TOWN OF YATES, NEW YORK

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2018

TOWN OF YATES, NEW YORK

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Amato, Fox & Company, PC
Certified Public Accountants

Amato Fox

INDEPENDENT AUDITOR'S REPORT

Honorable Town Board
Town of Yates
Lyndonville, 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 Yates, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Yates's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 Unites 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 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.

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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 Yates, New York, as of December 31, 2018, and the respective changes in 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 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. 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 Yates's basic financial statements. The Combining and Individual Fund Statements and Schedules, and the Financial Statements of Individual Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Fund Statements and Schedules, and the Financial Statements of Individual Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019 on our consideration of the Town of Yates's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of Yates's internal control over financial reporting and compliance.

Amato, Fox & Company, P.C.

Amato, Fox & Company, P.C.
Tonawanda, New York
May 14, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

TOWN OF YATES, NEW YORK

Management's Discussion and Analysis
For the Year Ended December 31, 2018

This section of the Town of Yates' (the "Town") annual financial report presents a discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2018. Please read it in conjunction with the Town's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded liabilities at the close of the 2018 fiscal year by $7,139,728 (net position). Of this amount, $816,025 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, $6,321,975 is invested in capital assets, net of related debt, and $1,728 is restricted for specific purposes.

- The Town's total net position decreased by $820,279.

- As of December 31, 2018, the Town's governmental funds reported combined fund balances of $840,902, a decrease of $303,926 in comparison with the prior year.

- At the end of the fiscal year, total fund balance for the General Fund was ($179,995).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - *Management's Discussion and Analysis* (this section), and the *Basic Financial Statements*.

Basic Financial Statements

Governmental-Wide Financial Statements are two statements designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all Town assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., unallocated taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or, in part, a portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, interest and fiscal charges and depreciation.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spend able resources, as well as, balances of spend able resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The Town adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the special revenue fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 19-25 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 28-48 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $7,139,728 at the close of the most recent fiscal year.

Summary of Town of Yates' Net Position

	Total Governmental Activities December 31, 2018	Total Governmental Activities December 31, 2017
Current and other assets	$ 1,063,955	$ 1,286,848
Capital assets	8,837,589	9,163,333
Total assets	9,901,544	10,450,181
Deferred outflows of resources	133,826	126,111
Total deferred outflows of resources	133,826	126,111
Long-term liabilities	2,543,708	2,326,811
Other liabilities	258,038	175,640
Total liabilities	2,801,746	2,502,451
Deferred inflows of resources	93,896	14,649
Total deferred inflows of resources	93,896	14,649
Net position:		
Investment in capital assets, net of related debt	6,321,975	6,928,294
Restricted	1,728	-
Unrestricted	816,025	1,130,898
Total net position	**$ 7,139,728**	**$ 8,059,192**

The largest portion of the Town's net position (88.55%) reflects its net investment in capital assets of $6,321,975 (e.g. land, buildings, improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The amount that the Town's restricted net position for specific purposes was $1,728 (.02%).

The remaining balance of the Town's net position (11.43%) represents unrestricted net position of $816,025, which may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities: Governmental activities decreased the Town's net position by $820,279.

The following table indicates the changes in net position for governmental activities:

Summary of Town of Yates' Changes in Net Position

	December 31, 2018	December 31, 2017
Revenues:		
Program revenues:		
Charges for services	$ 436,505	$ 422,773
Operating grants and contributions	108,899	125,392
General revenues:		
Real property taxes and tax items	899,271	881,124
Non-property tax items	79,443	78,267
Use of money and property	2,611	3,226
Licenses and permits	7,288	7,593
Fines and forfeitures	14,537	13,500
Sale of property and compensation for loss	8,437	4,995
Miscellaneous	11,000	11,003
State aid	40,916	40,776
Total revenues	1,608,907	1,588,649

Summary of Town of Yates' Changes in Net Position (cont.)

	December 31, 2018	December 31, 2017
Expenses:		
General government support	$ 350,228	$ 263,347
Public safety	87,108	84,084
Health	11,357	15,433
Transportation	1,073,518	1,058,217
Economic assistance and opportunity	750	-
Culture and recreation	47,280	38,118
Home and community services	771,582	384,817
Interest and fiscal charges	87,363	89,630
Total expenses	2,429,186	1,933,646
Change in net position	(820,279)	(344,997)
Net position - beginning (restated)	7,960,007	8,305,004
Net position - ending	**$ 7,139,728**	**$ 7,960,007**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses *fund accounting* to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The general governmental functions are contained in the General, Special Revenue, and Capital Projects. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2018, the Town's governmental funds reported combined fund balances of $840,902, a decrease of $303,926 in comparison with the prior year. ($261,757) constitutes *unassigned fund balance*, which is available to meet the Town's current and future operational needs.

The General Fund - Town-wide is the chief operating fund of the Town. At December 31, 2018, unassigned fund balance of the General Fund - Town-wide was ($183,904) and total fund balance was ($179,995). As a measure of General - Town-wide Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of $488,622.

Revenues for governmental functions totaled $1,608,907 in fiscal year ended December 31, 2018, which represents an increase of $20,258 from the fiscal year ended December 31, 2017.

