

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

TOWN OF POUGHKEEPSIE, NEW YORK

For the Year Ended December 31, 2017

Audited for:

Town Board

TOWN OF POUGHKEEPSIE, NEW YORK

Audited By:

RBT CPAs, LLP
2678 South Road Suite 101
Poughkeepsie, New York 12601
(845) 485-5510

TOWN OF POUGHKEEPSIE, NEW YORK

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on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Town Board
Town of Poughkeepsie, New York
One Overocker Road
Poughkeepsie, New York 12603

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 Poughkeepsie, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town'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 an opinion 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 Poughkeepsie, New York, as of December 31, 2017, 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, Budgetary Comparison Information, Schedule of Funding Progress - Other Postemployment Benefits, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 16, 2018, on our consideration of the Town of Poughkeepsie, New York'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 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 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 Poughkeepsie, New York's internal control over financial reporting and compliance.

RBT CPAs, LLP

Poughkeepsie, New York
August 16, 2018

OFFICE OF THE COMPTROLLER

Town of Poughkeepsie

Charles E. Emberger
Comptroller



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ONE OVERROCKER ROAD

POUGHKEEPSIE, NY 12603

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UN-AUDITED)**

As the management of the Town of Poughkeepsie, Dutchess County, New York, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2017. This discussion and analysis should be read in conjunction with the financial statements and the accompanying notes to the statements that begin on page 10.

The Basic Financial Statements consist of a series of inter-related financial statements. The Statement of Net Position and Statement of Activities (on pages 10 and 11) provide information about the activities of the Town as a whole, presenting both short-term and longer-term views of the Town's finances. For governmental activities, the Town's traditional fund financial statements (beginning on page 12) tell the reader how Town provided services and programs were financed in 2017, as well as what resources are available for future spending. Fund financial statements report on the Town's operations in greater detail than the government-wide statements, and concentrate on the Town's most significant funds (identified as "major" funds), with less significant or "non-major" funds accumulated for presentation in one column. Fiduciary fund statements provide information about financial activities for which the Town acts solely as trustee or agent for the benefit of organizations or persons outside of the Town government.

**Reporting on the Town as an Entity:
The Statement of Net Position and the Statement of Activities**

The Statement of Net Position shows assets and liabilities of the Town as a whole, with the difference between Assets and Liabilities reported as Net Position. The Statement of Activities presents financial information as to how the Town's Net Position changed during the fiscal year, with all changes being reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Over time, increases or decreases in the Town's Net Position are one indicator of whether its "financial health" is strengthening or deteriorating. These statements are inclusive of all the Town's basic services including police, public works/highway, parks and recreation.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2017
(UN-AUDITED)**

**Reporting the Town's Most Significant Funds:
Fund Financial Statements**

The Fund Financial Statements provide detailed financial information about the most significant funds of the Town, not the Town as a whole. Some funds (most notably the General and Highway funds) are established as required by State law, while other funds are established at the Town's discretion to help it account for and manage money for specific purposes. All of the Town's funds are classified as Governmental Funds which focus on near-term inflows and outflows of spend-able resources, and on balances of spend-able resources still available at the end of the fiscal year. This measurement focus is known as the modified accrual basis of accounting.

Financial information is presented separately in the Governmental Fund Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Town's General, Highway, Water, Sewer, Capital Projects, and Debt Service Funds. Financial information for all other Governmental Funds is combined into a single-aggregated presentation.

Compliance with the Original and Final Operating budget for the Town's major funds is reported in the Schedules of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual.

In that the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information provided in each. The reader may then better understand the long-term impacts of the Town's near-term financing decisions. The reconciliation of the Fund Balances to the Net Position of Governmental Activities provided in the Governmental Funds Balance Sheet, and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Governmental Fund Balances to the Statement of Activities facilitate the comparison between the two sets of financial statements.

**Reporting the Town's Fiduciary Responsibilities:
The Town as Trustee**

Fiduciary Funds are not reported in the government-wide financial statements in that the resources of those funds are not available to support the Town's services and programs. The Town is responsible for ensuring that the assets reported in these funds are utilized for their intended purpose. The Town's fiduciary activities are reported in the Statement of Fiduciary Net Position (on page 16), and are prepared using the full accrual basis of accounting.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements (beginning on page 17) provide additional information essential to a clear understanding of the financial information provided in the government-wide and fund financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2017
(UN-AUDITED)**

Financial Analysis of The Town as a Whole - Governmental Activities

Statement of Net Position – Summary

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Non-Capital	\$ 29,947,328	\$ 31,230,414	\$ (1,283,086)
Capital	84,961,494	74,893,799	10,067,695
Deferred Outflows of Resources	8,107,225	12,018,701	(3,911,476)
Total Assets and Deferred Outflows of Resources	<u>\$ 123,016,047</u>	<u>\$ 118,142,914</u>	<u>\$ 4,873,133</u>
Liabilities			
Current	\$ 16,690,440	\$ 17,636,995	\$ (946,555)
Non-Current	80,627,559	67,615,972	13,011,587
Total Liabilities	<u>97,317,999</u>	<u>85,252,967</u>	<u>12,065,032</u>
Deferred Inflows of Resources	1,577,246	2,106,165	(528,919)
Total Liabilities and Deferred Inflows of Resources	<u>98,895,245</u>	<u>87,359,132</u>	<u>11,536,113</u>
Net Position			
Capital	49,371,065	53,910,448	(4,539,383)
Restricted for:			
Debt Service	3,419,280	590,692	2,828,588
Recreation and Other	808,295	438,006	370,289
Unrestricted	(29,477,838)	(24,155,364)	(5,322,474)
Total Net Position	<u>24,120,802</u>	<u>30,783,782</u>	<u>(6,662,980)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 123,016,047</u>	<u>\$ 118,142,914</u>	<u>\$ 4,873,133</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2017
(UN-AUDITED)**

Financial Analysis of the Town as a Whole - Governmental Activities

Statement of Activities and Changes in Net Position – Summary

Program	Revenues	2017	2016	Variance Favorable (Unfavorable)
Charges for Service		\$ 6,969,514	\$ 6,877,502	\$ 92,012
Operating Grants		40,283	128,934	(88,651)
Capital Grants		3,404,306	145,992	3,258,314
General				
Property Tax		28,936,454	29,255,543	(319,089)
Mortgage Tax		1,082,086	1,009,814	72,272
Sales Tax		2,319,126	1,759,215	559,911
Franchise taxes		779,618	742,234	37,384
Fees, Fines and Licenses		1,467,006	2,083,975	(616,969)
Grants and contributions not restricted to specific program		252,679	252,679	-
Other		1,647,043	2,101,952	(454,909)
	Total Revenues	46,898,115	44,357,840	2,540,275
Expenses				
General Government Support		5,495,473	5,747,405	251,932
Public Safety		21,387,592	24,215,300	2,827,708
Transportation		12,015,736	7,562,951	(4,452,785)
Economic Assistance		136,779	172,894	36,115
Culture & Recreation		1,037,428	1,294,355	256,927
Home & Community Service		12,446,571	10,760,991	(1,685,580)
Interest Long term Debt		1,132,786	1,400,748	267,962
	Total Expenses	53,652,365	51,154,644	(2,497,721)
	Change in Net Position	(6,754,250)	(6,796,804)	
Net Position, January 1,		30,783,782	37,580,586	
Prior period adjustments		91,270	-	
Net Position, January 1, restated		30,875,052	37,580,586	
Net Position, December 31		\$ 24,120,802	\$ 30,783,782	

Net Position of \$23,120,802 as of year-end reflects a total decrease of \$6,754,250. This represents a decrease of 22.17%, resulting in a significant annual change. This is primarily due to a one time write off of an uncollectable receivable of over 2.5 million dollars. This agreement allows the Town 5 years of free disposal which a monetary value could not be "attached". Also in part to Other Post-Employment Benefit expense and the Town's share of net pension liability. Another onetime expense we pre-paid the New York State Retirement expense in December at a discounted rate rather than paying two thirds in one year and the balance the following year. These expenses are a onetime deal and will help us stabilize going forward.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2017
(UN-AUDITED)**

The Town's Governmental Funds

For the fiscal year ended December 31, 2017, the Town's Governmental Operating Funds (General, Highway, Water and Sewer) reported combined ending fund balances of \$11,976,443, a decrease from fiscal year 2016 fund balances of \$407,717. Operations in the General and Highway Funds, the Town's major operating funds, resulted in a fund balance decrease of \$876,244. The Highway is in the middle of a major road upgrade throughout the Town over the past several years with a total cost of 10 million dollars.

The reserved portion of total fund balances not available for new spending includes: outstanding contract and purchase order commitments of \$58,592 (for the Town's five major funds: A-General, B-General, Highway, Water and Sewer) and reserves of \$4,227,575.

Comparative Schedule of Expenditures

The following schedule presents a summary of General, Special Revenue (including Highway), Capital Project, and Debt Service Fund expenditures for the fiscal year ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
General government support	\$ 4,466,716	\$ 4,619,724
Public safety	15,619,216	15,086,884
Health	-	-
Transportation	8,956,433	8,114,301
Economic assistance & opportunity	136,779	136,662
Culture and recreation	774,796	769,924
Home and community services	19,542,748	14,726,203
Employee benefits	2,670,304	2,464,355
Debt service	4,450,935	5,456,197
	<u>\$ 56,617,927</u>	<u>\$ 51,374,250</u>

As shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, recast in the chart above, the Town expended \$56,617,927 for current year operations. By comparison, this was \$5,243,677 (on net basis) more than the \$51,374,250 expended in 2016. This is in part due to our continued upgrade of roads, water supply, and sewer treatment upgrades. This is part of our overall plan to keep our infrastructure strong for the future.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2017
(UN-AUDITED)**

The Town's Governmental Funds (Continued)

Comparative Schedule of Revenues

The following schedule presents a summary of General, Special Revenue (including Highway), Capital Project, and Debt Service Fund revenues for the fiscal years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Real property taxes	\$ 27,727,004	\$ 27,775,855
Real property taxes items	1,209,450	1,479,688
Non property taxes items	3,098,744	2,501,449
Departmental income	7,103,522	7,198,921
Intergovernmental charges	814,533	866,170
Use of money and property	525,878	519,594
Licenses and permits	770,009	844,711
Fines and forfeitures	718,025	917,845
Sale of property and compensation for loss	173,937	184,615
Miscellaneous local sources	653,067	659,977
State aid	<u>4,530,910</u>	<u>1,409,015</u>
	<u>\$ 47,325,079</u>	<u>\$ 44,357,840</u>

Again, as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, recast in the chart above, the Town recorded \$47,325,079 in revenues to support current year operations. By comparison, this was (on a net basis) \$2,967,239 more than the \$44,357,840 recorded in 2016. This is a more than a 6.5% increase. Due to a large grant from the State as part of the Water Plant upgrade.

