proportionate share	<u>(2,371,455)</u>	
Total pension related items		(950,451)
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	3,557,350	
Deferred inflows of resources - OPEB	(1,208,473)	
OPEB liability	<u>(26,320,957)</u>	
Total OPEB related items		<u>(23,972,080)</u>
Net position of governmental activities		<u>\$ (5,933,372)</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, 2019

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Library Fund</u>	<u>Special Districts Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues						
Real property taxes	\$ 5,849,215	\$ 2,220,416	\$ 1,980,212	\$ 894,879	\$ -	\$ 10,944,722
Real property tax items	458,828	-	-	-	-	458,828
Non property tax items	3,306,733	-	-	-	-	3,306,733
Department income	713,915	-	49,450	-	-	763,365
Intergovernmental charges	39,449	602,344	-	-	-	641,793
Use of money and property	26,973	5,964	12,855	30	1	45,823
Licenses and permits	185,892	-	-	-	-	185,892
Fines and forfeitures	308,153	-	-	-	-	308,153
Sale of property and compensation for loss	215,153	147,643	4,917	-	-	367,713
Miscellaneous local sources	40,857	2,402	99,283	-	-	142,542
State aid	1,050,493	245,459	22,933	-	-	1,318,885
Federal aid	<u>11,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,426</u>
Total revenues	<u>12,207,087</u>	<u>3,224,228</u>	<u>2,169,650</u>	<u>894,909</u>	<u>1</u>	<u>18,495,875</u>
Other Financing Source						
Interfund transfers	-	450,000	-	-	-	450,000
Proceeds from capital lease obligations	<u>153,999</u>	<u>97,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,319</u>
Total revenues and other financing source	<u>12,361,086</u>	<u>3,771,548</u>	<u>2,169,650</u>	<u>894,909</u>	<u>1</u>	<u>19,197,194</u>
Expenditures						
General government support	2,766,652	-	-	-	-	2,766,652
Public safety	3,825,764	-	-	-	-	3,825,764
Transportation	398,816	3,049,151	-	893,221	-	4,341,188
Economic assistance and opportunity	4,690	-	-	-	-	4,690
Culture and recreation	948,174	-	1,613,205	-	-	2,561,379
Home and community services	476,336	-	-	-	-	476,336
Employee benefits	4,082,739	656,704	451,876	-	-	5,191,319
Debt principal	25,251	7,119	-	-	-	32,370
Debt interest	<u>1,630</u>	<u>3,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,600</u>
Total expenditures	<u>12,530,052</u>	<u>3,716,944</u>	<u>2,065,081</u>	<u>893,221</u>	<u>-</u>	<u>19,205,298</u>
Other Financing Use						
Interfund transfers	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
Total expenditures and other financing use	<u>12,980,052</u>	<u>3,716,944</u>	<u>2,065,081</u>	<u>893,221</u>	<u>-</u>	<u>19,655,298</u>
Change in Fund Balance	(618,966)	54,604	104,569	1,688	1	(458,104)
Fund Balances - Beginning	<u>2,758,985</u>	<u>80,809</u>	<u>292,572</u>	<u>21,092</u>	<u>1,421</u>	<u>3,154,879</u>
Fund Balances - Ending	<u>\$ 2,140,019</u>	<u>\$ 135,413</u>	<u>\$ 397,141</u>	<u>\$ 22,780</u>	<u>\$ 1,422</u>	<u>\$ 2,696,775</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, 2019

Net change in fund balances - total governmental funds \$ (458,104)

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	\$ 982,251	
Depreciation expense	<u>(965,625)</u>	
Excess of capital outlay over depreciation		16,626

Repayment of capital leases are reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences:

Capital lease issuance	(251,319)	
Capital lease repayment	<u>32,370</u>	
Excess of capital lease issuance over repayment		(218,949)

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		(55,817)
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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:

(292,947)

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:

(930,152)

Other differences

Loss on disposition of assets	(65,309)	
Total other differences		<u>(65,309)</u>

Change in net position of governmental activities		<u>\$ (2,004,652)</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF GATES
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents - restricted	\$ 103,826
Total assets	<u>\$ 103,826</u>
NET POSITION	
Net position - restricted	\$ 103,826
Total net position	<u>\$ 103,826</u>

