

TOWN OF GATES
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020

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, 2020, 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, 2020, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 11, budgetary comparison schedules on pages 39 - 41, schedule of changes in the Town's total OPEB liability and related ratios on page 42, schedule of the Town's proportionate share of the net pension liability ERS and PFRS on page 43, schedule of employer's contributions ERS and PFRS on page 44 and notes to the required supplementary information on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gates' basic financial statements. The other supplementary information listed on the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021, 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 27, 2021

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2020

The following is a discussion and analysis of the Town of Gates' (the "Town") financial performance for the fiscal year ended December 31, 2020. 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 \$2,034,430 for the year ended December 31, 2020, with expenses of \$21,262,224 exceeding revenues of \$19,227,794. Total net position of the Town is deficit balance of \$7,967,802. During the year revenues increased by 4.3% and expenses increased by 4.0%.
- The Town's governmental fund balances increased by \$741,066 for the year ended December 31, 2020, with revenues and other financing sources of \$19,324,146 exceeded expenditures and other financing uses of \$18,583,080. Total governmental fund balances of the Town are \$3,437,841. The increase was due to unanticipated COVID relief funding received during 2020.
- The Town's received \$1,647,255 in COVID relief funding in 2020 to offset certain operating expenditures allowed by the federal government.

USING THIS ANNUAL REPORT

This annual report consists of five parts: *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, *other supplementary information*, and *single audit reports*. 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 and other 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, 2020

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, 2020

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, 2020 and 2019

	<u>Governmental Activities</u>		<u>%</u>
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets			
Current assets	\$ 5,246,690	\$ 3,145,678	66.8
Capital assets	<u>16,783,624</u>	<u>17,082,145</u>	(1.7)
Total assets	<u>22,030,314</u>	<u>20,227,823</u>	8.9
Deferred Outflows of Resources	<u>9,782,800</u>	<u>6,377,231</u>	53.4
Total Assets and Deferred Outflows of Resources	<u>31,813,114</u>	<u>26,605,054</u>	19.6
Liabilities			
Other liabilities	1,881,877	710,046	165.0
Long-term liabilities	<u>36,521,366</u>	<u>29,421,471</u>	24.1
Total liabilities	<u>38,403,243</u>	<u>30,131,517</u>	27.5
Deferred Inflows of Resources	<u>1,377,673</u>	<u>2,406,909</u>	(42.8)
Total Liabilities and Deferred Inflows of Resources	<u>39,780,916</u>	<u>32,538,426</u>	22.3
Net Position			
Net investment in capital assets	16,568,436	16,863,196	(1.7)
Restricted	106,906	113,716	(6.0)
Unrestricted	<u>(24,643,144)</u>	<u>(22,910,284)</u>	7.6
Total net position	<u>\$ (7,967,802)</u>	<u>\$ (5,933,372)</u>	34.3

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2020

(Table 2)

Changes in Net Position from Operating Results
For the Years Ended December 31, 2020 and 2019

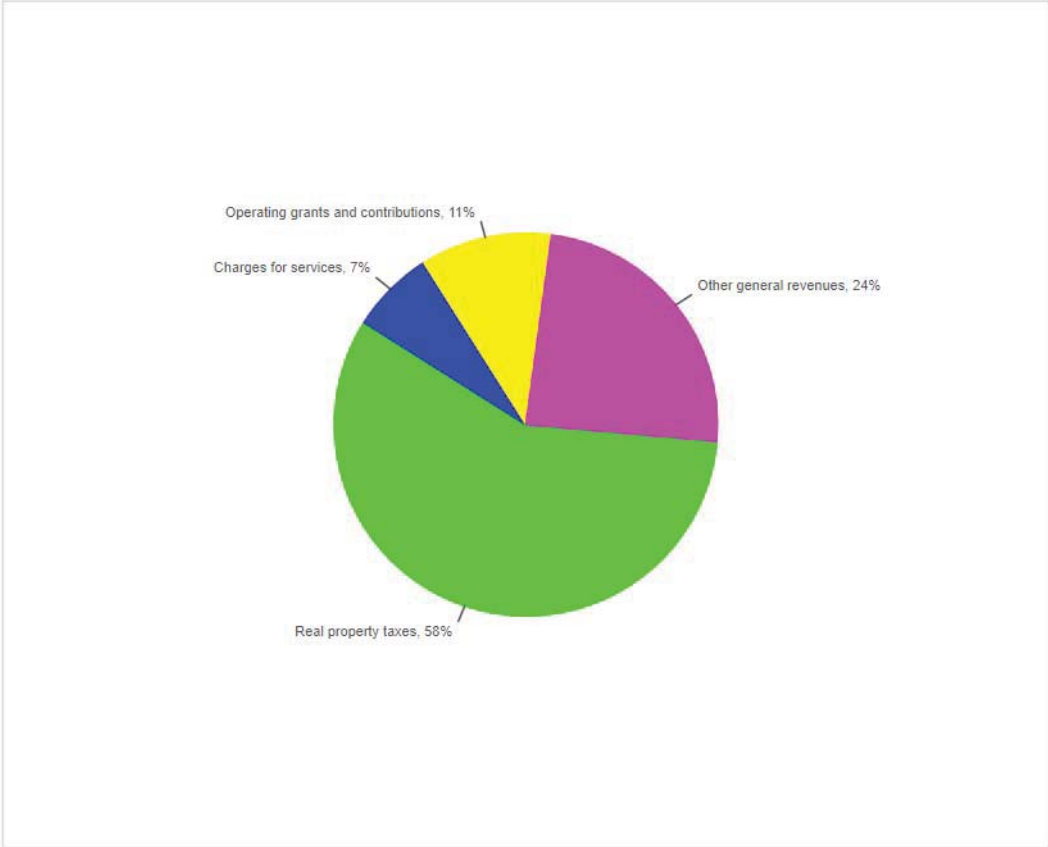
	<u>Governmental Activities</u>		<u>%</u>
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for services	\$ 1,356,224	\$ 1,899,203	(28.6)
Operating grants and contributions	2,120,924	366,456	478.8
General Revenues			
Real property taxes	11,093,277	10,944,722	1.4
Real property tax items	434,110	458,828	(5.4)
Non property tax items	3,224,140	3,306,733	(2.5)
Use of money and property	52,214	45,823	13.9
Sale of property and compensation for loss	137,837	302,404	(54.4)
Miscellaneous local sources	102,277	142,542	(28.2)
State and federal aid	<u>706,791</u>	<u>963,855</u>	(26.7)
Total revenues	<u>19,227,794</u>	<u>18,430,566</u>	4.3
Expenses			
General government support	4,330,557	4,105,248	5.5
Public safety	8,156,530	7,237,619	12.7
Transportation	5,233,738	5,046,412	3.7
Economic assistance	411	4,690	(91.2)
Culture and recreation	3,085,279	3,548,153	(13.0)
Home and community services	439,965	487,496	(9.8)
Debt interest	<u>15,744</u>	<u>5,600</u>	181.1
Total expenses	<u>21,262,224</u>	<u>20,435,218</u>	4.0
Change in Net Position	<u>\$ (2,034,430)</u>	<u>\$ (2,004,652)</u>	1.5

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2020

As reported in the statement of activities the cost of all governmental activities was \$21,262,224. However, the amount that taxpayers ultimately financed for these activities through the Town's real property taxes was \$11,093,277.