The following table presents the amount of revenues from various sources, as well as, increases or decreases from the prior year:

Revenues Classified by Source - Governmental Funds

	2018 Amount	Percent of Total	2017 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Revenues:					
Real property taxes and tax items	$ 899,271	55.89%	$ 881,124	$ 18,147	2.06%
Non-property tax items	66,206	4.11%	66,234	(28)	-0.04%
Departmental income	275,905	17.15%	270,909	4,996	1.84%
Intergovernmental charges	160,601	9.98%	151,866	8,735	5.75%
Use of money and property	2,610	0.16%	3,227	(617)	-19.12%
Licenses and permits	7,288	0.45%	7,593	(305)	-4.02%
Fines and forfeitures	14,537	0.90%	13,500	1,037	7.68%
Sale of property	8,437	0.52%	4,995	3,442	68.91%
Miscellaneous	24,237	1.51%	23,033	1,204	5.23%
State and federal aid	149,815	9.31%	166,168	(16,353)	-9.84%
Total revenues	**$ 1,608,907**	**100.00%**	**$ 1,588,649**	**$ 20,258**	

The following provides an explanation of revenues by source that change significantly over the prior year:

- State and federal aid decreased because less aid for road replacement was received during the current year.

The following table presents expenditures, by function, compared to prior year amounts:

Expenditures by Function - Governmental Funds

	2018 Amount	Percent of Total	2017 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Expenditures:					
General government support	$ 242,263	10.59%	$ 194,442	$ 47,821	24.59%
Public safety	86,657	3.79%	80,432	6,225	7.74%
Health	11,357	0.50%	15,095	(3,738)	-24.76%
Transportation	766,756	33.51%	736,345	30,411	4.13%
Economic assistance and opportunity	750	0.03%	-	750	100.00%
Culture and recreation	21,699	0.95%	18,261	3,438	18.83%
Home and community services	682,781	29.84%	257,736	425,045	164.91%
Employee benefits	195,648	8.55%	157,107	38,541	24.53%
Debt service	279,922	12.24%	172,037	107,885	62.71%
Total expenditures	**$ 2,287,833**	**100.00%**	**$ 1,631,455**	**$ 656,378**	

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- Home and community services increased in total because of spending for water district improvements.
- Debt service increased because of an increase in outstanding debt during the current year.

The current year excess of revenues over expenditures is presented below:

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds

	Major Funds			
	General	Special Revenue	Capital Projects	Total
Fund Balance at December 31, 2016	$ (89,988)	$ 1,277,622	$ -	$ 1,187,634
Revenues	401,744	1,186,905	-	1,588,649
Expenditures	403,590	1,227,865	-	1,631,455
Excess (deficiency) of revenues over expenditures	(1,846)	(40,960)	-	(42,806)
Other sources and uses, net	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	(1,846)	(40,960)	-	(42,806)
Fund Balance at December 31, 2017	**(91,834)**	**1,236,662**	**-**	**1,144,828**
Revenues	400,461	1,208,446	-	1,608,907
Expenditures	488,622	1,799,211	-	2,287,833
Excess (deficiency) of revenues over expenditures	(88,161)	(590,765)	-	(678,926)
Other sources and uses, net	-	375,000	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	(88,161)	(215,765)	-	(678,926)
Fund Balance at December 31, 2018	**$ (179,995)**	**$ 1,020,897**	**$ -**	**$ 840,902**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of December 31, 2018, amounted to $8,837,589 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, machinery and equipment, and office furniture.

All depreciable capital assets were depreciated under the straight-line method using the full-year convention.

Capital assets net of depreciation are presented below:

Summary of Town of Yates' Capital Assets
(Net of Depreciation)

	2018	2017
Land	128,725	128,725
Infrastructure	7,983,188	8,216,281
Buildings and improvements	555,311	565,241
Machinery and equipment	170,365	253,086
Total	**$ 8,837,589**	**$ 9,163,333**

Long-term Debt

At December 31, 2018, the Town had total long-term debt outstanding of $2,515,614 as compared to $2,334,224 in the prior year. The amount is comprised solely of serial bonds. During the year, the retirement of debt amounted to $193,610. New York State statutes limit the amount of general obligation debt a governmental entity to 7% of its five-year average full valuation. The current debt-limitation for the Town is $12,160,859 which is significantly in excess of the Town's general obligation debt.

Additional information on the Town's long-term debt can be found on pages 42-44 of the Notes to the Financial Statements.

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Town of Yates, Town Supervisor, 8 South Main Street, Lyndonville, NY 14098.

BASIC FINANCIAL STATEMENTS

TOWN OF YATES, NEW YORK

GOVERNMENT-WIDE FUNDS

Statement of Net Position
December 31, 2018

ASSETS AND DEFERRED OUTFLOWS		
ASSETS:		
Cash and cash equivalents	$	992,709
Prepaid expense		10,249
Receivables (net of allowance for uncollectables)		60,997
Capital assets:		
Land		128,725
Other capital assets, net of depreciation		8,708,864
Total assets		9,901,544
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions		133,826
Total deferred outflows of resources		133,826
Total assets and deferred outflows of resources	**$**	**10,035,370**

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

TOWN OF YATES, NEW YORK

GOVERNMENT-WIDE FUNDS

Statement of Net Position
December 31, 2018

LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
LIABILITIES:		
Accounts payable	$	222,654
Accrued interest		35,384
Long-term liabilities:		
Due within one year:		
Bonds payable		106,129
Due in more than one year:		
Bonds payable		2,409,485
Net pension liability		28,094
Total liabilities		2,801,746
DEFERRED INFLOWS OF RESOURCES:		
Overpayments		399
Pensions		93,497
Total deferred inflows of resources		93,896
NET POSITION:		
Net investment in capital assets		6,321,975
Restricted		1,728
Unrestricted		816,025
Total net position		7,139,728
Total liabilities, deferred inflows, and net position	**$**	**10,035,370**