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

TOWN OF GATES
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2019

	<u>Custodial Funds</u>
ADDITIONS	
Escrow deposits	\$ 43,850
Interest income	<u>79</u>
Total additions	<u>43,929</u>
Change in Fiduciary Net Position	43,929
Fiduciary Net Position - Beginning, as previously stated	<u>-</u>
Cumulative effect of change in accounting principle	59,897
Fiduciary Net Position - Beginning, as restated	<u>59,897</u>
Fiduciary Net Position - Ending	<u>\$ 103,826</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, 2019, the Town had \$113,716 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, 2019, 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, 2019, 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.
 - iv. For the year ended December 31, 2019, the special districts fund qualified as a major fund. The special districts fund is used to account for all transactions of the lighting districts and ambulance district.

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

During the year ended December 31, 2019, the Town adopted provisions of GASB Statement No. 84 - "*Fiduciary Activities*". The primary objective of this Statement is to improve guidance regarding the indemnification of fiduciary activities for accounting and financial reporting purposes. See Note 13 of the financial statements for the impact of the implementation on the financial statements.

Fiduciary funds are used to account for assets held by the local government in a trustee or custodial capacity. Custodial funds are used by the Town to account for all funds held by the Town in a custodial capacity.

TOWN OF GATES
Notes to Financial Statements

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

1. Accrual Basis

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

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

2. Modified Accrual Basis

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

- 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 7.

Accounting and Financial Reporting for Post Employment Benefits - The Town complies with 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 8.

TOWN OF GATES
Notes to 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 2019.

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 eight 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 differences between expected and actual experience of the Town's proportionate share of the net pension liability and difference during the measurement period. The second represents the change in actuary assumptions. The third represents the net difference between projected and actual investment earnings on pension plan investments. The fourth represents the changes in proportion and differences between employer contributions and proportionate share of contributions. The fifth item is the Town's contributions to the pension system subsequent to the measurement date. The sixth item represents the difference between actual and expected experience of the Town's total OPEB liability. The seventh item represents the changes of OPEB assumptions or other inputs. The eighth item is the Town's contributions to the OPEB plan subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has five items that qualify for reporting in the category. The first 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 second represents the net difference between projected and actual investment earnings on pension plan investments. The third represents the changes in proportion and differences between employer contributions and proportionate share of contributions. The fourth item represents the difference between actual and expected experience of the Town's total OPEB liability. The fifth 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. 87 - "*Leases.*" Effective for fiscal years beginning after December 15, 2019.

GASB has issued Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period.* Effective for fiscal years beginning after December 15, 2019.

GASB has issued Statement No. 91 - "*Conduit Debt Obligations*", effective for fiscal years beginning after December 15, 2020.

GASB has issued Statement No. 92 - "*Omnibus 2020*", effective for fiscal years beginning after June 15, 2020.

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.

TOWN OF GATES
Notes to Financial Statements

4. Use of Estimates

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

5. Budgetary Data

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

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

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

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

6. Cash and Cash Equivalents

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

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. When resources are available from multiple classifications, the Town spends funds in the following order: restricted, committed, assigned, unassigned.

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 payments and prefunding of the ambulance district distribution. The balance at December 31, 2019 for all governmental funds is \$416,955.

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, 2019 is \$25,579.

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, 2019 is \$88,137.

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, 2019 is \$1,340,000.

2. Reserve for Highway - Represents the amount of outstanding fund balance in the highway fund at year end. The balance at December 31, 2019 is \$110,595.

3. Reserve for Library - Represents the amount of outstanding fund balance in the library fund at year end. The balance at December 31, 2019 is \$296,601.

4. Reserve for Debt Service - Represents the amount of outstanding fund balance in the debt service fund at year end. The balance at December 31, 2019 is \$1,422.

15. Subsequent Events

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Town and its future results and financial position is not presently determinable.

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, 2019, cash and cash equivalents are entirely composed of demand accounts and certificates of deposit and the investments are composed of an endowment blended fund.