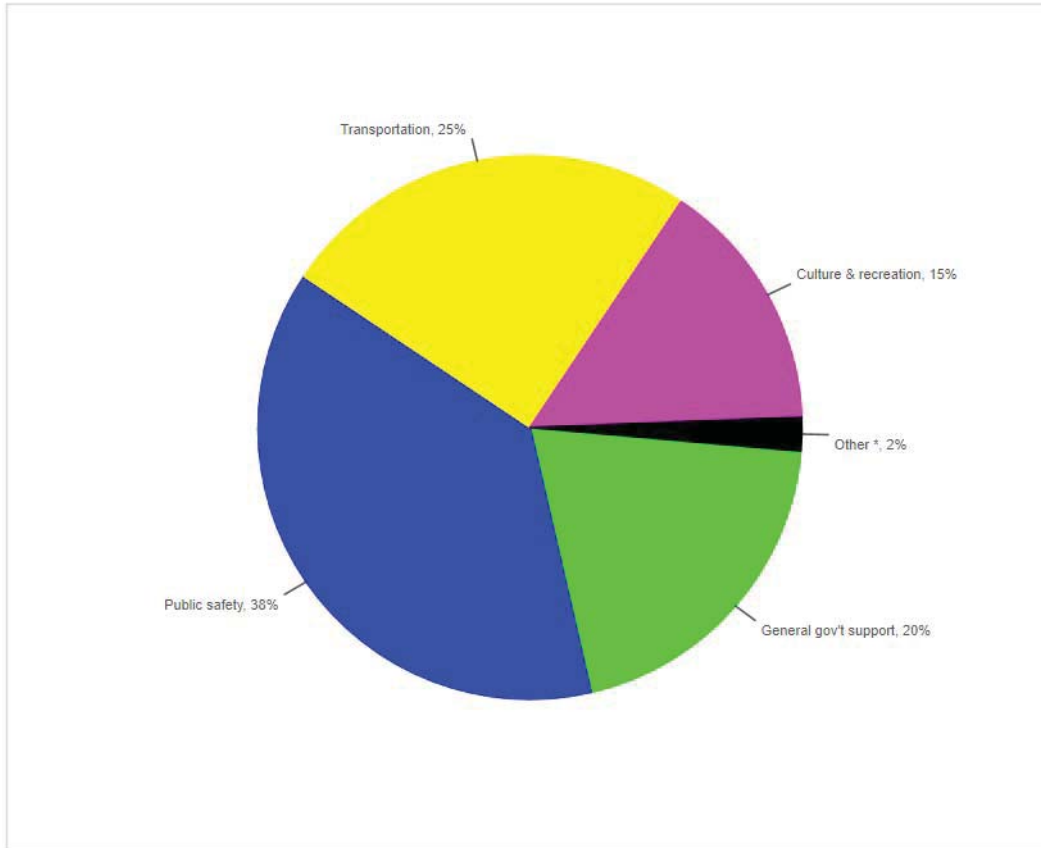
Tables 3-A&B show the revenues and expenses on a percentage basis for the governmental activities:

Table 3-A
Sources of Revenues for Governmental Activities
Fiscal Year 2020



TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2020

Table 3-B
Expenses for Governmental Activities
Fiscal Year 2020



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)

Functions/Programs	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
General government support	\$ 4,330,557	\$ 3,964,179	\$ 4,105,248	\$ 3,807,083
Public safety	8,156,530	6,061,078	7,237,619	6,685,657
Transportation	5,233,738	4,438,646	5,046,412	4,198,609
Economic assistance	411	411	4,690	4,690
Culture and recreation	3,085,279	2,955,647	3,548,153	3,061,525
Home and community services	439,965	349,371	487,496	406,395
Debt interest	15,744	15,744	5,600	5,600
Total expenses	<u>\$ 21,262,224</u>	<u>\$ 17,785,076</u>	<u>\$ 20,435,218</u>	<u>\$ 18,169,559</u>

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2020

- **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 \$19,324,146 and expenditures and other financing uses of \$18,583,080. The fund balance in the general fund increased by \$406,908 increasing the fund balance to \$2,546,927 at December 31, 2020. In the highway fund, the fund balance increased by \$177,325 increasing the fund balance to \$312,738. In the library fund, the fund balance increased by \$154,598 increasing the fund balance to \$551,739. Total other governmental funds increased by \$2,235 to \$26,437 for a total increase of \$741,066 for all government funds.

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

- Revenues - Actual revenues exceeded budget revenues and other financing sources by \$1,352,385. The increase over budgeted revenues was due to an increase in federal aid due to unexpected COVID relief funding.
- Expenditures - Budgeted expenditures exceeded actual expenditures and other financing uses by \$394,523. The increase over the actual expenditures was due to the temporary closures of both the courts and recreation departments during the pandemic and the resulting decreases in wages paid.

HIGHWAY FUND BUDGETARY HIGHLIGHTS

- Revenues - Budgeted revenues and other financing sources exceed actual revenues by \$47,677. The increase over actual revenues was due to insurance recoveries being less than budgeted as a result of a large number of claims in the prior year, as well as contractual services that were less than budgeted as a result of County Road work projects not happening as planned.
- Expenditures - Budgeted expenditures exceeded actual expenditures by \$225,002. The increase over the actual expenditures was due to road improvements that were overbudgeted and projects that did not come to fruition as a result of the pandemic.

LIBRARY FUND BUDGETARY HIGHLIGHTS

- Revenues - Actual revenues exceeded budgeted revenues by \$40,632. The excess revenue was due to better than budgeted earnings on the private money held by the library.
- Expenditures - Budgeted expenditures exceeded actual expenditures by \$113,966. The increase over the actual expenditures was due to the temporary closure of the library during the pandemic and resulting decrease in library wages paid out.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the governmental activities of the Town had \$40,708,126 invested in land, buildings, land improvements, infrastructure, and machinery and equipment. Depreciation expense of \$929,054 has been recorded in the current year. The current net book value is \$16,783,624.