General Fund A and B. The General Fund, a major fund, is the primary operating fund of the Town, including the operations of the Police, Parks and Recreation, and Public Works Departments, General Administration, the Town Court, and that portion of the Highway Department not required to be accounted for in the Highway Fund. Results of operations in the General Fund resulted in a positive \$843,195(A) and negative \$1,717,743 (B) net change in fund balance. The fund balance is a positive \$1,685,072(A) and a positive \$1,930,745 (B). Although we took the one time write off in the B Fund the fund balance continues to be strong.

Highway Fund. The Highway Fund, also classified as a major fund, includes the greater portion of the activities of the Town's Highway Department (with the balance of Highway Department activities being accounted for in the General Fund). Highway Fund activities include road repair, machinery acquisition and maintenance, and snow and ice control. Results of operations in the Highway Fund resulted in a \$92,966 decrease net change in fund balance. The net assigned fund balance is \$1,025,525. The decrease was due to several large storms both in the summer and winter.

"Non-Major" Special Revenue (Governmental) Funds. "Non-Major" Special Revenue Funds are used to account for taxes, user fees and other revenues that are raised or received to fund special governmental activities including the ambulance, fire protection, street lighting, and refuse collection to service areas that may or may not encompass the entire Town. Collectively accounting for \$1,196,041 of all governmental activities, operations of all "Non-Major" Special Revenue funds resulted in a \$37,259 positive net change in fund balances. The net assigned fund balance is \$275,626.

Water Fund. The Town runs a joint venture with the City of Poughkeepsie. The main purpose is to provide our residents and business owners with a quality and affordable water supply. The Town operates two water districts, collecting capital improvements from each district. Sale of water decreased by \$4,015, and fund balance, in total, decreased by \$46,982 as planned. The net assigned fund balance is \$3,269,550.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2017
(UN-AUDITED)**

The Town's Governmental Funds (Continued)

Sewer Fund. The Town operates 29 Sewer Districts. Taxes are collected for capital expenditure for 25 of the districts. It also collects sewer rents for operation and maintenance of the facility/system. Plans for the expansion and upgrade to the Arlington Sewer Treatment Plant are still moving forward. The Town is currently incurring construction expenses in the expansion of the plant. The net assigned fund balance is \$4,065,551.

Capital Assets and Debt Administration

Capital Assets. In accordance with Governmental Accounting Standards Board (GASB) Statement #34, the Town records depreciation expense and accumulated depreciation associated with all of its assets including infrastructure. The Town's investment in capital assets for its governmental activities totals \$56,455,213, net of accumulated depreciation.

Debt Administration. At year-end 2017, the Town had \$37,275,429 in Serial Bonds and \$8,920,000 in Bond Anticipation Notes (BAN's) outstanding.

The Town maintains a conservative debt borrowing policy and presently holds an A-1 rating from Moody's Investors Service.

At year-end 2017, the Town had \$2,164,260 in accumulated Compensated Absences due to its employees, a net increase of \$64,454 from the prior year. The Town does not specifically budget for the payment of compensated absences, but utilizes available budgetary appropriations when that portion of the liability that relates to an employee severing service with the Town is "cashed out".

Economic Factors, Subsequent Significant Events, and Future Budget Impacts

The Town's historically conservative budget philosophy, and continued strong fund balance position in its General and Highway funds (both being major funds) effectively serve to insulate the Town from adverse economic impacts. We will continue to carefully monitor our Town's non-property tax revenues, and adjust non-essential appropriations and property taxes accordingly. Town property taxes provide roughly sixty-seven percent of the operating revenues needed to fund Town services and programs.

No major shortfalls in appropriations are presently anticipated that cannot be addressed either through the additional appropriation of fund balance, or through the transfer of existing, available budgeted appropriations. The Town also funds/budgets for a minor Contingency Fund and is also available to meet unanticipated needs.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all those having an interest, and should be considered along with the Basic Financial Statements and related notes. Questions concerning any of the information provided in this report may be addressed to Charles Emberger, Town Comptroller, at One Overocker Road, Poughkeepsie, New York, 12603.

**TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 12,839,452
Restricted Cash	4,227,575
Accounts Receivable (Note C)	2,257,744
Due from Other Governments	9,343,067
State and Federal Aid Receivable	197,809
Inventory	265,254
Prepaid Expense	816,427
	<u>29,947,328</u>
NON-CURRENT ASSETS	
Capital Assets	
Land	10,702,282
Infrastructure, Net of Depreciation	27,385,397
Buildings, Machinery, and Equipment, Net of Depreciation	7,665,815
Construction in Progress	10,701,719
Total Capital Assets, net (Note E)	<u>56,455,213</u>
Investment in Joint Water Project	28,506,281
Total Assets	<u>114,908,822</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension (Note A5H)	8,107,225
Total Deferred Outflows of Resources	<u>8,107,225</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 123,016,047</u>
LIABILITIES	
Accounts Payable	\$ 1,535,114
Accrued Expenditures	1,445,037
Bond Anticipation Notes (Note F)	8,920,000
Due To Other Governments	987,734
Noncurrent Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (Note G)	3,525,000
Installment Purchase Obligations (Note G)	51,500
Landfill Closure and Post Closure (Note G)	9,629
Compensated Absences (Note G)	216,426
Due and Payable More Than One Year:	
Bonds Payable (Note G)	33,750,429
Installment Purchase Obligations (Note G)	97,051
Landfill Closure and Post Closure (Note G)	268,116
Compensated Absences (Note G)	1,947,834
ERS Net Pension Liability-Proportionate Share (Note G)	2,099,726
PFRS Net Pension Liability-Proportionate Share (Note G)	5,533,917
Other Postemployment Benefits (Note G)	36,930,486
Total Liabilities	<u>97,317,999</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Other	39,982
Pension (Note A5H)	1,537,264
Total Deferred Inflows of Resources	<u>1,577,246</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>98,895,245</u>
NET POSITION	
Net Investment in Capital Assets	28,274,240
Net Investment in Joint Water Project	21,096,825
Restricted	4,227,575
Unrestricted	(29,477,838)
Total Net Position	<u>24,120,802</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 123,016,047</u>

See accompanying notes to basic financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>FUNCTIONS/PROGRAMS</u>					
Primary Government:					
Governmental Activities:					
General Government	\$ 5,495,473	\$ 14,394	\$ -	\$ -	\$ (5,481,079)
Public Safety	21,387,592	188,288	40,283	63,716	(21,095,305)
Transportation	12,015,736	-	-	103,714	(11,912,022)
Economic Assistance and Opportunity	136,779	-	-	-	(136,779)
Culture and Recreation	1,037,428	417,269	-	-	(620,159)
Home and Community Services	12,446,571	6,349,563	-	3,236,876	(2,860,132)
Interest on Debt	1,132,786	-	-	-	(1,132,786)
Total Primary Government	<u>\$ 53,652,365</u>	<u>\$ 6,969,514</u>	<u>\$ 40,283</u>	<u>\$ 3,404,306</u>	<u>(43,238,262)</u>
General Revenues:					
Real Property Taxes					27,727,004
Real Property Tax Items					1,209,450
Sales Tax Distribution					2,319,126
Franchise Fees					779,618
Mortgage Tax Distribution					1,082,086
Use of Money and Property					525,878
Grants and Contributions not Restricted to Specific Programs					252,679
Fees, Fines, and Licenses					1,467,006
Sale of Property and Compensation for Loss					173,937
Miscellaneous					947,228
Total General Revenues					<u>36,484,012</u>
Change in Net Position					<u>(6,754,250)</u>
Net Position - Beginning					30,783,782
Prior Period Adjustment - Note L					91,270
Net Position - Beginning, as Restated					<u>30,875,052</u>
Net Position - Ending					<u>\$ 24,120,802</u>

See accompanying notes to basic financial statements.