TOWN OF GATES
Notes to Financial Statements

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

Deposits

At December 31, 2019, the Town's bank balances can be categorized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents and investments	\$ 1,947,971	\$ 2,248,751
Collateralized with securities held by the Town or by its agent in the Town's name		\$ 1,372,760
Covered by FDIC insurance		875,991
Uncollateralized		<u>-</u>
Total deposits		<u>\$ 2,248,751</u>

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Balance 12/31/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2019</u>
Governmental Activities Capital Assets				
Capital Assets Not Depreciated				
Land	\$ 244,400	\$ -	\$ -	\$ 244,400
Capital Assets Depreciated				
Buildings	5,775,816	-	-	5,775,816
Land improvements	606,644	-	-	606,644
Machinery and equipment	7,353,257	703,657	(339,745)	7,717,169
Infrastructure	<u>25,551,438</u>	<u>278,594</u>	<u>-</u>	<u>25,830,032</u>
Total capital assets depreciated	<u>39,287,155</u>	<u>982,251</u>	<u>(339,745)</u>	<u>39,929,661</u>
Less - Accumulated Depreciation				
Buildings	2,972,835	116,680	-	3,089,515
Land improvements	369,087	21,839	-	390,926
Machinery and equipment	4,096,527	440,613	(274,436)	4,262,704
Infrastructure	<u>14,962,278</u>	<u>386,493</u>	<u>-</u>	<u>15,348,771</u>
Total accumulated depreciation	<u>22,400,727</u>	<u>965,625</u>	<u>(274,436)</u>	<u>23,091,916</u>
Total capital assets depreciated - net	<u>16,886,428</u>	<u>16,626</u>	<u>(65,309)</u>	<u>16,837,745</u>
Governmental Activities Capital Assets - Net	<u>\$ 17,130,828</u>	<u>\$ 16,626</u>	<u>\$ (65,309)</u>	<u>\$ 17,082,145</u>

TOWN OF GATES
Notes to Financial Statements

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

Governmental Activities		
General government support		\$ 121,192
Public safety		170,804
Transportation		553,969
Culture and recreation		<u>119,660</u>
Total depreciation expense		<u>\$ 965,625</u>

Note 4. Other Long-term Debt

The following is a description of capital lease obligations as of December 31, 2019:

<u>Purpose / Issue Date</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Ford Escape / 4/19	4/30/2022	4.96%	\$ -	\$ 23,971	\$ 5,610	\$ 18,361
Ford F-250 / 9/19	9/30/2024	4.74%	-	30,075	1,867	28,208
Ford F-150 / 5/19	5/31/2021	4.96%	-	30,814	11,224	19,590
Ford F-350 Chassis / 8/19	8/31/2024	4.93%	-	44,449	3,423	41,026
Ford F-350 Chassis / 8/19	8/31/2024	4.93%	-	52,871	3,696	49,175
Ford Escape / 5/19	5/31/2022	4.96%	-	23,962	5,029	18,933
Ford F-350 Cutaway / 11/19	11/30/2024	4.74%	-	45,177	1,521	43,656
Totals			<u>\$ -</u>	<u>\$ 251,319</u>	<u>\$ 32,370</u>	<u>\$ 218,949</u>

Annual minimum lease payments are as follows:

2020	\$ 73,720
2021	61,818
2022	45,116
2023	39,967
2024	<u>30,839</u>
Total	251,460
Less interest	<u>(32,511)</u>
Total	<u>\$ 218,949</u>

Equipment held under the capital leases is as follows at December 31, 2019:

Machinery and equipment	\$ 251,319
Less - accumulated depreciation	<u>(48,642)</u>
Total machinery and equipment held under capital lease - net	<u>\$ 202,677</u>

Amortization of machinery and equipment held under capital leases is included in depreciation expense.

TOWN OF GATES
Notes to Financial Statements

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

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2019</u>
Compensated absences	\$ 514,995	\$ 55,817	\$ -	\$ 570,812
Capital lease obligations	-	251,319	32,370	218,949
OPEB liability	20,788,796	5,532,161	-	26,320,957
Net pension liability	<u>1,353,100</u>	<u>1,018,355</u>	-	<u>2,371,455</u>
Total	<u>\$ 22,656,891</u>	<u>\$ 6,857,652</u>	<u>\$ 32,370</u>	<u>\$ 29,482,173</u>
Due in one year				\$ 60,702
Due in more than one year				<u>29,421,471</u>
Total				<u>\$ 29,482,173</u>

Note 5. Interfund Receivables and Payables

Interfund balances at December 31, 2019 consisted of the following:

	<u>Amount</u> <u>Receivable</u>	<u>Amount</u> <u>Payable</u>
General fund	\$ 100,000	\$ -
Lighting and drainage	-	100,000
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>

Note 6. Interfund Transfers

Interfund transfers for the year ended December 31, 2019 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 450,000
Highway fund	450,000	-
Total	<u>\$ 450,000</u>	<u>\$ 450,000</u>

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

Note 7. 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. 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.