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

TOWN OF YATES, NEW YORK

GOVERNMENT-WIDE FUNDS

Statement of Activities
For the Year Ended December 31, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Function / programs:				
Governmental activities:				
General government	$ (350,228)	$ 1,247	$ -	$ (348,981)
Public safety	(87,108)	-	-	(87,108)
Health	(11,357)	710	-	(10,647)
Transportation	(1,073,518)	160,601	108,899	(804,018)
Economic assistance and opportunity	(750)	-	-	(750)
Culture and recreation	(47,280)	-	-	(47,280)
Home and community services	(771,582)	273,947	-	(497,635)
Interest and fiscal charges	(87,363)	-	-	(87,363)
Total governmental activities	**$ (2,429,186)**	**$ 436,505**	**$ 108,899**	(1,883,782)
General revenues:				
Real property taxes and tax items				899,271
Non-property tax items				79,443
Use of money and property				2,611
Licenses and permits				7,288
Fines and forfeitures				14,537
Sale of property				8,437
Miscellaneous				11,000
State aid				40,916
Total general revenues				1,063,503
Change in net position				(820,279)
Total net position at beginning of year (restated)				7,960,007
Total net position at end of year				**$ 7,139,728**

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

TOWN OF YATES, NEW YORK

GOVERNMENTAL FUNDS

Balance Sheet
December 31, 2018

	General - Townwide	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 28,507	$ 964,202	$ -	$ 992,709
Prepaid expenses	2,181	8,068	-	10,249
Water rents receivable (net of allowance for uncollectible)	-	60,997	-	60,997
Total assets	**30,688**	**1,033,267**	**-**	**1,063,955**
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	210,284	12,370	-	222,654
Total liabilities	210,284	12,370	-	222,654
Deferred inflows of resources:				
Overpayments	399	-	-	399
Total deferred inflows of resources	399	-	-	399
Fund balance:				
Non-spendable	2,181	8,068	-	10,249
Restricted	1,728	-	-	1,728
Assigned	-	1,012,829	-	1,012,829
Unassigned	(183,904)	-	-	(183,904)
Total fund balances	(179,995)	1,020,897	-	840,902
Total liabilities and fund balances	**$ 30,688**	**$ 1,033,267**	**$ -**	**$ 1,063,955**

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

TOWN OF YATES, NEW YORK

Reconciliation of Statement of Net Position
to Governmental Fund Balances
December 31, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Governmental Fund Balances	$	840,902
Assets used in governmental activities are not financial resources and not reported in the funds.		8,837,589
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds.		(2,515,614)
Net accrued interest for bonds are not reported in the funds.		(35,384)
Deferred outflows of employee retirement system.		133,826
Deferred inflows of employee retirement system.		(93,497)
Proportionate share of employees retirement system liability.		(28,094)
Net Position of Governmental Activities	**$**	**7,139,728**

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

TOWN OF YATES, NEW YORK

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	General - Townwide	Special Revenue	Capital Projects	Governmental Funds
Revenues:				
Real property taxes	$ 293,022	$ 600,505	$ -	$ 893,527
Real property tax items	5,744	-	-	5,744
Non-property tax items	-	66,206	-	66,206
Departmental income	17,885	258,020	-	275,905
Intergovernmental charges	-	160,601	-	160,601
Use of money and property	278	2,332	-	2,610
Licenses and permits	3,736	3,552	-	7,288
Fines and forfeitures	14,537	-	-	14,537
Sale of property and compensation for loss	106	8,331	-	8,437
Miscellaneous	24,237	-	-	24,237
State aid	40,916	108,899	-	149,815
Total revenues	$ 400,461	$ 1,208,446	$ -	$ 1,608,907

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

TOWN OF YATES, NEW YORK

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	General - Townwide	Special Revenue	Capital Projects	Governmental Funds
Expenditures:				
Current:				
General government support	$ 239,959	$ 2,304	$ -	$ 242,263
Public safety	3,471	83,186	-	86,657
Health	10,757	600	-	11,357
Transportation	104,977	661,779	-	766,756
Economic Assistance & Opportunity	-	750	-	750
Culture and recreation	17,630	4,069	-	21,699
Home and community services	32,178	650,603	-	682,781
Employee benefits	79,650	115,998	-	195,648
Debt service:				
Debt service - principal	-	193,610	-	193,610
Debt service - interest	-	86,312	-	86,312
Total expenditures	488,622	1,799,211	-	2,287,833
Excess (deficiency) of revenues over expenditures	(88,161)	(590,765)	-	(678,926)
Other financing sources (uses):				
Proceeds from bond issuance	-	-	375,000	-
Transfers from other funds	-	375,000	-	375,000
Transfers to other funds	-	-	(375,000)	(375,000)
Total other financing sources (uses)	-	375,000	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(88,161)	(215,765)	-	(303,926)
Fund balance at beginning of year	(91,834)	1,236,662	-	1,144,828
Fund balance at end of year	**$ (179,995)**	**$ 1,020,897**	**$ -**	**$ 840,902**

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

TOWN OF YATES, NEW YORK

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, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Net change in fund balances total governmental funds.	$ (303,926)
Governmental funds report capital outlays as expenditures, However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(325,744)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect in the treatment of long-term debt. Neither transaction has an effect on net assets.	(181,390)
Net interest on bonds and notes expenses in statement for governmental funds but not in statement of activities	(1,051)
Change in deferred outflows of employees retirement system	7,715
Change in deferred inflows of employees retirement system	(79,561)
Proportionate share of employees retirement system liability	63,678
Changes in Net Position of Governmental Activities	**$ (820,279)**