Table 5 shows the fiscal 2020 and 2019 balances for the major classes of assets:

(Table 5)

Capital Assets (Net of Depreciation)
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>% Change</u>
Land	\$ 244,400	\$ 244,400	-
Buildings	2,569,621	2,686,301	(4.3)
Land improvements	193,879	215,718	(10.1)
Machinery and equipment	3,328,375	3,454,465	(3.7)
Infrastructure	<u>10,447,349</u>	<u>10,481,261</u>	(0.3)
Total	<u>\$ 16,783,624</u>	<u>\$ 17,082,145</u>	(1.7)

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

TOWN OF GATES
Management's Discussion and Analysis
For the Year Ended December 31, 2020

Long Term Debt

At December 31, 2020, the Town had total long-term debt of \$36,594,394 outstanding which was an increase of \$7,112,221 from the previous year. The increase in the net pension liability noted below is based on changes in actuarial assumptions, see Note 6 for further details.

(Table 6)

Outstanding Debt
December 31, 2020 and 2019

Governmental Activities	<u>2020</u>	<u>2019</u>	<u>% Change</u>
Compensated absences	\$ 431,826	\$ 570,812	(24.3)
Capital lease obligations	215,188	218,949	(1.7)
OPEB liability	27,499,071	26,320,957	4.5
Net pension liability	<u>8,448,309</u>	<u>2,371,455</u>	256.3
Total	<u>\$ 36,594,394</u>	<u>\$ 29,482,173</u>	24.1

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The tax base of the Town has remained stable. The 2021 budget provides for real estate tax revenues of \$11,791,374, which is similar to \$10,149,265 budgeted in 2020.
- 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. A multi-million square-foot Amazon facility will be built in the Town in the upcoming year, which is expected to bring jobs and revenue to the area.
- The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of 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, 2020

	Governmental Activities
Assets	
Cash and cash equivalents - unrestricted	\$ 4,109,957
Other receivables - net	6,782
Due from other governments	1,023,045
Investments	66,967
Cash and cash equivalents - restricted	39,939
Capital assets	
Capital assets not depreciated	244,400
Capital assets - net of depreciation	<u>16,539,224</u>
Total assets	<u>22,030,314</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pension	6,675,456
Deferred outflows of resources - OPEB	<u>3,107,344</u>
Total deferred outflows of resources	<u>9,782,800</u>
Liabilities	
Accounts payable	533,092
Accrued liabilities	286,633
Due to employees' retirement systems	989,124
Long-term liabilities	
Capital lease obligation - current	73,028
Portion due or payable after one year	
Compensated absences	431,826
Capital lease obligation - net	142,160
OPEB liability	27,499,071
Net pension liability - proportionate share	<u>8,448,309</u>
Total liabilities	<u>38,403,243</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	486,381
Deferred inflows of resources - OPEB	<u>891,292</u>
Total deferred inflows of resources	<u>1,377,673</u>
Net Position	
Net investment in capital assets	16,568,436
Restricted for	
Police escrow reserve	17,482
Library reserve	89,424
Unrestricted	<u>(24,643,144)</u>
Total net position	<u>\$ (7,967,802)</u>

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

TOWN OF GATES
Balance Sheets
Governmental Funds
December 31, 2020

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Library Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Assets					
Cash and cash equivalents - unrestricted	\$ 3,048,033	\$ 473,780	\$ 559,416	\$ 28,728	\$ 4,109,957
Other receivables - net	6,782	-	-	-	6,782
Due from other funds	1,777	-	-	-	1,777
Due from other governments	879,486	143,559	-	-	1,023,045
Investments	-	-	66,967	-	66,967
Cash and cash equivalents - restricted	<u>17,482</u>	<u>-</u>	<u>22,457</u>	<u>-</u>	<u>39,939</u>
Total Assets	<u>\$ 3,953,560</u>	<u>\$ 617,339</u>	<u>\$ 648,840</u>	<u>\$ 28,728</u>	<u>\$ 5,248,467</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 307,350	\$ 174,546	\$ 48,905	\$ 2,291	\$ 533,092
Accrued liabilities	220,222	58,566	7,845	-	286,633
Due to other funds	-	734	1,043	-	1,777
Due to employees' retirement systems	<u>879,061</u>	<u>70,755</u>	<u>39,308</u>	<u>-</u>	<u>989,124</u>
Total liabilities	<u>1,406,633</u>	<u>304,601</u>	<u>97,101</u>	<u>2,291</u>	<u>1,810,626</u>
Fund Balances					
Restricted					
Reserve for police escrow	17,482	-	-	-	17,482
Reserve for library	-	-	89,424	-	89,424
Assigned					
Reserve for highway	-	312,738	-	-	312,738
Reserve for library	-	-	462,315	-	462,315
Reserve for special districts	-	-	-	25,014	25,014
Reserve for debt service	-	-	-	1,423	1,423
Unassigned	<u>2,529,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,529,445</u>
Total fund balances	<u>2,546,927</u>	<u>312,738</u>	<u>551,739</u>	<u>26,437</u>	<u>3,437,841</u>
Total Liabilities and Fund Balances	<u>\$ 3,953,560</u>	<u>\$ 617,339</u>	<u>\$ 648,840</u>	<u>\$ 28,728</u>	<u>\$ 5,248,467</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, 2020

Total governmental fund balances		\$ 3,437,841
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	7,952,403	
Infrastructure	<u>26,128,863</u>	
Total depreciable assets	40,463,726	
Less accumulated depreciation	<u>(23,924,502)</u>	
Total capital assets, net of depreciation		16,539,224
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	(215,188)	
Compensated absences	<u>(431,826)</u>	
Total liabilities		(647,014)
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	6,675,456	
Deferred inflows of resources - pensions	(486,381)	
Net pension liability - proportionate share	<u>(8,448,309)</u>	
Total pension related items		(2,259,234)
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	3,107,344	
Deferred inflows of resources - OPEB	(891,292)	
OPEB liability	<u>(27,499,071)</u>	
Total OPEB related items		<u>(25,283,019)</u>
Net position of governmental activities		<u>\$ (7,967,802)</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, 2020