TOWN OF GATES
Notes to Financial Statements

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 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>
2019	\$ 503,969	\$ 748,865	\$ 1,252,834
2018	\$ 526,867	\$ 712,513	\$ 1,239,380
2017	\$ 520,717	\$ 701,366	\$ 1,222,083

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, 2019, 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, 2019:

Actuarial valuation date	4/1/2018
Net pension liability	\$755,149
Town's proportion of the Plan's total net pension liability	0.0106580%

At December 31, 2019, the Town's proportion was 0.0106580%, which was a decrease of 0.0002910% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$579,048. At December 31, 2019 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</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 148,705	\$ 50,692
Changes in assumptions	189,814	-
Net difference between projected and actual investment earnings on pension plan investments	-	193,813
Changes in proportion and differences between employer contributions and proportionate share of contributions	209,960	31,397
Employer contributions subsequent to the measurement date	496,138	-
Total	<u>\$ 1,044,617</u>	<u>\$ 275,902</u>

TOWN OF GATES
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, 2020. 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:	
2020	\$ 224,505
2021	\$ (99,296)
2022	\$ 26,764
2023	<u>\$ 120,604</u>
Total	<u>\$ 272,577</u>

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, 2019, 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, 2019:

Actuarial valuation date	4/1/2018
Net pension liability	\$1,616,306
Town's proportion of the Plan's total net pension liability	0.0963772%

At December 31, 2019, the Town's proportion was 0.0963772%, which was a decrease of 0.0025316% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the Town's recognized pension expense of \$966,736. At December 31, 2019 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	\$ 392,645	\$ 172,567
Changes in assumptions	587,247	-
Net difference between projected and actual investment earnings on pension plan investments	-	323,707
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,655	312,237
Employer contributions subsequent to the measurement date	<u>761,717</u>	<u>-</u>
Total	<u>\$ 1,775,264</u>	<u>\$ 808,511</u>

TOWN OF GATES
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, 2020. 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:	
2020	\$ 231,105
2021	\$ (128,140)
2022	\$ (54,357)
2023	\$ 143,021
2024	<u>\$ 13,407</u>
Total	<u>\$ 205,036</u>

Actuarial Assumptions for ERS and PFRS

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	3/31/2019
Actuarial valuation date	4/1/2018
Interest rate	7.0%
Salary scale	4.2% average in ERS, 5.0% 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, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected 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>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate*</u>
Domestic equity	36.0 %	4.6 %
International equity	14.0 %	6.4 %
Private equity	10.0 %	7.5 %
Real estate	10.0 %	5.6 %
Absolute return strategies	2.0 %	3.8 %
Opportunistic portfolio	3.0 %	5.7 %
Real assets	3.0 %	5.3 %
Bonds and mortgages	17.0 %	1.3 %
Cash	1.0 %	(0.3)%
Inflation-indexed bonds	4.0 %	1.3 %
	<u>100.0 %</u>	

TOWN OF GATES
Notes to Financial Statements

*Real rates of return are net of long-term inflation assumption of 2.5% for 2019.