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

TOWN OF YATES, NEW YORK

GENERAL AND SPECIAL REVENUE FUND TYPES

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
For the Year Ended December 31, 2018

	General - Townwide				Special Revenue Fund Types			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Real property taxes	$ 293,022	$ 293,022	$ 293,022	$ -	$ 600,505	$ 600,505	$ 600,505	$ -
Real property tax items	12,000	12,000	5,744	(6,256)	-	-	-	-
Non-property tax items	-	-	-	-	66,000	66,000	66,206	206
Departmental income	16,900	16,900	17,885	985	436,950	436,950	258,020	(178,930)
Intergovernmental charges	-	-	-	-	-	-	160,601	160,601
Use of money and property	4,000	4,000	278	(3,722)	13,100	13,100	2,332	(10,768)
Licenses and permits	4,600	4,600	3,736	(864)	3,500	3,500	3,552	52
Fines and forfeitures	6,600	6,600	14,537	7,937	-	-	-	-
Sale of property	1,000	1,000	106	(894)	500	500	8,331	7,831
Miscellaneous	21,500	21,500	24,237	2,737	-	-	-	-
State aid	35,500	35,500	40,916	5,416	70,000	70,000	108,899	38,899
Total revenues	395,122	395,122	400,461	5,339	1,190,555	1,190,555	1,208,446	17,891

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

TOWN OF YATES, NEW YORK

GENERAL AND SPECIAL REVENUE FUND TYPES

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
For the Year Ended December 31, 2018

	General - Townwide				Special Revenue Fund Types			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Current:								
General government support	$ 237,343	$ 237,343	$ 239,959	$ (2,616)	$ 2,000	$ 2,000	$ 2,304	$ (304)
Public safety	3,500	3,500	3,471	29	84,400	84,400	83,186	1,214
Health	11,000	11,000	10,757	243	800	800	600	200
Transportation	114,495	114,495	104,977	9,518	701,760	701,760	661,779	39,981
Economic assistance & opportunity	-	-	-	-	-	-	750	(750)
Culture and recreation	19,200	19,200	17,630	1,570	4,300	4,300	4,069	231
Home and community services	34,460	34,460	32,178	2,282	271,688	271,688	650,603	(378,915)
Employee benefits	52,351	52,351	79,650	(27,299)	118,819	118,819	115,998	2,821
Debt service	-	-	-	-	179,921	179,921	279,922	(100,001)
Total expenditures	472,349	472,349	488,622	(16,273)	1,363,688	1,363,688	1,799,211	(435,523)
Excess (deficiency) of revenues over expenditures	(77,227)	(77,227)	(88,161)	(10,934)	(173,133)	(173,133)	(590,765)	(417,632)
Other sources and (uses)								
Transfers from other funds	-	-	-	-	-	-	375,000	375,000
Total other sources (uses)	-	-	-	-	-	-	375,000	375,000
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(77,227)	(77,227)	(88,161)	(10,934)	(173,133)	(173,133)	(215,765)	(42,632)
Fund balance at December 31, 2017	(91,834)	(91,834)	(91,834)	-	1,236,662	1,236,662	1,236,662	-
Fund balance at December 31, 2018	**$ (169,061)**	**$ (169,061)**	**$ (179,995)**	**$ (10,934)**	**$ 1,063,529**	**$ 1,063,529**	**$ 1,020,897**	**$ (42,632)**

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

TOWN OF YATES, NEW YORK

FIDUCIARY FUNDS

Statement of Fiduciary Net Position
December 31, 2018

	Agency Fund	Private Purpose Trusts
ASSETS		
Cash and cash equivalents	$ 1,313	$ 84,424
Total assets	**1,313**	**84,424**
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable	1,313	-
Total liabilities	1,313	-
Net position:		
Net position	-	84,424
Total liabilities and net position	**$ 1,313**	**$ 84,424**

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

TOWN OF YATES, NEW YORK

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Position
December 31, 2018

	Private Purpose Trusts
Additions	$ 720
Deductions	-
Change in net position	720
Net position at beginning of year	83,704
Net position at end of year	**$ 84,424**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Yates, New York (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The more significant of the Town's accounting policies are described below.

Financial Reporting Entity **-** The Town of Yates, which was established in 1822, is located within the County of Orleans, New York. The Town is governed by Town law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations and the Supervisor serves as chief fiscal officer.

The following basic services are provided on a town-wide basis: municipal court; collection of County and Town real property taxes; snow removal; and general administration. The following basic services are provided to the area of the Town outside the Village of Lyndonville: road construction and maintenance; fire protection through a contract with the Village of Lyndonville; water transmission service; and safety inspection.

Independently elected officials of the Town consist of the following:

Supervisor	Town Clerk
Councilmembers (4)	Superindendent of Highways
Town Justices (2)	

All governmental activities and functions performed for the Town of Yates are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Government-wide and Fund Financial Statements **-** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effects of interfund activity have been removed from these statements. Government activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation **-** Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e., expenditures or expenses.

Modified Accrual Basis - All governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities for the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Modified Accrual Basis (cont.)