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Library Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Real property taxes	\$ 5,500,175	\$ 2,664,757	\$ 1,989,208	\$ 939,137	\$ 11,093,277
Real property tax items	434,110	-	-	-	434,110
Non property tax items	3,224,140	-	-	-	3,224,140
Department income	472,392	-	22,735	-	495,127
Intergovernmental charges	44,662	499,658	-	-	544,320
Use of money and property	26,057	8,021	18,124	11	52,213
Licenses and permits	143,171	-	-	-	143,171
Fines and forfeitures	173,606	-	-	-	173,606
Sale of property and compensation for loss	116,406	40,299	1,478	-	158,183
Miscellaneous local sources	14,660	11	87,607	-	102,278
State aid	884,221	245,434	-	-	1,129,655
Federal aid	<u>1,698,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,698,060</u>
Total revenues	<u>12,731,660</u>	<u>3,458,180</u>	<u>2,119,152</u>	<u>939,148</u>	<u>19,248,140</u>
Other Financing Source					
Proceeds from capital lease obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,006</u>	<u>76,006</u>
Total revenues and other financing source	<u>12,731,660</u>	<u>3,458,180</u>	<u>2,119,152</u>	<u>1,015,154</u>	<u>19,324,146</u>
Expenditures					
General government support	2,659,651	-	-	17,214	2,676,865
Public safety	4,127,944	-	-	-	4,127,944
Transportation	370,518	2,458,608	-	995,705	3,824,831
Economic assistance and opportunity	411	-	-	-	411
Culture and recreation	409,188	-	1,440,386	-	1,849,574
Home and community services	432,548	-	-	-	432,548
Employee benefits	4,267,384	783,844	524,168	-	5,575,396
Debt principal	49,651	30,116	-	-	79,767
Debt interest	<u>7,457</u>	<u>8,287</u>	<u>-</u>	<u>-</u>	<u>15,744</u>
Total expenditures	<u>12,324,752</u>	<u>3,280,855</u>	<u>1,964,554</u>	<u>1,012,919</u>	<u>18,583,080</u>
Change in Fund Balances	406,908	177,325	154,598	2,235	741,066
Fund Balances - Beginning	<u>2,140,019</u>	<u>135,413</u>	<u>397,141</u>	<u>24,202</u>	<u>2,696,775</u>
Fund Balances - Ending	<u>\$ 2,546,927</u>	<u>\$ 312,738</u>	<u>\$ 551,739</u>	<u>\$ 26,437</u>	<u>\$ 3,437,841</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, 2020

Net change in fund balances - total governmental funds		\$ 741,066
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	\$ 650,879	
Depreciation expense	<u>(929,054)</u>	
Excess of depreciation over capital outlay		(278,175)
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	(76,006)	
Capital lease repayment	<u>79,767</u>	
Excess of capital lease repayment over issuance		3,761
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		138,986
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:		
		(1,308,782)
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:		
		(1,310,940)
Other differences		
Loss on disposition of assets	<u>(20,346)</u>	
Total other differences		<u>(20,346)</u>
Change in net position of governmental activities		<u>\$ (2,034,430)</u>

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

TOWN OF GATES
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents - restricted	\$ 100,737
Total assets	<u>\$ 100,737</u>
NET POSITION	
Net position - restricted	\$ 100,737
Total net position	<u>\$ 100,737</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, 2020

	<u>Custodial Funds</u>
ADDITIONS	
Collections for other governments	\$ 64,910,062
Interest and earnings	<u>37</u>
Total additions	<u>64,910,099</u>
DEDUCTIONS	
Payments to other governments	64,910,062
Custodial deductions	<u>3,126</u>
Total deductions	<u>64,913,188</u>
Change in Fiduciary Net Position	(3,089)
Fiduciary Net Position - Beginning	<u>103,826</u>
Fiduciary Net Position - Ending	<u>\$ 100,737</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, 2020, the Town had \$106,906 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, 2020, 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, 2020, the library fund qualified as a major fund. The library fund is a special revenue fund that is used to account for all transactions of the Town's Public Library.

TOWN OF GATES
Notes to Financial Statements

C. Fund Types

1. Governmental Fund Types

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

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

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

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

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

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. Fiduciary Funds

The Town complies with the provisions of GASB Statement No. 84 - *"Fiduciary Activities"*. 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. Custodial funds use the economic resources measurement focus.

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

1. Accrual Basis

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

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

TOWN OF GATES
Notes to Financial Statements

2. Modified Accrual Basis

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

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

Accounting and Financial Reporting for Pensions - The Town complies with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the Town to report as a liability its portion of the collective pension liability in the New York State and Local Employees' Retirement System and the Police and Fire Retirement System. The implementation of the Statements also requires the Town to report a deferred outflow and/or inflow for the effect of the net change in the Town's proportion of the collective net pension liability and difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the Town contributions to the pension system subsequent to the measurement date. See Note 6.

Accounting and Financial Reporting for Post Employment Benefits - 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 7.

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 2020.

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 the following 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 differences between expected and actual experience of the Town's proportionate share of the net pension liability and difference during the measurement period. The change in actuary assumptions. The net difference between projected and actual investment earnings on pension plan investments. The changes in proportion and differences between employer contributions and proportionate share of

TOWN OF GATES
Notes to Financial Statements

contributions. The Town's contributions to the pension system subsequent to the measurement date. The difference between actual and expected experience of the Town's total OPEB liability. The changes of OPEB assumptions or other inputs. 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 the following items that qualify for reporting in the category. 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 change in actuarial assumptions. The changes in proportion and differences between employer contributions and proportionate share of contributions. The difference between actual and expected experience of the Town's total OPEB liability.

3. Future Changes in Accounting Standards

GASB has issued Statement No. 87 - "*Leases*." Effective for fiscal years beginning after June 15, 2021.

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, 2020.

GASB has issued Statement No. 91 - "*Conduit Debt Obligations*". Effective for fiscal years beginning after December 15, 2021.

GASB has issued Statement No. 92 - "*Omnibus 2020*". Effective for fiscal years beginning after June 15, 2021.

GASB has issued Statement No. 93 - "*Replacement of Interbank Offered Rates*". Effective for fiscal years beginning June 15, 2021.

GASB has issued Statement No. 94 - "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". Effective for fiscal years beginning June 15, 2022.

GASB has issued Statement No. 96 - "*Subscription-Based Information Technology Arrangements*". Effective for fiscal years beginning June 1, 2022.

GASB has issued Statement No. 97 - "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*". Effective for fiscal years beginning after June 15, 2021.

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

4. Use of Estimates

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

TOWN OF GATES
Notes to Financial Statements

5. Budgetary Data

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

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

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

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

6. Cash and Cash Equivalents

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

7. Investments

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

8. Due To/From Other Governments

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

9. Capital Assets

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

TOWN OF GATES
Notes to Financial Statements

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

10. Compensated Absences

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

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

Payment of vacation and sick leave recorded in the government-wide financial statements is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payments become due.

11. 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.