TOWN OF POUGHKEEPSIE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund A	General Fund B	Highway	Water	Sewer	Capital Projects	Debt Service	Non-Major Funds	Total Governmental Funds
ASSETS									
Cash and Cash Equivalents	\$ 2,365,564	\$ 1,684,598	\$ 1,175,953	\$ 491,353	\$ 3,830,098	\$ 2,432,410	\$ 446,757	\$ 412,719	\$ 12,839,452
Restricted Cash	715,701	106,930	-	-	413,558	2,819,765	171,621	-	4,227,575
Receivables (Note C)	111,052	402,069	18,651	1,001,658	721,037	-	-	3,277	2,257,744
Prepaid Expense	88,110	602,569	61,571	40,041	24,136	-	-	-	816,427
Due from Other Funds (Note D)	13,329	27,129	81,533	1,913,117	36,609	156,799	100	79,586	2,308,202
Due from Other Governments	-	173,472	-	39,581	14	-	9,130,000	-	9,343,067
State and Federal Aid Receivable	197,809	-	-	-	-	-	-	-	197,809
Total Assets	\$ 3,491,565	\$ 2,996,767	\$ 1,337,708	\$ 3,485,750	\$ 5,025,452	\$ 5,408,974	\$ 9,748,478	\$ 495,582	\$ 31,990,276
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable	\$ 198,564	\$ 138,666	\$ 207,036	\$ 55,890	\$ 154,336	\$ 684,947	\$ -	\$ 95,675	\$ 1,535,114
Accrued Expenditures	51,567	525,270	105,147	62,263	48,186	400,464	-	-	1,192,897
Due to Other Funds (Note D)	1,483,531	-	-	-	700,390	-	-	124,281	2,308,202
Due to Other Governments	59,716	-	-	-	-	821,088	-	-	880,804
Deferred Revenues	13,115	-	-	98,047	56,989	26,867	9,130,000	-	9,325,018
Bond Anticipation Notes Payable (Note F)	-	-	-	-	-	8,920,000	-	-	8,920,000
Compensated Absence Obligation	-	402,086	-	-	-	-	-	-	402,086
Total Liabilities	1,806,493	1,066,022	312,183	216,200	959,901	10,853,366	9,130,000	219,956	24,564,121
Fund Balances:									
Fund Balance - Restricted									
Reserves	14,336	-	-	-	413,558	2,819,765	171,621	-	3,419,280
Recreation	633,217	-	-	-	-	-	-	-	633,217
Drainage	68,148	-	-	-	-	-	-	-	68,148
Repayment to HUD	-	106,930	-	-	-	-	-	-	106,930
Fund Balance - Assigned									
Assigned for Subsequent Year's Budget	-	345,433	250,850	300,000	-	-	-	-	896,283
Assigned for Fund Purposes	-	1,459,945	774,675	2,969,550	3,622,183	-	446,857	275,626	9,548,836
Assigned for Purchase Commitments	10,345	18,437	-	-	29,810	-	-	-	58,592
Fund Balance - Unassigned	959,026	-	-	-	-	(8,264,157)	-	-	(7,305,131)
Total Fund Balances	1,685,072	1,930,745	1,025,525	3,269,550	4,065,551	(5,444,392)	618,478	275,626	7,426,155
Total Liabilities and Fund Balances	\$ 3,491,565	\$ 2,996,767	\$ 1,337,708	\$ 3,485,750	\$ 5,025,452	\$ 5,408,974	\$ 9,748,478	\$ 495,582	\$ 31,990,276

See accompanying notes to basic financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
RECONCILIATION OF THE TOTAL GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Total Governmental Funds	Long-Term Assets and Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	\$ 12,839,452	\$ -	\$ -	\$ 12,839,452
Restricted Cash	4,227,575	-	-	4,227,575
Receivables	2,257,744	-	-	2,257,744
Inventory	-	265,254	-	265,254
Prepaid Expense	816,427	-	-	816,427
Due from Other Funds	2,308,202	-	(2,308,202)	-
Due from Other Governments	9,343,067	-	-	9,343,067
State and Federal Aid Receivable	197,809	-	-	197,809
Investment in Joint Water Project	-	28,506,281	-	28,506,281
Capital Assets, Net	-	56,455,213	-	56,455,213
Deferred Outflows of Resources - Pension	-	8,107,225	-	8,107,225
Total Assets and Deferred Outflows	\$ 31,990,276	\$ 93,333,973	\$ (2,308,202)	\$ 123,016,047
LIABILITIES				
Accounts Payable	\$ 1,535,114	\$ -	\$ -	\$ 1,535,114
Accrued Expenditures	1,192,897	252,140	-	1,445,037
Bond Anticipation Notes Payable	8,920,000	-	-	8,920,000
Bonds Payable	-	37,275,429	-	37,275,429
Installment Obligations Payable	-	148,551	-	148,551
Due to Other Funds	2,308,202	-	(2,308,202)	-
Due to Other Governments	880,804	106,930	-	987,734
Deferred Revenues	9,325,018	(9,285,036)	-	39,982
Landfill Closure and Post Closure	-	277,745	-	277,745
Compensated Absences	402,086	1,762,174	-	2,164,260
ERS Net Pension Liability-Proportionate Share	-	2,099,726	-	2,099,726
PFRS Net Pension Liability-Proportionate Share	-	5,533,917	-	5,533,917
Other Postemployment Benefits	-	36,930,486	-	36,930,486
Deferred Inflows of Resources - Pension	-	1,537,264	-	1,537,264
Total Liabilities and Deferred Inflows	24,564,121	76,639,326	(2,308,202)	98,895,245
Total Fund Balances	7,426,155	16,694,647	-	24,120,802
Total Liabilities, Deferred Inflows and Fund Balances	\$ 31,990,276	\$ 93,333,973	\$ (2,308,202)	\$ 123,016,047

See accompanying notes to basic financial statements.

TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund A	General Fund B	Highway	Water	Sewer	Capital Projects	Debt Service	Non-Major Funds	Total Governmental Funds
Revenues:									
Real Property Taxes	\$ 3,504,467	\$ 13,284,607	\$ 6,010,985	\$ 1,312,988	\$ 2,421,427	\$ -	\$ -	\$ 1,192,530	\$ 27,727,004
Real Property Tax Items	228,442	871,316	-	67,194	1,728	-	-	40,770	1,209,450
Non Property Tax Items	-	3,098,744	-	-	-	-	-	-	3,098,744
Departmental Income	465,575	177,609	-	3,712,418	2,731,520	16,400	-	-	7,103,522
Intergovernmental Income	-	11,568	-	-	-	-	802,965	-	814,533
Use of Money and Property	122,122	290,988	-	112,768	-	-	-	-	525,878
Licenses and Permits	43,323	716,473	2,878	7,335	-	-	-	-	770,009
Fines and Forfeitures	717,425	600	-	-	-	-	-	-	718,025
Sale of Property and Compensation for Loss	41,925	123,682	-	5,661	2,669	-	-	-	173,937
Miscellaneous	115,690	164,508	48,429	23,243	15,363	285,834	-	-	653,067
State and Federal Aid	1,082,086	289,422	83,279	-	-	3,076,123	-	-	4,530,910
Total Revenues	6,321,055	19,029,517	6,145,571	5,241,607	5,172,707	3,378,357	802,965	1,233,300	47,325,079
Expenditures:									
General Government	3,688,146	498,518	51,782	65,782	69,211	57,855	-	35,422	4,466,716
Public Safety	-	15,488,027	-	-	-	131,189	-	-	15,619,216
Transportation	388,403	-	4,282,391	-	-	3,344,486	-	941,153	8,956,433
Economic Assistance and Opportunity	78,279	-	-	-	-	-	-	58,500	136,779
Culture and Recreation	774,796	-	-	-	-	-	-	-	774,796
Home and Community Services	209,322	2,650,586	-	3,707,361	4,321,139	8,654,340	-	-	19,542,748
Employee Benefits	332,942	1,880,649	149,223	100,002	207,488	-	-	-	2,670,304
Debt Service	405,972	229,480	1,755,141	1,015,444	59,360	21,607	802,965	160,966	4,450,935
Total Expenditures	5,877,860	20,747,260	6,238,537	4,888,589	4,657,198	12,209,477	802,965	1,196,041	56,617,927
Excess/(Deficiency) of Revenues Over Expenditures	443,195	(1,717,743)	(92,966)	353,018	515,509	(8,831,120)	-	37,259	(9,292,848)
Other Financing Sources/(Uses):									
BANS Redeemed from Appropriations	-	-	-	-	-	42,209	-	-	42,209
Proceeds from Obligations	-	-	-	-	-	15,254,431	-	-	15,254,431
Operating Transfers In	400,000	-	-	-	3,182,672	-	-	-	3,582,672
Operating Transfers Out	-	-	-	(400,000)	(3,182,672)	-	-	-	(3,582,672)
Total Other Financing Sources/(Uses)	400,000	-	-	(400,000)	-	15,296,640	-	-	15,296,640
Change in Fund Balances	843,195	(1,717,743)	(92,966)	(46,982)	515,509	6,465,520	-	37,259	6,003,792
Prior Period Adjustment (Note L)	-	91,270	-	-	-	-	-	-	91,270
Fund Balances - Beginning	841,877	3,557,218	1,118,491	3,316,532	3,550,042	(11,909,912)	618,478	238,367	1,331,093
Fund Balances - Beginning, as restated	841,877	3,648,488	1,118,491	3,316,532	3,550,042	(11,909,912)	618,478	238,367	1,422,363
Fund Balances - Ending	\$ 1,685,072	\$ 1,930,745	\$ 1,025,525	\$ 3,269,550	\$ 4,065,551	\$ (5,444,392)	\$ 618,478	\$ 275,626	\$ 7,426,155

See accompanying notes to basic financial statements.