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for the year ended December 31, 2019. 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	\$ 3,301,632	\$ 755,149	\$ (1,384,077)
Town of Gates' proportionate share of the PFRS Net Pension Liability	\$ 5,841,087	\$ 1,616,306	\$ (1,911,877)

Pension Plan Fiduciary Net Position

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

	ERS 4/1/2018	PFRS 4/1/2018
Valuation date	4/1/2018	4/1/2018
Employers' total pension liability	\$ 189,803,429,000	\$ 34,128,100,000
Plan net position	<u>(182,718,124,000)</u>	<u>(32,451,037,000)</u>
Employers' net pension liability	<u>\$ 7,085,305,000</u>	<u>\$ 1,677,063,000</u>
Ratio of plan net position to the employers' total pension liability	96.3 %	95.1 %

Note 8. 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	67
Active eligible to retire	18
Retired and surviving spouses	80
Retiree spouses covered	55
Total	220

Total OPEB Liability - The Town's total OPEB liability of \$26,320,957 was measured as of December 31, 2019 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	2.75%
Year in which assets expire	2019
Single discount rate	2.75%
Initial healthcare cost trend rate	5.20%
Ultimate healthcare cost trend rate	4.18%
Salary scale increases	3.22%

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 Pub-2010 public retirement plans mortality tables, headcount weighted, without separate contingent survivor mortality, fully generational using scale MP-2019. 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:

Total OPEB liability as of December 31, 2018	\$ 20,788,796
Changes for the year:	
Service cost	370,189
Interest	775,851
Differences between expected and actual experience	2,527,397
Changes in assumptions or other inputs	2,760,514
Benefit payments	<u>(901,790)</u>
Net changes	<u>5,532,161</u>
Total OPEB liability as of December 31, 2019	<u>\$ 26,320,957</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 2.75% 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 (1.75%) or 1% point higher (3.75%) than the current rate:

	1% Decrease (1.75%)	Current Assumption (2.75%)	1% Increase (3.75%)
Total OPEB Liability	\$ 30,453,178	\$ 26,320,957	\$ 22,997,580

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

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

	1% Decrease	Current Assumption	1% Increase
Total OPEB Liability	\$ 22,800,601	\$ 26,320,957	\$ 30,728,275

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

For the year ended December 31, 2019, the Town recognized OPEB expense of \$1,826,558. At December 31, 2019, 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	\$ 1,591,324	\$ 882,376
Changes of assumptions or other inputs	1,738,101	326,097
Employer contributions subsequent to the measurement date	<u>227,925</u>	<u>-</u>
Total	<u>\$ 3,557,350</u>	<u>\$ 1,208,473</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the fiscal year ended:	
2020	\$ 750,013
2021	<u>1,370,939</u>
Total	<u>\$ 2,120,952</u>

TOWN OF GATES
Notes to Financial Statements

Note 9. 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 10. 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.

Note 11. 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 due to the repaving of the tennis courts at Lions Park. Employee benefits exceeded the budgeted amount mainly due to higher than budgeted health insurance costs.

Highway Fund

Expenditures for transportation exceeded the budgeted amount. This is due to higher than budgeted milling and paving of roads.

Note 12. Tax Abatements

As of December 31, 2019, 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, 2019 are as follows:

Industrial	\$	785,886
Manufacturing	\$	59,034
Other	\$	382,569
Storage	\$	32,378

TOWN OF GATES
Notes to Financial Statements

Note 13. Change in Accounting Principle

For the year ended December 31, 2019, the Town implemented GASB Statement No. 84 - "*Fiduciary Activities*". The implementation of this Statement resulted in the restatement of fiduciary net position. The implementation required the fiduciary funds activity to be reported on the statement of changes in fiduciary net position. The Town's net position for fiduciary funds has been restated as follows:

Fiduciary net position beginning - as previously stated	\$ -
GASB Statement No. 84 implementation	<u>59,897</u>
Fiduciary net position beginning - as restated	<u>\$ 59,897</u>