12. 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

13. 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. 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, 2020 is \$17,482.

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, 2020 is \$89,424.

B. Assigned

1. Reserve for Highway - Represents the amount of outstanding fund balance in the highway fund at year end. The balance at December 31, 2020 is \$312,738.

2. Reserve for Library - Represents the amount of outstanding fund balance in the library fund at year end. The balance at December 31, 2020 is \$462,315.

3. Reserve for Special Districts - Represents the amount of outstanding fund balance in the special districts fund at year end. The balance at December 31, 2020 is \$25,014.

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, 2020 is \$1,423.

14. 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 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, 2020, cash and cash equivalents are entirely composed of demand accounts and certificates of deposit and the investments are composed of an endowment blended fund.

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

TOWN OF GATES
Notes to Financial Statements

Deposits

At December 31, 2020, the Town's bank balances can be categorized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents and investments	\$ 4,250,633	\$ 4,326,151
Collateralized with securities held by the Town or by its agent in the Town's name		\$ 3,529,746
Covered by FDIC insurance		796,405
Uncollateralized		<u> -</u>
Total deposits		<u>\$ 4,326,151</u>

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Balance 12/31/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2020</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	7,717,169	352,048	(116,814)	7,952,403
Infrastructure	<u>25,830,032</u>	<u>298,831</u>	<u>-</u>	<u>26,128,863</u>
Total capital assets depreciated	<u>39,929,661</u>	<u>650,879</u>	<u>(116,814)</u>	<u>40,463,726</u>
Less - Accumulated Depreciation				
Buildings	3,089,515	116,680	-	3,206,195
Land improvements	390,926	21,839	-	412,765
Machinery and equipment	4,262,704	457,792	(96,468)	4,624,028
Infrastructure	<u>15,348,771</u>	<u>332,743</u>	<u>-</u>	<u>15,681,514</u>
Total accumulated depreciation	<u>23,091,916</u>	<u>929,054</u>	<u>(96,468)</u>	<u>23,924,502</u>
Total capital assets depreciated - net	<u>16,837,745</u>	<u>(278,175)</u>	<u>(20,346)</u>	<u>16,539,224</u>
Governmental Activities Capital Assets - Net	<u>\$ 17,082,145</u>	<u>\$ (278,175)</u>	<u>\$ (20,346)</u>	<u>\$ 16,783,624</u>

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

Governmental Activities	
General government support	\$ 124,286
Public safety	162,335
Transportation	511,940
Culture and recreation	<u>130,493</u>
Total depreciation expense	<u>\$ 929,054</u>

TOWN OF GATES
Notes to Financial Statements

Note 4. Other Long-term Debt

The following is a description of capital lease obligations as of December 31, 2020:

<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%	\$ 18,361	\$ -	\$ 7,777	\$ 10,584
Ford F-250 / 9/19	9/30/2024	4.74%	28,208	-	5,338	22,870
Ford F-150 / 5/19	5/31/2021	4.96%	19,590	-	15,452	4,138
Ford F-350 Chassis / 8/19	8/31/2024	4.93%	41,026	-	8,019	33,007
Ford F-350 Chassis / 8/19	8/31/2024	4.93%	49,175	-	8,520	40,655
Ford Escape / 5/19	5/31/2022	4.96%	18,933	-	7,761	11,172
Ford F-350 Cutaway / 11/19	11/30/2024	4.74%	43,656	-	7,835	35,821
Ford Escape / 1/20	1/31/2023	4.12%	-	17,214	5,488	11,726
Ford F-150 / 1/20	1/31/2023	4.12%	-	26,852	8,121	18,731
Ford F-150 / 2/20	2/28/2025	3.80%	-	31,940	5,456	26,484
Totals			<u>\$ 218,949</u>	<u>\$ 76,006</u>	<u>\$ 79,767</u>	<u>\$ 215,188</u>

Annual minimum lease payments are as follows:

2021	\$ 85,645
2022	68,776
2023	47,492
2024	38,245
2025	1,073
Total	<u>241,231</u>
Less interest	<u>(26,043)</u>
Total	<u>\$ 215,188</u>

Equipment held under the capital leases is as follows at December 31, 2020:

Machinery and equipment	\$ 342,052
Less - accumulated depreciation	<u>(88,555)</u>
Total machinery and equipment held under capital lease - net	<u>\$ 253,497</u>

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

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

	<u>Balance 12/31/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2020</u>
Compensated absences	\$ 570,812	\$ -	\$ 138,986	\$ 431,826
Capital lease obligations	218,949	76,006	79,767	215,188
OPEB liability	26,320,957	1,178,114	-	27,499,071
Net pension liability	<u>2,371,455</u>	<u>6,076,854</u>	<u>-</u>	<u>8,448,309</u>
Total	<u>\$ 29,482,173</u>	<u>\$ 7,330,974</u>	<u>\$ 218,753</u>	<u>\$ 36,594,394</u>
Due in one year				\$ 73,028
Due in more than one year				<u>36,521,366</u>
Total				<u>\$ 36,594,394</u>

TOWN OF GATES
Notes to Financial Statements

Note 5. Interfund Receivables and Payables

Interfund balances at December 31, 2020 consisted of the following:

	<u>Amount Receivable</u>	<u>Amount Payable</u>	
General fund	\$ 1,777	\$ -	
Library fund	-	1,043	
Highway fund	-	734	
Total	\$ 1,777	\$ 1,777	

The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

Note 6. Retirement Plan

Plan Description - The Town participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town of Gates also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy - The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in 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>
2020	\$ 517,116	\$ 786,472	\$ 1,303,588
2019	\$ 503,969	\$ 748,865	\$ 1,252,834
2018	\$ 526,867	\$ 712,513	\$ 1,239,380

TOWN OF GATES
Notes to Financial Statements

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, 2020, 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, 2020:

Actuarial valuation date	4/1/2019
Net pension liability	\$2,870,012
Town's proportion of the Plan's total net pension liability	0.0108382%

At December 31, 2020, the Town's proportion was 0.0108382%, which was an increase of 0.0001802% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2020, the Town recognized pension expense of \$1,059,001. At December 31, 2020 the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 168,912	\$ -
Changes in assumptions	57,788	49,899
Net difference between projected and actual investment earnings on pension plan investments	1,471,308	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	195,167	18,699
Employer contributions subsequent to the measurement date	524,108	-
Total	<u>\$ 2,417,283</u>	<u>\$ 68,598</u>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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:	
2021	\$ 342,575
2022	470,907
2023	566,705
2024	444,390
Total	<u>\$ 1,824,577</u>

TOWN OF GATES
Notes to Financial Statements

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, 2020, 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, 2020:

Actuarial valuation date	4/1/2019
Net pension liability	\$5,578,297
Town's proportion of the Plan's total net pension liability	0.1043660%

At December 31, 2020, the Town's proportion was 0.1043660%, which was an increase of 0.0079888% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2020, the Town's recognized pension expense of \$1,883,078. At December 31, 2020 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	\$ 371,456	\$ 93,436
Changes in assumptions	476,809	-
Net difference between projected and actual investment earnings on pension plan investments	2,512,083	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,101	324,347
Employer contributions subsequent to the measurement date	<u>794,724</u>	<u>-</u>
Total	<u>\$ 4,258,173</u>	<u>\$ 417,783</u>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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:	
2021	\$ 623,556
2022	702,654
2023	914,994
2024	773,294
2025	31,168
Total	<u>\$ 3,045,666</u>

TOWN OF GATES
Notes to Financial Statements

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	3/31/2020
Actuarial valuation date	4/1/2019
Interest rate	6.8%
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-2018.