TOWN OF POUGHKEEPSIE, 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, 2016

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
Revenues:						
Real Property Taxes	\$ 27,727,004	\$ -	\$ -	\$ -	\$ -	\$ 27,727,004
Real Property Tax Items	1,209,450	-	-	-	-	1,209,450
Non Property Tax Items	3,098,744	-	-	-	-	3,098,744
Departmental Income	7,103,522	(155,036)	-	-	-	6,948,486
Intergovernmental Income	814,533	-	-	-	-	814,533
Use of Money and Property	525,878	-	-	-	-	525,878
Licenses and Permits	770,009	-	-	-	-	770,009
Fines and Forfeitures	718,025	-	-	-	-	718,025
Sale of Property and Compensation for Loss	173,937	-	-	-	-	173,937
Miscellaneous	653,067	(271,928)	-	-	-	381,139
State and Federal Aid	4,530,910	-	-	-	-	4,530,910
Total Revenues	47,325,079	(426,964)	-	-	-	46,898,115
Expenditures:						
General Government	4,466,716	(63,673)	(225,743)	-	1,318,173	5,495,473
Public Safety	15,619,216	70,417	(3,243,409)	-	8,941,368	21,387,592
Transportation	8,956,433	(44,152)	1,775,987	-	1,327,468	12,015,736
Economic Assistance and Opportunity	136,779	-	-	-	-	136,779
Culture and Recreation	774,796	(534)	18,104	-	245,062	1,037,428
Home and Community Services	19,542,748	(777,056)	(7,648,268)	-	1,329,147	12,446,571
Employee Benefits	2,670,304	10,490,914	-	-	(13,161,218)	-
Debt Service	4,450,935	61,851	-	(3,380,000)	-	1,132,786
Total Expenditures	56,617,927	9,737,767	(9,323,329)	(3,380,000)	-	53,652,365
Excess/(Deficiency) of Revenues Over Expenditures	(9,292,848)	(10,164,731)	9,323,329	3,380,000	-	(6,754,250)
Other Financing Sources/(Uses):						
BANS Redeemed from Appropriations	42,209	-	-	(42,209)	-	-
Proceeds from Obligations	15,254,431	-	-	(15,254,431)	-	-
Operating Transfers In	3,582,672	-	-	-	(3,582,672)	-
Operating Transfers Out	(3,582,672)	-	-	-	3,582,672	-
Total Other Financing Sources/(Uses)	15,296,640	-	-	(15,296,640)	-	-
Change in Fund Balances	\$ 6,003,792	\$ (10,164,731)	\$ 9,323,329	\$ (11,916,640)	\$ -	\$ (6,754,250)

See accompanying notes to basic financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017**

	Agency Fund
ASSETS	
Cash	\$ 1,630,478
Total Assets	<u>\$ 1,630,478</u>
LIABILITIES	
Escrow funds returnable and other liabilities	\$ 1,630,478
Total Liabilities	<u>\$ 1,630,478</u>

See accompanying notes to basic financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE A - Summary of Significant Accounting Policies

The Town of Poughkeepsie, New York ("Town") was incorporated in 1854, under the provisions of the State of New York. The Town operates under a Town Board form of government, consisting of a Supervisor and six Councilmen/women. The Supervisor serves as the Chief Executive Officer and as the Chief Fiscal Officer of the Town.

The Town provides the following services: highway maintenance, police, water, sewer, planning, zoning, building and safety inspection, lighting, and culture and recreation.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the Town in preparing its government-wide and fund financial statements are discussed below.

1. The Reporting Entity

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of Poughkeepsie, New York. The financial statements include organizations, functions and activities that are controlled by or dependent upon the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Excluded from the reporting entity and described in Note H - Joint Ventures, are the Tri-Municipal Sewer Commission and the Poughkeepsie Joint Water Project; also excluded from the reporting entity is the Poughkeepsie/Wappingers/LaGrange Joint Landfill Project. The Town of Poughkeepsie is not financially accountable for any of these joint entities under criteria established by GASB Statement No. 14 and, therefore, no other entity is included in the reporting entity, "Town of Poughkeepsie." The City/Town of Poughkeepsie Regional Sewer Project is included in the reporting entity, the "City of Poughkeepsie."

2. Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type activities. The Town's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The Town's water and sewer services are also classified as governmental activities since user fees are not intended to cover all costs including depreciation.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions or activities. The functions are also supported by general government revenues (property and sales taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

2. Basic Financial Statements – Government-Wide Statements (Continued)

The net costs are normally covered by general revenue (property, sales or mortgage taxes, intergovernmental revenues, interest income, etc).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

3. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the Town:

A. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the governmental funds of the Town:

1. **General Fund** is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund and is presented separately.
2. **Highway Fund** is used to record the revenues and expenditures related to the maintenance of Town roadways. The Highway Fund is considered a major fund and is presented separately.
3. **Water Fund** is used to record the revenues and expenditures related to the delivery of water services to the Town's customers. The Water Fund is considered a major fund and is presented separately.
4. **Sewer Fund** is used to record the revenues and expenditures related to the delivery of sewer services to the Town's customers. The Sewer Fund is considered a major fund and is presented separately.

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

3. Basic Financial Statements – Fund Financial Statements (Continued)

5. **Capital Projects Funds** are used to account for financial resources to be used for the acquisition and construction of major capital facilities. The Capital Projects Fund is considered a major fund and is presented separately. However, no budgetary comparison schedule is presented as required supplementary information, as the Town is not legally required to adopt an annual budget for the Capital Projects Fund.
6. **Debt Service Fund** is used to record revenues and expenditures relating to the Town's debt. The Debt Service Fund is considered a major fund and is presented separately.
7. **Non-major Funds** include those that are used for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

B. Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Town programs. The reporting focus is on net position and changes in net position, and funds are reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

4. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

A. Accrual

The governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

B. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

A. Cash and Investments

Cash includes amounts in demand and time deposits, as well as short-term investments. State statutes and the Town's own investment policy govern the investment policies of the Town. The Town may invest its funds in banks or trust companies authorized to do business in the State of New York, as well as investing in obligations of the U.S. Treasury, U.S. Agencies, and obligations of the State of New York and its political subdivisions.

Short-term investments consist of investments in U.S. Treasury Bills and in repurchase agreements. The repurchase agreements involve purchases by a broker of portfolio securities concurrently with an agreement by the broker to sell the same securities at a later date at a fixed price. Generally, the effect of such a transaction is that the Town can invest its excess cash balances at competitive interest rates. Market value of the repurchase agreements approximates cost plus accrued interest.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies, as discussed previously in these Notes. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosure*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the Town or its agent in the Town's name. As of December 31, 2017, the Town's bank balance was not exposed to custodial credit risk.

The cash and investments of the Town at December 31, 2017, are as follows:

	GENERAL FUNDS A & B	HIGHWAY FUND	WATER FUND	SEWER FUND	CAPITAL PROJECTS FUND	DEBT SERVICE	NON- MAJOR FUND	TOTAL
Non-Interest Bearing Accounts	\$ 1,900	\$ -	\$ 100	\$ 75	\$ -	\$ -	\$ -	\$ 2,075
Interest Bearing Accounts	4,048,262	1,175,953	491,253	3,830,023	2,432,410	446,757	412,719	12,837,377
Subtotal	4,050,162	1,175,953	491,353	3,830,098	2,432,410	446,757	412,719	12,839,452
Restricted Other	822,631	-	-	413,558	-	171,621	-	1,407,810
US Treasury Bills	-	-	-	-	2,819,765	-	-	2,819,765
Subtotal	822,631	-	-	413,558	2,819,765	171,621	-	4,227,575
TOTAL	\$ 4,872,793	\$1,175,953	\$491,353	\$4,243,656	\$ 5,252,175	\$ 618,378	\$412,719	\$ 17,067,027

**TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

A. Cash and Investments (Continued)

The restricted cash invested in U.S. Treasury bills represents unspent bond proceeds whose use is limited to funding construction commitments related to improvements to the Joint Water Facility and is more fully described in Note G.2. Disclosures relating to risk and type of investments as presented are indicative of activity and positions held during the year.

B. Inventories

Inventories consist of significant expendable supplies, primarily sand and road salt, and are carried at cost in the government-wide financial statements.

C. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs associated with capital projects which are not complete are capitalized as Construction in Progress. No depreciation is recorded until the project is complete and the asset is placed in service. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Infrastructure	15-40 years
Machinery and equipment	3-20 years
Improvements	15 years

D. Accumulated Compensated Absences

It is the Town's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which will be paid to employees upon separation from the Town's service.

The Town calculates its sick leave liability based on the assumption that most employees would continue to be employed by the Town until retirement. In governmental and fiduciary funds, the cost of vacation and sick leave is generally recognized when payments are made to employees. In prior years the Town has partially funded its liability for compensated absences through budgetary appropriations in the General Fund, amounting to \$402,086, with the balance of \$1,762,174 remaining un-funded. In the statement of net position the liability of \$2,164,260 for accrued sick pay is recognized according to an estimate of payments in the following year and all future years.

Current portion	\$ 216,426
Long-term liability	<u>1,947,834</u>
TOTAL	<u>\$ 2,164,260</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

E. Fund Balance Classifications

Fund balance is presented in five different classifications which focus on the constraints imposed on resources in governmental funds, rather than on availability for appropriation. The classifications include: non-spendable, restricted, committed, assigned, and unassigned.

Non-spendable consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board is the decision-making authority that can, prior to the end of the fiscal year, commit fund balance.

Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

E. Fund Balance Classifications (Continued)

The following details the allocations and amounts of fund balance as of December 31, 2017:

General A	
Restricted - Recreation	\$ 633,217
Restricted - Drainage	68,148
Restricted - Special Reserve	14,336
Assigned - Encumbrances	10,345
Unassigned	959,026
Total General A Fund Classifications	<u>1,685,072</u>
General B	
Restricted - Repayment to HUD	106,930
Assigned - Encumbrances	18,437
Assigned - Other	1,459,945
Assigned - Subsequent Years Budget	345,433
Total General B Fund Classifications	<u>1,930,745</u>
Highway	
Assigned - Other	774,675
Assigned - Subsequent Years Budget	250,850
Total Highway Fund Classifications	<u>1,025,525</u>
Water	
Assigned - Other	2,969,550
Assigned - Subsequent Years Budget	300,000
Total Water Fund Classifications	<u>3,269,550</u>
Sewer	
Restricted - Bonded Debt	413,558
Assigned - Encumbrances	29,810
Assigned - Other	3,622,183
Total Sewer Fund Classifications	<u>4,065,551</u>
Capital Projects	
Restricted - Bonded Debt	2,819,765
Unassigned	(8,264,157)
Total Capital Fund Classifications	<u>(5,444,392)</u>
Debt Service	
Restricted - Bonded Debt	171,621
Assigned - Other	446,857
Total Debt Service Fund Classifications	<u>618,478</u>
Non-Major	
Assigned - Other	275,626
Unassigned	-
Total Non-Major Fund Classifications	<u>275,626</u>
Total Fund Classifications	<u>\$ 7,426,155</u>

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

F. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are eliminated at the government-wide level. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

G. Budgets

The Town employs a formal budgetary accounting system as required by law. During the year, a budget was adopted and modified by the Town Board for the General Fund, Highway Fund, Water Fund, Sewer Fund and Non-Major Funds. However, for the Capital Projects Fund, budgets are established at the project level and continue until the project is completed. Any budgets, which include appropriations of fund balance, show expenditures exceeding revenues. Unused appropriations of the annually budgeted funds lapse at the end of the year.