TOWN OF GATES
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 5,844,490	\$ 5,844,490	\$ 5,849,215	\$ 4,725
Real property tax items	548,231	548,231	458,828	(89,403)
Non property tax items	2,914,796	2,914,796	3,306,733	391,937
Department income	663,402	663,402	713,915	50,513
Intergovernmental charges	29,970	29,970	39,449	9,479
Use of money and property	24,500	24,500	26,973	2,473
Licenses and permits	184,415	184,415	185,892	1,477
Fines and forfeitures	288,071	288,071	308,153	20,082
Sale of property and compensation for loss	60,000	60,000	215,153	155,153
Miscellaneous local sources	34,500	34,500	40,857	6,357
State aid	918,091	918,091	1,050,493	132,402
Federal aid	-	-	11,426	11,426
Total revenues	<u>11,510,466</u>	<u>11,510,466</u>	<u>12,207,087</u>	<u>696,621</u>
Other Financing Source				
Proceeds from capital lease obligations	-	-	153,999	153,999
Total revenues and other financing source	<u>11,510,466</u>	<u>11,510,466</u>	<u>12,361,086</u>	<u>850,620</u>
Expenditures				
General government support	2,899,154	2,899,154	2,766,652	132,502
Public safety	3,842,328	3,842,328	3,825,764	16,564
Transportation	444,100	444,100	398,816	45,284
Economic assistance and opportunity	7,303	7,303	4,690	2,613
Culture and recreation	912,239	912,239	948,174	(35,935)
Home and community services	223,284	223,284	476,336	(253,052)
Employee benefits	3,984,058	3,984,058	4,082,739	(98,681)
Debt principal	-	-	25,251	(25,251)
Debt interest	-	-	1,630	(1,630)
Total expenditures	<u>12,312,466</u>	<u>12,312,466</u>	<u>12,530,052</u>	<u>(217,586)</u>
Other Financing Uses				
Interfund transfers	-	-	450,000	(450,000)
Total expenditures and other financing uses	<u>12,312,466</u>	<u>12,312,466</u>	<u>12,980,052</u>	<u>(667,586)</u>
Change in Fund Balance	(802,000)	(802,000)	(618,966)	<u>\$ 183,034</u>
Fund Balance - Beginning	<u>2,758,985</u>	<u>2,758,985</u>	<u>2,758,985</u>	
Fund Balance - Ending	<u>\$ 1,956,985</u>	<u>\$ 1,956,985</u>	<u>\$ 2,140,019</u>	

TOWN OF GATES
Budgetary Comparison Schedule
Highway Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Real property taxes	\$ 2,220,416	\$ 2,220,416	\$ 2,220,416	\$ -
Intergovernmental charges	776,000	776,000	602,344	(173,656)
Use of money and property	700	700	5,964	5,264
Sale of property and compensation for loss	80,000	80,000	147,643	67,643
Miscellaneous local sources	3,000	3,000	2,402	(598)
State aid	<u>245,400</u>	<u>245,400</u>	<u>245,459</u>	<u>59</u>
Total revenues	3,325,516	3,325,516	3,224,228	(101,288)
Other Financing Sources				
Interfund transfers	-	-	450,000	450,000
Proceeds from capital lease obligations	<u>-</u>	<u>-</u>	<u>97,320</u>	<u>97,320</u>
Total revenues and other financing sources	<u>3,325,516</u>	<u>3,325,516</u>	<u>3,771,548</u>	<u>446,032</u>
Expenditures				
Transportation	2,617,700	2,617,700	3,049,151	(431,451)
Employee benefits	707,816	707,816	656,704	51,112
Debt principal	-	-	7,119	(7,119)
Debt interest	<u>-</u>	<u>-</u>	<u>3,970</u>	<u>(3,970)</u>
Total expenditures	<u>3,325,516</u>	<u>3,325,516</u>	<u>3,716,944</u>	<u>(391,428)</u>
Change in Fund Balance	-	-	54,604	<u>\$ 54,604</u>
Fund Balance - Beginning	<u>80,809</u>	<u>80,809</u>	<u>80,809</u>	
Fund Balance - Ending	<u>\$ 80,809</u>	<u>\$ 80,809</u>	<u>\$ 135,413</u>	

TOWN OF GATES
Budgetary Comparison Schedule
Library Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 1,980,212	\$ 1,980,212	\$ 1,980,212	\$ -
Department income	64,500	64,000	49,450	(14,550)
Use of money and property	700	700	12,855	12,155
Sale of property and compensation for loss	500	500	4,917	4,417
Miscellaneous local sources	21,650	21,650	99,283	77,633
State aid	<u>18,900</u>	<u>18,900</u>	<u>22,933</u>	<u>4,033</u>
Total revenues	<u>2,086,462</u>	<u>2,085,962</u>	<u>2,169,650</u>	<u>83,688</u>
Expenditures				
Culture and recreation	1,612,820	1,612,820	1,613,205	(385)
Employee benefits	<u>473,142</u>	<u>473,142</u>	<u>451,876</u>	<u>21,266</u>
Total expenditures	<u>2,085,962</u>	<u>2,085,962</u>	<u>2,065,081</u>	<u>20,881</u>
Change in Fund Balance	500	-	104,569	<u>\$ 104,569</u>
Fund Balance - Beginning	<u>292,572</u>	<u>292,572</u>	<u>292,572</u>	
Fund Balance - Ending	<u>\$ 293,072</u>	<u>\$ 292,572</u>	<u>\$ 397,141</u>	