The actuarial assumptions used in the April 1, 2019 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 the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%. 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 %	4.1 %
International equity	14.0 %	6.2 %
Private equity	10.0 %	6.8 %
Real estate	10.0 %	5.0 %
Absolute return strategies	2.0 %	3.3 %
Opportunistic portfolio	3.0 %	4.7 %
Real assets	3.0 %	6.0 %
Bonds and mortgages	17.0 %	0.8 %
Cash	1.0 %	- %
Inflation-indexed bonds	4.0 %	0.5 %
	<u>100.0 %</u>	

*Real rates of return are net of long-term inflation assumption of 2.5% for 2020.

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for the year ended December 31, 2020. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF GATES
Notes to Financial Statements

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.8% 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 (5.8%) or 1% point higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Town of Gates' proportionate share of the ERS Net Pension Liability	\$ 5,267,282	\$ 2,870,012	\$ 662,116
Town of Gates' proportionate share of the PFRS Net Pension Liability	\$ 9,974,110	\$ 5,578,297	\$ 1,641,748

Pension Plan Fiduciary Net Position

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

	ERS	PFRS
Valuation date	4/1/2019	4/1/2019
Employers' total pension liability	\$ 194,596,261,000	\$ 35,309,017,000
Plan net position	<u>(168,115,682,000)</u>	<u>(29,954,080,000)</u>
Employers' net pension liability	<u>\$ 26,480,579,000</u>	<u>\$ 5,354,937,000</u>
Ratio of plan net position to the employers' total pension liability	86.4 %	84.9 %

Note 7. Post Employment Healthcare Plan

Plan Description - The Town provides medical benefits to active and retired employees. Currently, health care premiums are paid to health care providers and recorded as a hospital/medical insurance expense. All full-time Town Hall employees are eligible to participate and retire at age 62 with at least 10 years of service. All full-time highway department employees are eligible to participate and retire at age 62 with at least 10 years of service or at age 55 with 20 years of service. All full-time library employees are eligible to participate and retire at age 62 with at least 10 years of service or at age 55 with 25 years of service. All full-time police employees are eligible to participate if they retire with at least 20 year of service. Upon retirement, participants and their spouses are eligible for continued medical benefits provided through the Town. No employee contributions are required. When the employee becomes eligible for Medicare, the coverage converts to a Medicare PPO plan.

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	<u>55</u>
Total	<u>220</u>

Total OPEB Liability - The Town's total OPEB liability of \$27,499,071 was measured as of December 31, 2020 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

TOWN OF GATES
Notes to Financial Statements

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	2.41%
Year in which assets expire	2020
Single discount rate	2.41%
Initial healthcare cost trend rate	4.00%
Ultimate healthcare cost trend rate	4.08%
Salary scale increases	3.11%

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-2020. 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. If no pre-funding is established, the discount rate will be based on a tax exempt, high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. 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%

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

Total OPEB liability as of December 31, 2019	\$ 26,320,957
Changes for the year:	
Service cost	481,176
Interest	710,434
Differences between expected and actual experience	(1,415,581)
Changes in assumptions or other inputs	2,370,245
Benefit payments	<u>(968,160)</u>
Net changes	1,178,114
Total OPEB liability as of December 31, 2020	<u>\$ 27,499,071</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 2.41% 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 (1.41%) or 1% point higher (3.41%) than the current rate:

	1% Decrease	Current	1% Increase
	(1.41%)	(2.41%)	(3.41%)
Total OPEB Liability	\$ 31,724,969	\$ 27,499,071	\$ 24,081,615

TOWN OF GATES
Notes to Financial Statements

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 (3.00% to <u>3.08%</u>)	Current Assumption (4.00% to <u>4.08%</u>)	1% Increase (5.00% to <u>5.08%</u>)
Total OPEB Liability	\$ 23,639,345	\$ 27,499,071	\$ 32,328,751

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

For the year ended December 31, 2020, the Town recognized OPEB expense of \$2,295,203. At December 31, 2020, 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	\$ 655,251	\$ 891,292
Changes of assumptions or other inputs	2,208,064	-
Employer contributions subsequent to the measurement date	<u>244,029</u>	<u>-</u>
Total	<u>\$ 3,107,344</u>	<u>\$ 891,292</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:	
2021	\$ 1,724,519
2022	<u>247,504</u>
Total	<u>\$ 1,972,023</u>

Note 8. Risk Management

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

Note 9. Commitments and Contingencies

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

TOWN OF GATES
Notes to Financial Statements

Note 10. Stewardship, Compliance, Accountability

Material Violations of Finance-Related Provisions

Expenditures exceeding the budget are explained as follows:

General Fund

Expenditures for public safety and employee benefits exceeded the budgeted amount due to additional time spent by the police department during the COVID pandemic. These costs were offset by the federal COVID funding received.

Highway Fund

Expenditures for employee benefits exceeded the budgeted amount. This is due to higher than budgeted health insurance costs. Expenditures for debt principal exceeded budget amounts due to capital lease payments budgeted under the transportation expenditure category as opposed to debt principal.

Library Fund

Expenditures for employee benefits exceeded budgeted amounts due to higher than budgeted health insurance costs.