H. Pension Plans

New York State and Local Retirement System -Plan Description

The Town of Poughkeepsie participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively, the 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, 110 State Street, Albany, NY 12244.

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

New York State and Local Retirement System -Plan Description (cont'd.)

Funding Policy

The Systems are generally noncontributory. Tiers I-IV are noncontributory after ten years of participation and tier V is required to contribute 3% of their salary, and tier VI is required to contribute a minimum of 3.5% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by those employers to the pension accumulation fund.

The Town is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$1,001,455, \$1,241,364, and \$1,120,529, for ERS, and \$2,264,251, \$2,409,668, and \$2,350,986 for PFRS, respectively. The Town's contributions made to the System were equal to 100% of the contributions required for those years.

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

At December 31, 2017, the Town reported a liability of \$2,099,726 for its proportionate share of the net pension liability for ERS and \$5,533,917 for PFRS. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2017, the Town's proportion was .0223465 percent of the Employees' Retirement System liability, and .2669969 percent of the Police and Firemen's Retirement System liability.

TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

New York State and Local Retirement System -Plan Description (cont'd.)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd.)

For the year ended December 31, 2017, the Town recognized pension expense of \$1,239,659 for ERS, and \$3,204,538 for PFRS. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows	Deferred Outflows of Resources	Deferred Inflows
Differences between expected and actual experience	\$ 52,617	\$ 318,855	\$ 725,955	\$ 956,138
Changes of Assumptions	717,343	-	2,726,329	-
Net difference between projected and actual investment earnings on pension plan investments	419,400	-	826,482	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,355	36,539	54,465	225,732
Employer contributions subsequent to the measurement date	751,091	-	1,698,188	-
Total	<u>\$ 2,075,806</u>	<u>\$ 355,394</u>	<u>\$ 6,031,419</u>	<u>\$ 1,181,870</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense, other than any employer contributions made subsequent to the measurement date, as follows:

Year ended December 31:	<u>ERS</u>	<u>PFRS</u>
2018	\$ 434,324	\$ 1,046,761
2019	434,324	1,046,761
2020	376,010	985,076
2021	(275,337)	(48,946)
2022	-	121,708

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

New York State and Local Retirement System -Plan Description (cont'd.)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd.)

Actuarial Assumptions

The total pension liability at March 31, 2017, was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2017 valuation were as follows:

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5%	2.5%
Salary increases	3.8%	4.5%
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%
Cost of living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2011-March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 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 estimated 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 of the target asset allocation percentage and by adding expected inflation.

TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

New York State and Local Retirement System -Plan Description (cont'd.)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd.)

Actuarial Assumptions (cont'd.)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	4.55%
International equity	6.35%
Private equity	7.75%
Real estate	5.80%
Absolute return strategies	4.00%
Opportunistic portfolio	5.89%
Real assets	5.54%
Bonds and mortgages	1.31%
Cash	-0.25%
Inflation-indexed bonds	1.50%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 these 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 POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

New York State and Local Retirement System -Plan Description (cont'd.)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd.)

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Town'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 (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net ERS pension liability	\$ 6,706,109	\$ 2,099,726	\$ (1,794,962)
Town's proportionate share of the net PFRS pension liability	\$ 15,688,334	\$ 5,533,917	\$ (2,983,153)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2017 were as follows:

	Dollars in Thousands	
	Employees' Retirement System	Police and Fire Retirement System
Employers' total pension liability	\$(177,400,586)	\$ (31,670,483)
Plan net position	168,004,363	29,597,830
Employers' net pension liability	<u>\$ (9,396,223)</u>	<u>\$ (2,072,653)</u>
Ratio of plan net position to the employers' total pension liability	94.7%	93.5%

**TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

I. Other Postemployment Benefits

The cost of postemployment healthcare benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid, which is the accrual accounting perspective. In adopting the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the Town recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years. The Other Postemployment Benefits Liability as of December 31, 2017 is \$36,930,486.

Plan Description

The Town provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the Town. This plan is a single employer plan, established by authority of the Town Board and administered by the Town. Currently, there are approximately 132 retirees receiving postemployment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for the life of the retiree based on the retiree's years of service at retirement. A copy of the report on these benefits can be requested at Town Hall. A summary of benefits is as follows:

Contracts	% Paid by Town	
	Retiree	Spouse
Non-Union & CSEA Union		
Less than 10 years of service	0%	0%
Between 10 and 19 years of service	35%	35%
Between 20 and 29 years of service	50%	50%
More than 30 years of service	80%	80%
*PBA Union -	100%	100%

*For those with more than 5 years of service and who are over age 55, the Town will pay 100% of the retiree's coverage.

**TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

I. Other Postemployment Benefits (Continued)

Funding Policy

The Town provides funding on the pay-as-you-go method of payment of current insurance premiums.

Annual Other Postemployment Benefit Cost

The Town's OPEB cost (net expense) amounted to \$10,942,384 for the year ended December 31, 2017. The Town's OPEB cost was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 described below, less premiums paid for retirees in the current year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs plus a past service cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

Benefit Obligation Accrued to Date

Net OPEB Obligation, beginning of year	<u>\$ 27,586,155</u>
Annual Required Contribution (ARC)	8,153,250
Interest on Net OPEB Obligation	1,103,446
Adjustment to Annual Required Contribution	<u>1,685,688</u>
Annual OPEB Cost	10,942,384
Actual Employer Contributions*	<u>(1,598,053)</u>
Increase in Net OPEB Obligation	<u>9,344,331</u>
Net OPEB Obligation, end of year	<u>\$ 36,930,486</u>

The percentage of Annual OPEB cost contributed is 14.60%

* This contribution is the pay-as-you-go amount, as an actual plan has not been established, see Funding Policy.

**TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

I. Other Postemployment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the required contributions of the Town are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value for plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2016 actuarial valuation, the liabilities were computed using the projected unit credit cost method and level percent amortization. The actuarial assumptions utilized a 5% baseline discount rate. The valuation assumes the following information:

	Pre-65 Medical	Post-65 Medical
Initial trend	8.00%	8.00%
Ultimate trend	5.00%	5.00%
Grading per year	0.50%	0.50%

The following is additional information regarding post retirement benefits:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	Single Amortization Period
Amortization Period (in years)	30
Amortization Period Status	Open

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Property Taxes

The Town submits an approved budget to the Dutchess County Commissioner of Finance by December 5th of the previous year. The County then establishes the warrant for the year which is due and payable on or about January 1 of each year. The Town collects the taxes on behalf of the Town and County without penalty through February 28th and with penalties and interest through August 31st. The Town's portion of the taxes is recognized and transferred prior to the County's portion. Therefore, the Town receives its entire tax, leaving the un-paid balances to be collected by Dutchess County.

K. Risk Management

The Town of Poughkeepsie assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations. The Town does not estimate claims that may have occurred but are not reported in areas where the Town is not insured.

L. Long-Term Liabilities

Long-Term Debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other Long-Term Obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Long-Term Liabilities.

M. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

N. Subsequent Events

Management has evaluated subsequent events through August 16, 2018, the date the financial statements were available to be issued.

**TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the government-wide statements, compared with the current financial resources focus of the government funds.

1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the Town’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the Governmental Funds Balance Sheet.

The basic financial statements contain a tabular reconciliation of the items creating the differences between Fund Balance reported in the Governmental Fund Statements and Net Position reported on the Statement of Net Position.

Total fund equity for governmental funds	\$ 7,426,155
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	56,455,213
Investment in Joint Water Project is not reported in the funds.	28,506,281
Inventory is not reported in the funds.	265,254
Long-term liabilities, including bonds payable, landfill remediation, compensated absences, other postemployment benefits, judgement and claims and net employee retirement system liabilities are not due and payable in the current period and therefore are not reported in the funds.	(75,102,062)
Deferred outflows related to the employee retirement system liability are not reported in the funds.	8,107,225
Deferred inflows related to the employee retirement system liability are not reported in the funds.	<u>(1,537,264)</u>
Total net position of governmental activities	<u><u>\$ 24,120,802</u></u>

**TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements (Continued)

2. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities:

Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements when paid, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

The basic financial statements contain a detailed reconciliation of the items creating the differences between the change in fund balance reported in the governmental fund statements and the change in net position reported in the Statement of Activities.

Net change in fund balance - total government funds	\$ 6,003,792
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	9,323,329
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	(11,916,640)
Some expenses reported in the statement of activities, such as retainage payable, compensated absences, landfill liabilities, and postemployment benefits, and retirement expenses, require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the change between what was paid and what was accrued through 2017.	(10,164,731)
Net change in net position of governmental activities	\$ (6,754,250)

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note C – Receivables

Receivables at December 31, 2017 consisted of the following:

	<u>GENERAL FUNDS A&B</u>	<u>HIGHWAY FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>NON MAJOR FUNDS</u>	<u>TOTAL</u>
Accounts Receivable	\$ 513,121	\$ 18,651	\$ -	\$ -	\$ 3,277	\$ 535,049
Water Rents Receivable	-	-	1,001,658	-	-	1,001,658
Sewer Rents Receivable	-	-	-	721,037	-	721,037
Totals	<u>\$ 513,121</u>	<u>\$ 18,651</u>	<u>\$ 1,001,658</u>	<u>\$ 721,037</u>	<u>\$ 3,277</u>	<u>\$2,257,744</u>

Note D – Interfund Receivables, Payables and Transfers

The following is a summary of amounts due from and due to other funds as of December 31, 2017. These inter-fund balances have been eliminated as part of the aggregation of fund balances. Such balances arise through the use of a pooled cash disbursement account, district transfers for sewer operations and the temporary funding of capital projects.