TOWN OF GATES
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2019

Total OPEB Liability		
	<u>2019</u>	<u>2018</u>
Service cost	\$ 370,189	\$ 479,788
Interest	775,851	834,683
Changes of benefit terms	-	-
Differences between expected and actual experience	2,527,397	(2,843,210)
Changes in assumptions or other inputs	2,760,514	(1,050,755)
Expected benefit payments	<u>(901,790)</u>	<u>(923,094)</u>
Net changes in total OPEB liability	5,532,161	(3,502,588)
Total OPEB liability - beginning	<u>20,788,796</u>	<u>24,291,384</u>
Total OPEB liability - ending	<u>\$ 26,320,957</u>	<u>\$ 20,788,796</u>
Covered employee payroll	\$ 7,999,136	\$ 7,958,644
Total OPEB liability as a percentage of covered employee payroll	30.39 %	38.28 %

TOWN OF GATES
Schedule of Town's Proportionate Share of the Net Pension Liability - ERS
For The Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Town's proportion of the net pension liability	0.0106580 %	0.0109490 %	0.0106388 %	0.0117665 %	0.0118310 %	0.0118310 %
The Town's proportionate share of the net pension liability	\$ 755,149	\$ 353,372	\$ 999,645	\$ 1,888,554	\$ 399,679	\$ 534,625
The Town's covered employee payroll	\$ 4,627,415	\$ 4,676,493	\$ 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	16.32 %	7.56 %	22.15 %	43.32 %	9.29 %	12.68 %
Plan fiduciary net position as a percentage of the total pension liability	96.30 %	98.20 %	94.70 %	90.70 %	97.20 %	97.20 %

TOWN OF GATES
Schedule of Town's Proportionate Share of the Net Pension Liability - PFRS
For The Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Town's proportion of the net pension liability	0.0963772 %	0.0989088 %	0.0930899 %	0.0993425 %	0.0962823 %	0.0962823 %
The Town's proportionate share of the net pension liability	\$ 1,616,306	\$ 999,728	\$ 1,929,429	\$ 2,941,319	\$ 265,026	\$ 400,832
The Town's covered employee payroll	\$ 3,371,721	\$ 3,282,151	\$ 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	47.94 %	30.46 %	63.19 %	97.38 %	8.91 %	14.05 %
Plan fiduciary net position as a percentage of the total pension liability	95.10 %	96.90 %	93.50 %	90.20 %	99.00 %	98.50 %

TOWN OF GATES
Schedule of Employer's Contributions - ERS
For The Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 503,969	\$ 526,867	\$ 520,717	\$ 529,462	\$ 619,274	\$ 654,769	\$ 613,398	\$ 520,992	\$ 444,209	\$ 331,773
Contribution in relation to the contractually required contribution	<u>503,969</u>	<u>526,867</u>	<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>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Contribution as a percentage of covered employee payroll	10.89 %	11.27 %	11.54 %	12.15 %	14.40 %	15.53 %	14.77 %	12.98 %	10.80 %	7.88 %

TOWN OF GATES
Schedule of Employer's Contributions - PFRS
For The Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 748,865	\$ 712,513	\$ 701,366	\$ 696,233	\$ 715,848	\$ 709,165	\$ 739,448	\$ 614,987	\$ 554,795	\$ 430,567
Contribution in relation to the contractually required contribution	<u>748,865</u>	<u>712,513</u>	<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>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Contribution as a percentage of covered employee payroll	22.21 %	21.71 %	22.97 %	23.05 %	24.07 %	24.86 %	27.08 %	23.36 %	21.49 %	17.66 %

TOWN OF GATES
Notes to Required Supplementary Information
December 31, 2019

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 budget is 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 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.

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, 2019, 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 April 20, 2020.

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
April 20, 2020