Note 11. Tax Abatements

As of December 31, 2020, 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, 2020 are as follows:

Industrial	\$	950,290
Manufacturing	\$	46,170
Other	\$	349,810
Storage	\$	32,018

TOWN OF GATES
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 5,495,299	\$ 5,495,299	\$ 5,500,175	\$ 4,876
Real property tax items	517,414	517,414	434,110	(83,304)
Non property tax items	3,154,791	3,154,791	3,224,140	69,349
Department income	674,634	674,634	472,392	(202,242)
Intergovernmental charges	52,735	52,735	44,662	(8,073)
Use of money and property	23,500	23,500	26,057	2,557
Licenses and permits	154,564	154,564	143,171	(11,393)
Fines and forfeitures	264,721	264,721	173,606	(91,115)
Sale of property and compensation for loss	125,000	125,000	116,406	(8,594)
Miscellaneous local sources	16,944	16,944	14,660	(2,284)
State aid	899,673	899,673	884,221	(15,452)
Federal aid	-	-	1,698,060	1,698,060
Total revenues	<u>11,379,275</u>	<u>11,379,275</u>	<u>12,731,660</u>	<u>1,352,385</u>
Expenditures				
General government support	2,917,698	2,917,698	2,659,651	258,047
Public safety	3,898,463	3,898,463	4,127,944	(229,481)
Transportation	437,714	437,714	370,518	67,196
Economic assistance and opportunity	6,803	6,803	411	6,392
Culture and recreation	954,630	954,630	409,188	545,442
Home and community services	473,069	473,069	432,548	40,521
Employee benefits	4,030,898	4,030,898	4,267,384	(236,486)
Debt principal	-	-	49,651	(49,651)
Debt interest	-	-	7,457	(7,457)
Total expenditures	<u>12,719,275</u>	<u>12,719,275</u>	<u>12,324,752</u>	<u>394,523</u>
Change in Fund Balance	(1,340,000)	(1,340,000)	406,908	<u>\$ 1,746,908</u>
Fund Balance - Beginning	<u>2,140,019</u>	<u>2,140,019</u>	<u>2,140,019</u>	
Fund Balance - Ending	<u>\$ 800,019</u>	<u>\$ 800,019</u>	<u>\$ 2,546,927</u>	

See accompanying notes to required supplementary information.

TOWN OF GATES
Budgetary Comparison Schedule
Highway Fund
For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 2,664,757	\$ 2,664,757	\$ 2,664,757	\$ -
Intergovernmental charges	512,000	512,000	499,658	(12,342)
Use of money and property	700	700	8,021	7,321
Sale of property and compensation for loss	80,000	80,000	40,299	(39,701)
Miscellaneous local sources	3,000	3,000	11	(2,989)
State aid	<u>245,400</u>	<u>245,400</u>	<u>245,434</u>	<u>34</u>
Total revenues	<u>3,505,857</u>	<u>3,505,857</u>	<u>3,458,180</u>	<u>(47,677)</u>
Expenditures				
Transportation	2,819,695	2,819,695	2,458,608	361,087
Employee benefits	686,162	686,162	783,844	(97,682)
Debt principal	-	-	30,116	(30,116)
Debt interest	<u>-</u>	<u>-</u>	<u>8,287</u>	<u>(8,287)</u>
Total expenditures	<u>3,505,857</u>	<u>3,505,857</u>	<u>3,280,855</u>	<u>225,002</u>
Change in Fund Balance	-	-	177,325	<u>\$ 177,325</u>
Fund Balance - Beginning	<u>135,413</u>	<u>135,413</u>	<u>135,413</u>	
Fund Balance - Ending	<u>\$ 135,413</u>	<u>\$ 135,413</u>	<u>\$ 312,738</u>	

See accompanying notes to required supplementary information.

TOWN OF GATES
Budgetary Comparison Schedule
Library Fund
For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Real property taxes	\$ 1,989,208	\$ 1,989,208	\$ 1,989,208	\$ -
Department income	52,812	52,812	22,735	(30,077)
Use of money and property	12,000	12,000	18,124	6,124
Sale of property and compensation for loss	500	500	1,478	978
Miscellaneous local sources	13,000	13,000	87,607	74,607
State aid	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>(11,000)</u>
Total revenues	<u>2,078,520</u>	<u>2,078,520</u>	<u>2,119,152</u>	<u>40,632</u>
Expenditures				
Culture and recreation	1,590,208	1,590,208	1,440,386	149,822
Employee benefits	<u>488,312</u>	<u>488,312</u>	<u>524,168</u>	<u>(35,856)</u>
Total expenditures	<u>2,078,520</u>	<u>2,078,520</u>	<u>1,964,554</u>	<u>113,966</u>
Change in Fund Balance	-	-	154,598	<u>\$ 154,598</u>
Fund Balance - Beginning	<u>397,141</u>	<u>397,141</u>	<u>397,141</u>	
Fund Balance - Ending	<u>\$ 397,141</u>	<u>\$ 397,141</u>	<u>\$ 551,739</u>	

See accompanying notes to required supplementary information.

TOWN OF GATES
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2020

Total OPEB Liability			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 481,176	\$ 370,189	\$ 479,788
Interest	710,434	775,851	834,683
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,415,581)	2,527,397	(2,843,210)
Changes in assumptions or other inputs	2,370,245	2,760,514	(1,050,755)
Expected benefit payments	<u>(968,160)</u>	<u>(901,790)</u>	<u>(923,094)</u>
Net changes in total OPEB liability	1,178,114	5,532,161	(3,502,588)
Total OPEB liability - beginning	<u>26,320,957</u>	<u>20,788,796</u>	<u>24,291,384</u>
Total OPEB liability - ending	<u>\$ 27,499,071</u>	<u>\$ 26,320,957</u>	<u>\$ 20,788,796</u>
Covered employee payroll	\$ 8,247,909	\$ 7,999,136	\$ 7,958,644
Total OPEB liability as a percentage of covered employee payroll	29.99 %	30.39 %	38.28 %

See accompanying notes to required supplementary information.

TOWN OF GATES
Schedule of Town's Proportionate Share of the Net Pension Liability - ERS
For The Year Ended December 31, 2020

	<u>2020</u>	<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	0.0108382 %	0.0106580 %	0.0109490 %	0.0106388 %	0.0117665 %	0.0118310 %	0.0118310 %
The Town's proportionate share of the net pension liability	\$ 2,870,012	\$ 755,149	\$ 353,372	\$ 999,645	\$ 1,888,554	\$ 399,679	\$ 534,625
The Town's covered employee payroll	\$ 4,464,458	\$ 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	64.29 %	16.32 %	7.56 %	22.15 %	43.32 %	9.29 %	12.68 %
Plan fiduciary net position as a percentage of the total pension liability	86.40 %	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, 2020

	<u>2020</u>	<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	0.1043660 %	0.0963772 %	0.0989088 %	0.0930899 %	0.0993425 %	0.0962823 %	0.0962823 %
The Town's proportionate share of the net pension liability	\$ 5,578,297	\$ 1,616,306	\$ 999,728	\$ 1,929,429	\$ 2,941,319	\$ 265,026	\$ 400,832
The Town's covered employee payroll	\$ 3,587,222	\$ 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	155.50 %	47.94 %	30.46 %	63.19 %	97.38 %	8.91 %	14.05 %
Plan fiduciary net position as a percentage of the total pension liability	84.90 %	95.10 %	96.90 %	93.50 %	90.20 %	99.00 %	98.50 %

See accompanying notes to required supplementary information.