<u>FUND</u>	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General	\$ 40,458	\$ 1,483,531
Highway	81,533	-
Water	1,913,117	-
Sewer	36,609	700,390
Debt Service	100	-
Capital Projects	156,799	-
Non-Major	79,586	124,281
Total	<u>\$ 2,308,202</u>	<u>\$ 2,308,202</u>

<u>FUND</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General	\$ 400,000	\$ -
Water	-	400,000
Sewer	3,182,672	3,182,672
Non-Major	-	-
Total	<u>\$ 3,582,672</u>	<u>\$ 3,582,672</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note E – Capital Assets

The following is a summary of changes and adjustments in the Capital Assets, for the year ended December 31, 2017:

	BALANCE JANUARY 1, 2017	ADDITIONS	(DISPOSALS AND ADJUSTMENTS)	BALANCE DECEMBER 31, 2017
Governmental activities:				
Land	\$ 10,702,282	\$ -	\$ -	\$ 10,702,282
Buildings	15,319,063	-	-	15,319,063
Town Roads and Other Infrastructure	95,782,651	3,320,918	-	99,103,569
Improvements other than buildings	2,156,594	25,790	-	2,182,384
Machinery & equipment	13,414,043	560,943	-	13,974,986
Construction in Progress	2,973,589	7,728,130	-	10,701,719
Total	<u>140,348,222</u>	<u>11,635,781</u>	<u>-</u>	<u>151,984,003</u>
Less accumulated depreciation				
Buildings	(9,775,993)	(337,067)	-	(10,113,060)
Town Roads and Other Infrastructure	(71,480,277)	(1,708,971)	-	(73,189,248)
Improvements other than buildings	(1,911,827)	(28,519)	-	(1,940,346)
Machinery & equipment	(10,048,241)	(237,895)	-	(10,286,136)
Total accumulated depreciation	<u>(93,216,338)</u>	<u>(2,312,452)</u>	<u>-</u>	<u>(95,528,790)</u>
Governmental activities capital assets, net	<u>\$ 47,131,884</u>	<u>\$ 9,323,329</u>	<u>\$ -</u>	<u>\$ 56,455,213</u>

Depreciation was charged to governmental activities as follows:

General government support	\$ 84,487
Public safety	283,636
Transportation	1,829,668
Home & community	96,557
Culture & recreation	18,104
Total depreciation expense	<u>\$ 2,312,452</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note F - Bond Anticipation Notes Payable

Bond Anticipation Notes Payable are renewed annually and are not to exceed five renewals, except for water and sewer improvements which may be renewed for the life of the improvement not to exceed twenty years.

The changes in Bond Anticipation Notes Payable are:

PURPOSE	BALANCE		NEW ISSUES	PAYMENTS	BALANCE	
	JANUARY 1, 2017				CONVERTED TO BOND	DECEMBER 31, 2017
Short-term						
Road Improvements	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ 6,000,000	
Arlington Sewer	912,351	6,264,818	-	(7,177,169)	0	
Water Plant	2,962,294	744,366	(27,209)	(3,679,451)	0	
Sewer Plant	1,450,000	-	-	-	1,450,000	
Arlington Sewer	1,485,000	-	(15,000)	-	1,470,000	
Long-term						
Joint Water Plant	3,313,978	-	-	(3,313,978)	-	
TOTAL	<u>\$ 13,123,623</u>	<u>\$ 10,009,184</u>	<u>\$ (42,209)</u>	<u>\$ (14,170,598)</u>	<u>\$ 8,920,000</u>	

NOTE G - Long Term Debt

1. Serial Bonds Outstanding

The Serial Bonds Payable, as of December 31, 2017, are as follows:

PURPOSE	ORIGINAL	FINAL	INTEREST	ORIGINAL	AMOUNT
	ISSUE	MATURITY		AMOUNT	OUTSTANDING
	DATE	DATE	RATE	OF ISSUE	DECEMBER 31, 2017
Water Improvements	2/14/2002	10/15/2023	1.51%	\$ 4,610,000	\$ 2,525,000
Various Purpose	6/1/2003	6/1/2018	2.98%	6,445,000	390,000
Public Improvements	9/15/2004	3/15/2019	3.529%	5,555,000	510,000
Public Improvements Refunding	4/15/2008	4/15/2017	Various	4,100,000	-
Library	12/1/2008	12/1/2031	Various	8,465,148	5,910,000
Landfill- Refunding	6/24/2010	10/1/2023	0.29%	3,315,000	1,475,000
Water Improvements Refunding	6/24/2010	4/15/2019	Various	2,250,000	535,000
Public Improvements	3/16/2011	3/1/2022	Various	3,890,000	1,965,000
Roads/Water Improvements	3/13/2014	3/1/2027	Various	6,575,000	5,220,000
Library	3/13/2014	12/15/2037	Various	3,694,978	3,220,000
Water Flushing	8/20/2015	4/1/2026	Various	321,385	271,000
Water Purposes	11/9/2017	7/1/2047	Various	4,349,456	4,349,456
Sewer Purposes	11/9/2017	8/1/2047	Various	10,904,973	10,904,973
TOTALS				<u>\$ 64,475,940</u>	<u>\$ 37,275,429</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE G - Long Term Debt (Continued)

2. Changes in Long Term Debt:

The changes in the Town's indebtedness during the year ended December 31, 2017, are summarized as follows:

	BALANCE JANUARY 1, 2017	INCREASE	(DECREASE)	BALANCE DECEMBER 31, 2017	AMOUNTS DUE WITHIN ONE YEAR
Serial Bonds	\$25,401,000	\$15,254,429	\$ (3,380,000)	\$ 37,275,429	\$ 3,525,000
Capital Lease	200,138	-	(51,587)	148,551	51,500
Landfill Closure and Post Closure Compensated	286,441	-	(8,696)	277,745	9,629
Absences	2,099,806	64,454	-	2,164,260	216,426
Long-Term BAN	3,313,978	-	(3,313,978)	-	-
Other Post-Employment Benefits	27,586,155	9,344,331	-	36,930,486	-
Employee Retirement System Proportionate Share	3,750,925	-	(1,651,199)	2,099,726	-
Police and Fire Retirement System Proportionate Share	8,627,727	-	(3,093,810)	5,533,917	-
TOTAL	<u>\$71,266,170</u>	<u>\$24,663,214</u>	<u>\$ (11,499,270)</u>	<u>\$ 84,430,114</u>	<u>\$ 3,802,555</u>

The compensated absence liability includes a funded and an un-funded portion, as described in Note A.5.D.

3. Amortization of Bonded Debt

The annual requirements to amortize bonded debt, as of December 31, 2017, are as follows:

DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2018	\$ 3,525,000	\$ 1,145,486	\$ 4,670,486
2019	2,668,429	1,160,142	3,828,571
2020	2,414,000	1,071,361	3,485,361
2021	2,504,000	983,214	3,487,214
2022	2,559,000	896,427	3,455,427
2023-2027	8,590,000	3,486,607	12,076,607
2028-2032	5,205,000	2,357,337	7,562,337
2033-2037	3,595,000	1,578,623	5,173,623
2038-2042	2,905,000	963,846	3,868,846
2043-2047	3,310,000	375,028	3,685,028
Total	<u>\$ 37,275,429</u>	<u>\$ 14,018,071</u>	<u>\$ 51,293,500</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE G - Long Term Debt (Continued)

4. Capital Lease Program

The Town has entered into capital leases for a phone system and certain police and highway vehicles with a total asset cost of \$2,195,351 with accumulated amortization of \$2,048,102. Amortization expense of capital lease assets is included in depreciation expense. These leases are considered to be capital leases for accounting purposes, wherein, at the end of the lease the Town may purchase the asset for a nominal amount. Payments for 2017 amounted to \$51,500 including interest of \$1,100. Additionally, the Town entered into a capital lease for a new server system effective January 1, 2017. At December 31, 2017, the annual capital lease principal and interest payments are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>PAYMENTS</u>
2018	\$ 48,872
2019	37,690
2020	37,690
2021	<u>37,690</u>
Total minimum lease payments	<u>\$ 161,942</u>

Note H - Joint Ventures

The following activities have been undertaken by the Town jointly with other municipalities. These activities are excluded from the financial statements of the Town. Separate financial statements are issued for these joint ventures.

1. Tri-Municipal Sewer Commission

In 1975, the Town joined with the Village of Wappingers Falls and the Towns of Wappinger and LaGrange to construct and operate an inter-municipal sewer treatment system. In 1982, the Towns of Wappinger and LaGrange elected to discontinue participation in the system, and the Town of Poughkeepsie and the Village of Wappingers Falls continued joint construction and operation of the system under the name, Tri-Municipal Sewer Commission.

Operation and maintenance costs are allocated between the parties based on waste flow. For the year ended December 31, 2017, the Town incurred a cost of approximately \$265,330 for its share of operation and maintenance costs.

The following is a summary of unaudited financial information at December 31, 2017, included in the financial statements issued for this joint venture. A copy of the Commission's financial statements can be obtained from the Tri-Municipal Sewer Commission.