Expenditures are recorded when incurred except that:

a) Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.

b) Principal and interest on long-term debt is not recognized as an expenditure until due.

c) Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as an expenditure

Accrual Basis -The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

General Fund - Townwide - the principal operating fund and includes all operations not required to be recorded in other funds.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

General Fund - Town Outside Village - Located wholly within the Town is the Village of Lyndonville, which is an independent governmental entity. This fund accounts for selected services which cannot be charged to taxable properties located in the Village by various New York State statutes.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Special Revenue Funds (cont.)

Highway Fund - Townwide - This fund is used to record all revenues and expenditures related to maintenance of bridges, highway machinery, brush and weeds, snow removal and services to other governments.

Highway Fund - Town Outside Village - This fund is used to record revenues and expenditures related to road repairs and improvements in the area of the Town outside the Village of Lyndonville.

Special District Fund - This fund records all financial activity of special districts within the Town. A special district represents a limited geographic area within a Town in New York State. It is a separate accounting entity created by statute for specific services such as water and fire protection.

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

Government-wide financial statements apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict subsequent GASB pronouncements, Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Property Tax Revenue Recognition - The Orleans County Legislature prepares the levy in late December of each year and jointly bills the Town levy with New York State and Orleans County real property taxes. On January 1 of each year, property taxes become a lien on the property. Tax payments are due January 1 to January 31st without penalty; February 1 to 28 a 1% penalty; March 1 to 31 a 2% penalty; April 1 to 30 a 3% penalty, and 5% of base amount and $1 notice fee thereafter.

Taxes for County purposes are levied together with taxes for Town and special district purposes as a single bill. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bill. The County assumes enforcement responsibility for all taxes levied in the Town. The tax roll is returned to the Orleans County Commissioner of Finance after June 30 at which time all unpaid taxes and penalties are payable to that office. Any such taxes remaining unpaid at year-end are re-levied as county taxes in the subsequent year. The County enforces all liens.

Budgets and Budgetary Data

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

a) No later than September 30th the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except the Capital Projects Fund.

b) After public hearings are conducted to obtain taxpayer comments, no later than November 20th, the Town Board adopts the budget.

c) All modifications of the budget must be approved by the Town Board.

Budgetary controls are established for the Capital Projects Fund through Town Board resolutions authorizing individual projects that remain in effect for the life of the projects.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, and water lines) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost equal to or greater than $5,000 and an estimated useful life in excess of two years. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives as follows

Buildings and Improvements	75 years
Infrastructure	75 years
Machinery and Equipment	10 years
Office Furniture and Equipment	10 years
Vehicles	5 years

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

Insurance - The Town purchases insurance covering liability for most risks including, but not limited to, general liability, vehicle liability, and excess liability. The Town pays an annual premium to the Orleans County Self-Insurance Plan, which covers all Workers' Compensation claims. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated and the estimated amount of loss exceeds insurance coverage.

Federal Grants - Federal grants in the Capital Projects Fund are recorded as grants receivable and deferred revenue when the entitlement period occurs. Revenues are recognized using the modified accrual basis of accounting as the Town meets the performance requirements of the grants.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Pensions **-** Nearly all Town employees are members of the New York State Employees' Retirement System. The Town is invoiced annually by the systems for its share of the cost.

Post-Employment Benefits **-** Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Town provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the Town under this program, and there were no participants in the program as of December 31, 2018.

Capitalized Interest **-** The Town generally capitalizes interest during construction as part of the cost of constructing capital projects when material.

Restrictions, Reserves and Designations **-** The government-wide fund financial statements utilize a net position presentation.

Net position is categorized as invested in:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category represents net position of the Town restricted for any project or other purpose.

Unrestricted Net Position - This category represents net position of the Town not restricted for any project or other purpose.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to Town's within the State of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the Town include the following:

Reserve for Employee's Retirement System - Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Fund Balance Classifications – The fund balance financial statements have five classifications of fund balances:

- ***Non-spendable*** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes prepaid expenditures.

- ***Restricted*** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or law or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance.

- ***Committed*** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, i.e., the Town Board.

- ***Assigned*** – Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance.

- ***Unassigned*** – Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town.

Note 2 - Reporting on Budgetary Basis

The Town reports its budgetary status with the actual data as charges against budget appropriations. There were no encumbrances in the previous year or the current year. There were a several instances where budgeted expenditures exceeded actual expenditures during the Town's current year. The budget schedules can be found in the basic financial statements.

Note 3 - Cash and Cash Equivalents

New York State law authorizes the Town to invest in certificates of deposit, repurchase agreements, savings accounts, money market accounts, and other available bank investments, provided that approved securities are pledged to secure those funds on deposit in amounts equal to those funds. In addition, the Town can invest in direct debt securities of the United States, the State of New York, other New York State municipalities, public authorities and agencies. At December 31, 2018, cash and cash equivalents include certificates of deposit with original maturities of three months or less.

Collateral is required for all deposits in excess of the amount insured by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

At December 31, 2018, the carrying amount of the Town's deposits (checking, savings, money market accounts and certificates of deposit) and the bank balance was $895,267. Of the bank balance, $480,900 was covered by federal depository insurance and $414,367 was covered by collateral.

Note 4 - Pension Plans

Plan Description **-** The Town participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy **-** The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Effective October 1, 2000, the 3% contribution is waived for employees who have achieved ten years of service credit. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

Funding Policy (cont.)

The Town is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	ERS
2018	$ 41,850
2017	50,509
2016	59,509

The Town's contributions made to the Systems were equal to 100% of the contributions required for each year.

Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

Note 4 - Pension Plans (Cont.)