TOWN OF GATES
Schedule of Employer's Contributions - ERS
For The Year Ended December 31, 2020

	<u>2020</u>	<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>
Contractually required contribution	\$ 517,116	\$ 503,969	\$ 526,867	\$ 520,717	\$ 529,462	\$ 619,274	\$ 654,769	\$ 613,398	\$ 520,992	\$ 444,209
Contribution in relation to the contractually required contribution	<u>517,116</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$4,464,458</u>	<u>\$4,627,415</u>	<u>\$4,676,493</u>	<u>\$4,513,604</u>	<u>\$4,359,358</u>	<u>\$4,300,724</u>	<u>\$4,217,196</u>	<u>\$4,153,380</u>	<u>\$4,015,171</u>	<u>\$4,113,614</u>
Contribution as a percentage of covered employee payroll	11.58 %	10.89 %	11.27 %	11.54 %	12.15 %	14.40 %	15.53 %	14.77 %	12.98 %	10.80 %

TOWN OF GATES
Schedule of Employer's Contributions - PFRS
For The Year Ended December 31, 2020

	<u>2020</u>	<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>
Contractually required contribution	\$ 786,472	\$ 748,865	\$ 712,513	\$ 701,366	\$ 696,233	\$ 715,848	\$ 709,165	\$ 739,448	\$ 614,987	\$ 554,795
Contribution in relation to the contractually required contribution	<u>786,472</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$3,587,222</u>	<u>\$3,371,721</u>	<u>\$3,282,151</u>	<u>\$3,053,363</u>	<u>\$3,020,424</u>	<u>\$2,974,101</u>	<u>\$2,852,675</u>	<u>\$2,730,680</u>	<u>\$2,632,181</u>	<u>\$2,582,068</u>
Contribution as a percentage of covered employee payroll	21.92 %	22.21 %	21.71 %	22.97 %	23.05 %	24.07 %	24.86 %	27.08 %	23.36 %	21.49 %

See accompanying notes to required supplementary information.

TOWN OF GATES
Notes to Required Supplementary Information
December 31, 2020

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

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 Liability are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF GATES
Combining Balance Sheets
Other Governmental Funds
December 31, 2020

ASSETS	Special Districts Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
Assets				
Cash and cash equivalents - unrestricted	\$ 27,305	\$ 1,423	\$ -	\$ 28,728
Total Assets	\$ 27,305	\$ 1,423	\$ -	\$ 28,728
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,291	\$ -	\$ -	\$ 2,291
Total liabilities	<u>2,291</u>	<u>-</u>	<u>-</u>	<u>2,291</u>
Fund Balances				
Assigned				
Reserve for special districts	25,014	-	-	25,014
Reserve for debt service	-	1,423	-	1,423
Total fund balances	<u>25,014</u>	<u>1,423</u>	<u>-</u>	<u>26,437</u>
Total Liabilities and Fund Balances	\$ 27,305	\$ 1,423	\$ -	\$ 28,728

TOWN OF GATES
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended December 31, 2020

	Special Districts Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
Revenues				
Real property taxes	\$ 939,137	\$ -	\$ -	\$ 939,137
Use of money and property	<u>10</u>	<u>1</u>	<u>-</u>	<u>11</u>
Total revenues	939,147	1	-	939,148
Proceeds from capital lease obligations	<u>-</u>	<u>-</u>	<u>76,006</u>	<u>76,006</u>
Total revenues and other financing sources	<u>939,147</u>	<u>1</u>	<u>76,006</u>	<u>1,015,154</u>
Expenditures				
General government support	-	-	17,214	17,214
Transportation	<u>936,913</u>	<u>-</u>	<u>58,792</u>	<u>995,705</u>
Total expenditures	<u>936,913</u>	<u>-</u>	<u>76,006</u>	<u>1,012,919</u>
Change in Fund Balance	2,234	1	-	2,235
Fund Balances - Beginning	<u>22,780</u>	<u>1,422</u>	<u>-</u>	<u>24,202</u>
Fund Balances - Ending	<u>\$ 25,014</u>	<u>\$ 1,423</u>	<u>\$ -</u>	<u>\$ 26,437</u>

TOWN OF GATES
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development				
Pass through program from Monroe County:				
Community Development Block Grants/Entitlement Grants	14.218	B-19-UC-36- 0002	\$ 50,000	\$ -
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	N/A	805	-
U.S. Department of the Treasury				
Pass through program from Monroe County:				
Coronavirus Relief Fund	21.019	SLT0159	<u>1,647,255</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,698,060</u>	<u>\$ -</u>

TOWN OF GATES
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the Town, which is described in Note 1 to the Town's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information in this schedule was prepared on the accrual basis of accounting and is presented in accordance with the requirements of *Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Matching costs (the Town's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Town's financial reporting system.

Note 2. Subrecipients

No amounts were provided to subrecipients.

Note 3. Indirect Costs

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The Town has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Matching costs (the Town's share of certain program costs) are not included in the reported expenditures.

Note 4. Donated Personal Protective Equipment (PPE) - Unaudited

During the year ended December 31, 2020, the Town received donated personal protective equipment. Management has determined that the fair market value of the donated personal protective equipment was immaterial. The value of donated personal protective equipment is not required to be included on the schedule of expenditures of federal awards.

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, 2020, 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 27, 2021.

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) as a basis for designing 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 financial statements. 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 27, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Town of Gates' compliance, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2020. Town of Gates' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Town of Gates' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Gates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Town of Gates' compliance.

Opinion on the Major Federal Program

In our opinion, Town of Gates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Town of Gates is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Gates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Gates' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
April 27, 2021

TOWN OF GATES
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued on whether the basic financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- 1. Material weaknesses identified? Yes No
- 2. Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported
- 3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- 4. Material weaknesses identified? Yes No
- 5. Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

- 6. Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes No

7. Major program audited was:

Program Title

Coronavirus Relief Fund

**Federal CFDA
Number**

21.019

8. Dollar threshold to determine type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? Yes No*

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

*The risk rating noted above for the Town is a result of 2020 being the initial year of a federal single audit which requires a high risk assessment.

TOWN OF GATES
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2020

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NOT APPLICABLE - Uniform Guidance audit not required in the prior year.