The un-audited balances as of December 31, 2017, are as follows:

Total Assets (excluding fixed assets)	<u>\$ 1,974,907</u>
Total Liabilities	<u>\$ 1,125,420</u>
Joint Venture Equity	<u>\$ 849,487</u>
Total Revenues	<u>\$ 2,124,998</u>
Total Expenditures	<u>\$ 1,918,674</u>
Total Fixed Assets	<u>\$ 43,301,894</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

Note H - Joint Ventures (Continued)

2. Poughkeepsie Joint Water Project

In August 1995, the Town entered into an inter-municipal agreement with the City of Poughkeepsie to provide for the planning, design, technological enhancement, construction or expansion, and operation and maintenance of the above named water treatment facility. This agreement amends and supersedes an agreement dated October 11, 1991, covering a joint water project. Under the terms of the 1995 agreement, the Town obtained an one-half interest in the City's Water treatment plant; the Town would finance studies for and upgrades and/or expansions to the plant to increase capacity; the Town would pay 50% of the cost to design and build an aluminum sludge treatment plant; and the Town would pay for administrative costs related to obtaining approvals to enable the project to proceed. The agreement also provided for the creation of a joint board to administer planning, design, construction, as well as operations and maintenance of the facility. It is made up of three members from each municipality. Water rates for each municipality are also described in the agreement. Operations as a joint venture began in 1996.

The following is a summary of financial information included in financial statements issued for the joint venture. These financial statements are issued separately and can be obtained from the Joint Water Project at 62 Civic Center Plaza, Poughkeepsie, NY 12601.

Audited balances as of December 31, 2016*, are as follows:

Total Assets	<u>\$ 2,836,310</u>
Total Liabilities	<u>\$ 21,088,013</u>
Joint Venture Equity	<u>\$ 12,440,135</u>
Total Revenues	<u>\$ 3,741,042</u>
Total Expenditures	<u>\$ 4,520,211</u>
Total Fixed Assets, Net of Depreciation	<u>\$ 30,691,838</u>

* Information for 2017 not yet available as of audit date.

The Town's net share of operating expenditures amounted to \$1,869,936 which is recorded in the Water Fund - Home and Community Service. Included in Due from Other Governments is \$39,582 representing the balance due from the Joint Water Project for 2017 operating costs which are disputed, which have arisen as a result of differences in interpretations of the Memorandum of Agreement between the Town and the City of Poughkeepsie. A negotiated settlement is anticipated.

As part of the Joint Project agreement described above, the Town has committed to financing studies and a portion of construction costs related to the expansion of the Joint Water treatment facility. The Town estimated total construction costs to approximate \$19,363,000 with \$11,232,000 being financed by the Town and \$8,131,000 being financed by the City of Poughkeepsie. The Town issued serial bonds and bond anticipation notes to fund this commitment. As of December 31, 2017, the outstanding balances total \$7,409,456

The Town has presented its investment in the Joint Venture in the Statement of Net Assets as \$28,506,281, representing the Town's capital expenditures to date and the amount of net assets invested in the Joint Venture, net of outstanding debt as \$21,096,825.

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note H - Joint Ventures (Continued)

3. Poughkeepsie-Wappingers-LaGrange Joint Landfill

The Town has shared in the monitoring costs of a closed landfill, the Poughkeepsie-Wappinger-LaGrange Joint Landfill. This joint activity includes the City and Town of Poughkeepsie, New York, the Village of Wappingers Falls, New York, the Town of LaGrange, New York and the Town of Wappinger, New York. All costs associated with monitoring are recognized as incurred.

The following is a summary of unaudited financial information at December 31, 2017, which is included in the separate financial statements available from the Joint Landfill Board of Governors c/o Town of Poughkeepsie, Poughkeepsie, New York, 12603.

Balances at December 31, 2017, are as follows:

Total Assets	\$ 43,492
Total Liabilities	\$ -
Total Venture Equity	\$ 43,492
Total Revenues	\$ 40,006
Total Expenditures	\$ 23,766

During 2003, an Order of Consent was issued through the New York State Department of Environmental Conservation to remediate Environmental Conservation Law and New York Codes Rule and Regulations violations. To comply with this order, the member municipalities must complete final closure of the landfill under current regulations by December 31, 2005, and perform post closure care and monitoring for a minimum of thirty years thereafter. The estimated cost of final closure is \$10,000,000. All costs will be borne proportionately by each municipality; the Town of Poughkeepsie's share being 42.4208%, or \$4,242,074. Post closure and monitoring costs, which commenced in 2009 and continue for 30 years, are estimated to amount to \$1,163,000 with the Town's share being \$277,745.

Note I - Economic Dependency

The Town receives approximately 10% of its real property taxes from ten corporate taxpayers. A significant reduction in these corporate taxpayers' real property taxes could have a significant impact on the Town's programs and services.

Note J - Commitments and Contingent Liabilities

1. Lawsuits and Claims

The Town is a defendant in various lawsuits and tax certiorari cases. The ultimate outcome of these cases and lawsuits is not determinable as of report date. However, in the opinion of the Town's counsel, the ultimate resolution of these proceedings will not have a material effect on the Town's financial position, although they could have a material effect on operating results when finally resolved in a future period.

2. Grants

The Town has received amounts from grantor agencies. Any allowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time.

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note K – Subsequent Events

In 2018, the Town authorized and issued \$8,920,000 in Bond Anticipation Notes for the purposes of funding ongoing projects related to the Arlington Sewer, Country Club Estates Sewer, and for purposes of road construction. The notes bear interest of 1.30% on \$3,000,000 and 2.25% on \$5,920,000, and mature March 9, 2019.

Note L – Prior Period Adjustment

In 2017, the following prior period adjustment was recorded to properly state fund balance and net position as of December 31, 2016:

<u>Location</u>	<u>Amount</u>	<u>Reason</u>	<u>Effect</u>
General Fund B	\$ 91,270	To recognize revenue from the prior year incorrectly recorded as deferred.	Decrease in deferred revenue, increase in net position.

Note M – Tax Abatement

The Town has six real property tax abatements that provide for exemptions for 2017 based on the original payment in lieu of tax agreement. Details related to the abatements for 2017 are as shown below:

<u>Start Date</u>	<u>Agreement</u>	<u>Taxable Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>Pilot Received</u>	<u>Taxes Abated</u>
2012	IBM	\$ 109,779,000	9.59	\$ 1,052,781	\$ 825,838	\$ 226,943
2014	Taylor	1,450,000	9.59	13,906	12,913	993
2016	Tinkleman	3,876,500	9.59	37,176	16,615	20,561
2014	6 Neptune	2,505,000	9.59	24,023	5,400	18,623
2014	2 Neptune	2,549,000	9.59	24,445	6,100	18,345
2016	2275 South Road	485,000	9.59	4,651	465	4,186

Note N – New Reporting Standards

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governments OPEB plans for making decisions and assessing accountability. The Town determined that the new standard did not have a significant impact on its financial reporting.

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The Town is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is expected to have a substantive effect on the Town's net position.

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note N – New Reporting Standards (Continued)

GASB has issued Statement 77, *Tax Abatement Disclosures*. This Statement requires governments to disclose in the notes certain information related to tax abatement agreements. GASB Statement 77 is effective for fiscal year 2016. The Town has implemented Statement 77 as required.

In March 2016, GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Town is required to implement this standard for the year ending December 31, 2017. The implementation of this standard is not expected to have a substantive effect on the Town's net position.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. The Town has not evaluated the effect of GASB 83 on its financial statements.

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Town is required to implement this standard for the year ended December 31, 2019.

In March 2017, GASB issued Statement 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Town is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is not expected to have a substantive effect on the Town's net position.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF POUGHKEEPSIE, NEW YORK
 BUDGETARY COMPARISON SCHEDULES
 DECEMBER 31, 2017

GENERAL FUND A

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real property taxes	\$ 3,504,467	\$3,504,467	\$ 3,504,467	\$ -
Real property tax items	235,000	235,000	228,442	(6,558)
Non property tax items	-	-	-	-
Departmental income	214,932	216,693	465,575	248,882
Intergovernmental charges	-	-	-	-
Use of money and property	15,000	90,489	122,122	31,633
Licenses and permits	46,950	46,950	43,323	(3,627)
Fines and forfeitures	845,000	845,000	717,425	(127,575)
Sale of property and compensation for loss	43,000	48,897	41,925	(6,972)
Miscellaneous local sources	87,000	140,445	115,690	(24,755)
State aid	825,000	825,000	1,082,086	257,086
Total revenues	5,816,349	5,952,941	6,321,055	368,114
Appropriation of prior's year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	5,816,349	5,952,941	6,321,055	368,114
EXPENDITURES AND ENCUMBRANCES				
General Government Support	4,097,225	4,115,717	3,698,491	417,226
Public safety	-	-	-	-
Transportation	404,378	429,723	388,403	41,320
Economic assistance & opportunity	81,500	81,500	78,279	3,221
Culture and recreation	859,336	870,295	774,796	95,499
Home and community service	207,775	215,110	209,322	5,788
Employee benefits	285,950	334,622	332,942	1,680
Debt service	380,185	405,974	405,972	2
Total expenditures and encumbrances	6,316,349	6,452,941	5,888,205	564,736
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	(500,000)	(500,000)	432,850	932,850
Other financing sources (uses):				
Operating transfers in	500,000	500,000	400,000	(100,000)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	500,000	500,000	400,000	(100,000)
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances and other uses	\$ -	\$ -	\$ 832,850	\$ 832,850

Explanation of Differences Between Budgetary and GAAP Basis:

Excess of revenues over (under) expenditures - budgetary basis	\$ 832,850
Expenditures do not include encumbrances	10,345
Excess (deficiency) of revenues over expenditures - GAAP Basis	\$ 843,195