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

At December 31, 2018, the Town of Yates reported a liability of $28,094 for its proportionate share of the pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town of Yates's proportion of the net pension liability was based on a projection of the Town of Yates's long-term share of contributions to the pension plan relative to the projected contribution of all participating members, actuarially determined.

At December 31, 2018, the Town of Yates's proportion was .0008705 percent. For the year ended December 31, 2018, the Town of Yates recognized pension expense of $49,377. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,020	$ 8,280
Changes assumptions	18,628	-
Net difference between projected and actual earnings on pension plan investments	40,804	80,542
Changes in proportion and differences between Town contributions and proportionate share of contributions	33,628	4,675
Town contributions subsequent to the measurement date	30,746	-
Total	**$ 133,826**	**$ 93,497**

Note 4 - Pension Plans (Cont.)

Other amounts reported as deferred outflows of resources are deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31		
2019	$	21,427
2020		14,000
2021		(16,717)
2022		(9,128)
2023		-
Thereafter		-

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

Interest Rate	7.50%
ERS	7.00%
Decrement Tables	April 1, 2010 - March 31, 2015 system's experience
Inflation Rate	2.50%

Note 4 - Pension Plans (Cont.)

Annuitant mortality rates are based on April 1, 2010- March 31, 2015 System's experience with adjustments for mortality improvement based on MP-2014.

The actuarial assumptions used in the April 1, 2017 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 which is best estimates ranges of best estimate future real rates of return (expected returns nets 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

Asset Type	Long Term Expected Real Rate
Domestic equity	4.55%
International equity	6.35%
Real estate	5.55%
Bonds and mortgages	1.06%
Cash	-0.25%

Discount Rate

The discount used to calculate the total liability was 7.0%. The project 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 the 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 projected benefit payments to determine the total pension liability.

Note 4 - Pension Plans (Cont.)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

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

	1% Decrease (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability	$ 212,564	$ 28,094	$ (127,961)

Pension Plan Fiduciary Net Position

The components of the current-year net position liability of the employers as of March 31, 2018, were as follows:

	Employees' retirement system
Employers' total pension liability	$ 183,400,590
Plan net position	180,173,145
Employers' net pension liability	$ 3,227,445
Ratio of plan net position to the employers' total pension liability	98.24%

Note 5 - Short-term Debt

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the capital projects funds. Principal payments on BAN's must be made annually.

State law requires that BAN's issued for capital purpose be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Town had no outstanding bond anticipation notes at December 31, 2018.

Note 6 - Long-term Debt

Summary of Long-term Debt – The following is a summary of long-term debt outstanding at December 31, 2018:

	Long-term Debt
General Obligation Serial Bonds	**$ 2,515,614**

Note 6 - Long-term Debt (cont.)

General Obligation Serial Bonds **-** The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

These long-term liabilities are supported by the full faith and credit debt of the local government. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long term liabilities.

The following is a summary of general obligation serial bond transactions of the Town for the year ended December 31, 2018:

Description	Maturity Date	Interest Rate	Balance January 1, 2018	Issued	Payments	Balance December 31, 2018
Water Districts:						
Water District No. 4:						
Joint plant intake	2033	2.000%	$ 108,192	$ -	$ 4,943	$ 103,249
4th Cell Filter	2033	2.000%	80,183	-	3,844	76,339
Treatment plant	2033	2.000%	244,943	-	12,632	232,311
Water tower	2033	2.000%	183,413	-	9,191	174,222
Phase 6	2046	4.250%	146,493	-	5,000	141,493
Phase 8	2047	4.375%	116,000	-	3,000	113,000
Phase 1, 2, 3, 5, 6	2041	Various	1,455,000	-	55,000	1,400,000
Phase 10	2033	Various	-	375,000	100,000	275,000
Grand Total			**$ 2,334,224**	**$ 375,000**	**$ 193,610**	**$ 2,515,614**

Note 6 - Long-term Debt (Cont.)

Long-term Debt Maturity Schedule - The following schedule sets forth the remaining annual maturities and annual interest payments on serial bonds at December 31, 2018:

Year	Principal	Interest	Total
2019	106,129	91,371	197,500
2020	115,912	83,718	199,630
2021	115,906	80,698	196,604
2022	118,886	77,450	196,336
2023	123,661	73,852	197,513
2024-2028	685,062	309,074	994,136
2029-2033	797,567	174,654	972,221
2034-2038	345,000	52,737	397,737
2039-2043	78,000	15,561	93,561
2044-2048	29,491	3,280	32,771
	$ 2,515,614	**$ 962,395**	**$ 3,478,009**

Note 7 - Fund Equity

Allocation of Fund Balance - Certain funds of the Town of Yates apply to areas less than the entire Town. The total fund equity at December 31, 2018 is allocated as follows:

	Townwide	Less Than Townwide	Total
Governmental Fund Type:			
General Fund - Townwide:	$ (179,995)	$ -	$ (179,995)
Special Revenue Funds:			
General Fund - Town Outside Village	-	91,311	91,311
Highway Fund Townwide	348,694	-	348,694
Highway Fund - Town Outside Village	-	229,482	229,482
Special Districts:			
Water District No. 2	-	221,198	221,198
Water District No. 4	-	130,958	130,958
Fire Protection	-	(746)	(746)
Total	**$ 168,699**	**$ 672,203**	**$ 840,902**

Note 7 - Fund Equity (Cont.)