TOWN OF POUGHKEEPSIE, NEW YORK
 BUDGETARY COMPARISON SCHEDULES (CONTINUED)
 DECEMBER 31, 2017

GENERAL FUND B

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real property taxes	\$ 13,284,607	\$13,284,607	\$ 13,284,607	\$ -
Real property tax items	1,032,300	1,032,300	871,316	(160,984)
Non property tax items	2,850,000	2,850,680	3,098,744	248,064
Departmental income	323,000	323,098	177,609	(145,489)
Intergovernmental charges	-	9,150	11,568	2,418
Use of money and property	245,000	245,000	290,988	45,988
Licenses and permits	750,900	750,900	716,473	(34,427)
Fines and forfeitures	-	-	600	600
Sale of property and compensation for loss	-	138,605	123,682	(14,923)
Miscellaneous local sources	95,500	138,539	164,508	25,969
State aid	252,000	285,275	289,422	4,147
Total revenues	18,833,307	19,058,154	19,029,517	(28,637)
Appropriation of prior's year's fund balance	160,000	160,000	-	(160,000)
Total revenues and appropriation of prior year's fund balance	18,993,307	19,218,154	19,029,517	(188,637)
EXPENDITURES AND ENCUMBRANCES				
General Government Support	692,693	693,373	516,955	176,418
Public safety	15,621,021	15,681,585	15,488,027	193,558
Transportation	-	-	-	-
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	612,647	562,647	2,650,586	(2,087,939)
Employee benefits	1,837,461	2,051,064	1,880,649	170,415
Debt service	229,485	229,485	229,481	4
Total expenditures and encumbrances	18,993,307	19,218,154	20,765,698	(1,547,544)
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	-	-	(1,736,181)	(1,736,181)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances and other uses	\$ -	\$ -	\$ (1,736,181)	\$ (1,736,181)

Explanation of Differences Between Budgetary and GAAP Basis:

Excess of revenues over (under) expenditures - budgetary basis	\$ (1,736,181)
Expenditures do not include encumbrances	18,437
Excess (deficiency) of revenues over expenditures - GAAP Basis	\$ (1,717,744)

TOWN OF POUGHKEEPSIE, NEW YORK
 BUDGETARY COMPARISON SCHEDULES (CONTINUED)
 DECEMBER 31, 2017

	HIGHWAY FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Real property taxes	\$ 6,010,985	\$ 6,010,985	\$ 6,010,985	\$ -
Real property tax items	-	-	-	-
Non property tax items	-	-	-	-
Departmental income	-	-	-	-
Intergovernmental charges	-	-	-	-
Use of money and property	-	-	-	-
Licenses and permits	3,000	3,000	2,878	(122)
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	-	-
Miscellaneous local sources	25,000	24,498	48,429	23,931
State aid	325,000	438,655	83,279	(355,376)
Total revenues	6,363,985	6,477,138	6,145,571	(331,567)
Appropriation of prior's year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	6,363,985	6,477,138	6,145,571	(331,567)
EXPENDITURES AND ENCUMBRANCES				
General Government Support	102,200	54,010	51,782	2,228
Public safety	-	-	-	-
Transportation	4,347,410	4,508,753	4,282,391	226,362
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	-	-	-	-
Employee benefits	159,230	159,230	149,223	10,007
Debt service	1,755,145	1,755,145	1,755,141	4
Total expenditures and encumbrances	6,363,985	6,477,138	6,238,537	238,601
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	-	-	(92,966)	(92,966)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances and other uses	\$ -	\$ -	\$ (92,966)	\$ (92,966)
Explanation of Differences Between Budgetary and GAAP Basis:				
Excess of revenues over (under) expenditures - budgetary basis			\$ (92,966)	
Expenditures do not include encumbrances			-	
Excess (deficiency) of revenues over expenditures - GAAP Basis			\$ (92,966)	

TOWN OF POUGHKEEPSIE, NEW YORK
 BUDGETARY COMPARISON SCHEDULES (CONTINUED)
 DECEMBER 31, 2017

WATER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real property taxes	\$ 1,312,988	\$ 1,312,988	\$ 1,312,988	\$ -
Real property tax items	66,500	66,500	67,194	694
Non property tax items	-	-	-	-
Departmental income	3,947,000	3,947,000	3,712,418	(234,582)
Intergovernmental charges	-	-	-	-
Use of money and property	3,173	115,611	112,768	(2,843)
Licenses and permits	10,000	10,000	7,335	(2,665)
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	5,661	5,661
Miscellaneous local sources	27,000	27,000	23,243	(3,757)
State aid	-	-	-	-
Total revenues	5,366,661	5,479,099	5,241,607	(237,492)
Appropriation of prior's year's fund balance	300,000	300,000	6,182	(293,818)
Total revenues and appropriation of prior year's fund balance	5,666,661	5,779,099	5,247,789	(531,310)
EXPENDITURES AND ENCUMBRANCES				
General Government Support	138,100	68,800	65,782	3,018
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	3,881,363	3,962,708	3,707,361	255,347
Employee benefits	152,175	140,130	100,002	40,128
Debt service	995,023	1,107,461	1,015,444	92,017
Total expenditures and encumbrances	5,166,661	5,279,099	4,888,589	390,510
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	500,000	500,000	359,200	(140,800)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(500,000)	(500,000)	(400,000)	100,000
Total other financing sources (uses)	(500,000)	(500,000)	(400,000)	100,000
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances and other uses	\$ -	\$ -	\$ (40,800)	\$ (40,800)
Explanation of Differences Between Budgetary and GAAP Basis:				
Excess of revenues over (under) expenditures - budgetary basis			\$ (40,800)	
Use of fund balance			(6,182)	
Excess (deficiency) of revenues over expenditures - GAAP Basis			\$ (46,982)	

TOWN OF POUGHKEEPSIE, NEW YORK
 BUDGETARY COMPARISON SCHEDULES (CONTINUED)
 DECEMBER 31, 2017

SEWER FUND				
	ORIGINAL	FINAL		VARIANCE
	BUDGET	BUDGET	ACTUAL	FAVORABLE
				(UNFAVORABLE)
REVENUES				
Real property taxes	\$ 2,421,427	\$ 2,421,427	\$ 2,421,427	\$ -
Real property tax items	1,650	1,650	1,728	78
Non property tax items	-	-	-	-
Departmental income	2,779,320	2,802,139	2,731,520	(70,619)
Intergovernmental charges	-	-	-	-
Use of money and property	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	2,669	2,669
Miscellaneous local sources	20,000	20,000	15,363	(4,637)
State aid	-	-	-	-
Total revenues	5,222,397	5,245,216	5,172,707	(72,509)
Appropriation of prior's year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	5,222,397	5,245,216	5,172,707	(72,509)
EXPENDITURES AND ENCUMBRANCES				
General Government Support	109,600	109,600	69,211	40,389
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	4,580,031	4,602,850	4,350,949	251,901
Employee benefits	234,766	234,766	207,488	27,278
Debt service	298,000	298,000	59,360	238,640
Total expenditures and encumbrances	5,222,397	5,245,216	4,687,008	558,208
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	-	-	485,699	485,699
Other financing sources (uses):				
Operating transfers in	3,263,707	3,263,707	3,182,672	(81,035)
Operating transfers out	(3,263,707)	(3,263,707)	(3,182,672)	81,035
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances and other uses	\$ -	\$ -	\$ 485,699	\$ 485,699
Explanation of Differences Between Budgetary and GAAP Basis:				
Excess of revenues over (under) expenditures - budgetary basis			\$ 485,699	
Expenditures do not include encumbrances			29,810	
Excess (deficiency) of revenues over expenditures - GAAP Basis			\$ 515,509	

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017**

<u>Year Ended,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Accrued Liability (UAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2017	1/1/2017	\$ -	\$ 91,704,783	\$ 91,704,783	0.0%	\$ 15,266,806	600.68%
12/31/2016	1/1/2016	\$ -	\$ 87,025,818	\$ 87,025,818	0.0%	\$ 14,524,038	599.18%
12/31/2015	1/1/2014	\$ -	\$ 45,664,123	\$ 45,664,123	0.0%	\$ 14,164,435	322.39%

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

	<u>March 31, 2017</u>		<u>March 31, 2016</u>		<u>March 31, 2015</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Town's proportion of the net pension liability (asset)	0.0223465%	0.26699690%	0.02336980%	0.29139980%	0.02356990%	0.29009190%
Town's proportionate share of the net pension liability (asset)	\$ 2,099,726	\$ 5,533,917	\$ 3,750,925	\$ 8,627,727	\$ 796,250	\$ 798,506
Town's covered-employee payroll	\$ 5,697,780	\$ 9,569,026	\$ 5,667,489	\$ 9,370,329	\$ 6,174,030	\$ 8,571,940
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.85%	57.83%	66.18%	92.07%	12.90%	9.32%
The plan fiduciary net position as a percentage of the total pension liability	90.70%	90.20%	90.70%	90.20%	97.90%	97.90%

*The amounts presented for each fiscal year were determined as of the System's measurement date

This schedule is presented to illustrate the requirement 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 POUGHKEEPSIE, NEW YORK
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	<u>March 31, 2017</u>		<u>March 31, 2016</u>		<u>March 31, 2015</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Contractually required contribution	\$1,001,455	\$ 2,264,251	\$ 1,241,364	\$ 2,409,668	\$ 1,120,529	\$ 2,350,986
Contributions in relation to the contractually required contribution	<u>1,001,455</u>	<u>2,264,251</u>	<u>1,241,364</u>	<u>2,409,668</u>	<u>1,120,529</u>	<u>2,350,986</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$5,697,780	\$ 9,569,026	\$ 5,667,489	\$ 9,370,329	\$ 6,174,030	\$ 8,571,940
Contributions as a percentage of covered-employee payroll	17.58%	23.66%	21.90%	25.72%	18.15%	27.43%

*The amounts presented for each fiscal year were determined as of the fiscal year end

This schedule is presented to illustrate the requirement 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.



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**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 Supervisor and
Members of the Town Board
Town of Poughkeepsie, New York
One Overocker Road
Poughkeepsie, New York 12603

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 Poughkeepsie, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Poughkeepsie, New York's basic financial statements and have issued our report thereon dated August 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Poughkeepsie, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Poughkeepsie, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Poughkeepsie, New York's 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 a 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 preceding paragraph 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 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 Poughkeepsie, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Poughkeepsie'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Poughkeepsie, New York
August 16, 2018