Assigned Fund Balances which are constrained by the Town's intent to be used for specific purposes are as follows:

Fund	Balance
Special Revenue - General Fund - Town Outside Village	$ 91,311
Special Revenue - Highway Fund - Townwide	345,060
Special Revenue - Highway Fund - Town Outside Village	226,647
Special Districts	349,811
Total Assigned Fund Balance	**$ 1,012,829**

Restricted Fund Balances which have external constraints are as follows:

Fund	Balance
General Fund - Townwide - Reserved for Retirement	**$ 1,728**

Non-spendable fund balances, which cannot be spent because they represent allocated resources, are as follows:

Fund	Balance
General Fund - Townwide	$ 2,181
Highway Fund - Townwide	3,634
Highway Fund - Town Outside Village	2,835
Water District #4	1,599
Total Non-spendable Fund Balance	**$ 10,249**

Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance at January 1, 2018	Increase	Decrease	Balance at December 31, 2018
Capital assets not being depreciated:				
Land	$ 128,725	$ -	$ -	$ 128,725
Total capital assets not being depreciated	128,725	-	-	128,725
Capital assets being depreciated:				
Buildings and improvements	766,139	-	-	766,139
Machinery and equipment	1,151,323	-	-	1,151,323
Office equipment	30,321	-	-	30,321
Vehicles	377,947	-	-	377,947
Roads	11,563,200	-	-	11,563,200
Waterlines	5,918,802	-	-	5,918,802
Total capital assets being depreciated	19,807,732	-	-	19,807,732
Less: accumulated depreciation for:				
Buildings and improvements	200,898	9,930	-	210,828
Machinery and equipment	1,041,560	34,947	-	1,076,507
Office equipment	30,321	-	-	30,321
Vehicles	234,624	47,774	-	282,398
Roads	7,940,064	154,176	-	8,094,240
Waterlines	1,325,657	78,917	-	1,404,574
Total accumulated depreciation	10,773,124	325,744	-	11,098,868
Total capital assets being depreciated, net	9,034,608	325,744	-	8,708,864
Governmental activites capital assets, net	**$ 9,163,333**	**$ 325,744**	**$ -**	**$ 8,837,589**

Note 9 - Contingencies

The Town receives significant financial assistance from federal governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. The amount, if any, of expenditures that may be disallowed cannot be determined at this time, although the Town expects such amounts to be immaterial to the Town's financial statements.

Note 10 – Restatement of Beginning Net Position

Beginning Net Position was restated to reflect a correction to the amount of outstanding debt outstanding. Net Position was decreased by $99,185. This change affected beginning Net Position on the Statement of Net Position in the basic financial statements.

Note 11 - Subsequent Events

The Town of Yates has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 14, 2019.

* * * * *

COMBINING FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF YATES, NEW YORK

SPECIAL REVENUE FUND

Combining Balance Sheet
December 31, 2018

	General Fund - Town Outside Village	Highway Fund - Town-wide	Highway Fund - Town Outside Village	Special Districts Fund	Totals December 31, 2018	Totals December 31, 2017
ASSETS						
Cash	$ 91,311	$ 356,184	$ 226,647	$ 290,060	$ 964,202	$ 1,191,057
Prepaid expense	-	3,634	2,835	1,599	8,068	8,237
Water rents receivable	-	-	-	60,997	60,997	50,279
Total assets	**91,311**	**359,818**	**229,482**	**352,656**	**1,033,267**	**1,249,573**
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	-	11,124	-	1,246	12,370	12,911
Total liabilities	-	11,124	-	1,246	12,370	12,911
Fund balance:						
Non-spendable	-	3,634	2,835	1,599	8,068	-
Assigned	91,311	345,060	226,647	349,811	1,012,829	1,236,662
Total fund equity	91,311	348,694	229,482	351,410	1,020,897	1,236,662
Total liabilities and fund equity	**$ 91,311**	**$ 359,818**	**$ 229,482**	**$ 352,656**	**$ 1,033,267**	**$ 1,249,573**

See Independent Auditor's Report.

TOWN OF YATES, NEW YORK

SPECIAL REVENUE FUND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2018

	General Fund - Town Outside Village	Highway Fund - Town-wide	Highway Fund - Town Outside Village	Special Districts Funds	Totals December 31, 2018	Totals December 31, 2017
Revenues:						
Real property taxes	$ 14,825	$ 99,553	$ 227,708	$ 258,419	$ 600,505	$ 585,934
Non-property tax items	-	-	66,206	-	66,206	66,234
Departmental income	1,734	-	-	256,286	258,020	246,973
Intergovernmental charges	-	160,601	-	-	160,601	151,866
Uses of money and property	228	915	453	736	2,332	3,155
Licenses and permits	3,552	-	-	-	3,552	3,231
Sale of property and comp. for loss	-	8,331	-	-	8,331	4,120
State aid	-	-	108,899	-	108,899	125,392
Micellaneous	-	-	-	-	-	-
Total revenues	$ 20,339	$ 269,400	$ 403,266	$ 515,441	$ 1,208,446	$ 1,186,905

See Independent Auditor's Report.

TOWN OF YATES, NEW YORK

SPECIAL REVENUE FUND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2018

	General Fund - Town Outside Village	Highway Fund - Town-wide	Highway Fund - Town Outside Village	Special Districts Fund	Totals December 31, 2018	Totals December 31, 2017
Expenditures:						
General government	$ 2,304	$ -	$ -	$ -	$ 2,304	$ 378
Public safety	5,786	-	-	77,400	83,186	72,796
Transportation	-	285,172	376,607	-	661,779	644,182
Health	600	-	-	-	600	600
Economic assistance & opportunity	750	-	-	-	750	-
Culture and recreation	4,069	-	-	-	4,069	4,109
Home and community services	6,144	-	-	644,459	650,603	225,965
Employee benefits	1,947	54,066	51,179	8,806	115,998	107,798
Debt service:						
Principal	-	-	-	193,610	193,610	81,905
Interest and fiscal charges	-	-	-	86,312	86,312	90,132
Total expenditures	21,600	339,238	427,786	1,010,587	1,799,211	1,227,865
Excess (deficiency) of revenues over expenditures	(1,261)	(69,838)	(24,520)	(495,146)	(590,765)	(40,960)
Other sources and (uses):						
Transfers from other funds	-	-	-	402,584	402,584	-
Transfers to other funds	-	-	-	(27,584)	(27,584)	-
Total other sources and uses	-	-	-	375,000	375,000	-
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(1,261)	(69,838)	(24,520)	(120,146)	(215,765)	(40,960)
Fund balances at beginning of year	92,572	418,532	254,002	471,556	1,236,662	1,277,622
Fund balances at end of year	**$ 91,311**	**$ 348,694**	**$ 229,482**	**$ 351,410**	**$ 1,020,897**	**$ 1,236,662**

See Independent Auditor's Report.

TOWN OF YATES, NEW YORK

SPECIAL DISTRICTS FUND

Combining Balance Sheet
December 31, 2018

	Water District No. 2	Water District No. 4	Fire Protection District	Totals December 31, 2018	Totals December 31, 2017
ASSETS					
Cash	$ 187,889	$ 102,171	$ -	$ 290,060	$ 429,686
Prepaid expense	-	1,599	-	1,599	1,633
Water rents receivable	33,309	27,688	-	60,997	50,279
Total assets	**221,198**	**131,458**	**-**	**352,656**	**481,598**
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	-	500	746	1,246	10,042
Total liabilities	-	500	746	1,246	10,042
Fund equity:					
Fund balance:					
Non-spendable	-	1,599	-	1,599	-
Assigned	221,198	129,359	(746)	349,811	471,556
Total fund equity	221,198	130,958	(746)	351,410	471,556
Total liabilities and fund equity	**$ 221,198**	**$ 131,458**	**$ -**	**$ 352,656**	**$ 481,598**

See Independent Auditor's Report.

TOWN OF YATES, NEW YORK

SPECIAL DISTRICTS FUND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2018

	Water District No. 2	Water District No. 4	Fire Protection District	Totals December 31, 2018	Totals December 31, 2017
Revenues:					
Real property taxes	$ -	$ 181,019	$ 77,400	$ 258,419	$ 244,349
Departmental income	152,201	104,085	-	256,286	246,153
Use of money and property	228	506	2	736	1,069
Sale of property and compensation for loss	-	-	-	-	2,757
Total revenues	152,429	285,610	77,402	515,441	494,328
Expenditures:					
Current:					
Public safety	-	-	77,400	77,400	66,600
Home and community services	112,872	531,587	-	644,459	218,504
Employee benefits	-	8,806	-	8,806	11,418
Debt service:					
Principal	-	193,610	-	193,610	81,905
Interest and fiscal charges	-	86,312	-	86,312	90,132
Total expenditures	112,872	820,315	77,400	1,010,587	468,559
Excess of revenues over expenditures	39,557	(534,705)	2	(495,146)	25,769
Other sources and uses:					
Transfers from other funds	-	402,584	-	402,584	-
Transfers to other funds	(27,584)	-	-	(27,584)	-
Total other sources and uses	(27,584)	402,584	-	375,000	-
Excess of revenues and other sources over expenses and other uses	11,973	(132,121)	2	(120,146)	25,769
Fund balances (deficit) at beginning of year	209,225	263,079	(748)	471,556	445,787
Fund balances at end of year	**$ 221,198**	**$ 130,958**	**$ (746)**	**$ 351,410**	**$ 471,556**

See Independent Auditor's Report.

TOWN OF YATES, NEW YORK

Schedule of the Town's Proportionate Share of the Net Pension Liability

December 31, 2018

	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	.0008705%	.0009767%	.0016113%	.000798%
Town's proportionate share of the net pension liability (asset)	28,094	91,772	136,918	26,958
Town's covered employee payroll	222,496	211,898	336,901	341,858
Town's proportinate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.63%	43.31%	40.64%	7.89%

See Independent Auditor's Report.

TOWN OF YATES, NEW YORK

Schedule of the Town's Contributions

NYSLRS Pension Plan
December 31, 2018

	2018	2017	2016	2015
Contractually required contribution	41,850	50,509	59,509	64,510
Contributions in relation to the contractually required contribution	41,850	50,509	59,509	64,510
Contribution deficiency (excess)	-	-	-	-
Town's covered-employee payroll	222,496	211,898	336,901	341,858
Contributions as a percentage of covered-employee payroll	18.81%	23.84%	17.66%	18.87%

See Independent Auditor's Report.

Amato, Fox & Company, PC
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMETNS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Town Board
Town of Yates
Lyndonville, New York

We have audited the financial statements of the governmental activities of the Town of Yates, New York as of and for the year ended December 31, 2018, which comprise the Town of Yates' basic financial statements and have issued our report thereon dated May 14, 2019. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Yates, New York's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Yates' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Yates' financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We identify certain significant deficiencies in our separately issued Management Letter.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Yates' internal control.

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Internal Control Over Financial Reporting (cont.)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management of the Town of Yates, New York and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Amato, Fox & Company, P.C.

Amato, Fox & Company, P.C.
Tonawanda, New York
May 14, 2019