

FINANCIAL REPORT  
AUDITED  
**TOWN OF POUGHKEEPSIE, NEW YORK**  
For the Year Ended December 31, 2018

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*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

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# TOWN OF POUGHKEEPSIE, NEW YORK

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LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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 (the "Town"), as of and for the year ended December 31, 2018, 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 controls 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, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, and schedules of changes in the Town's total OPEB liability and related ratios, proportionate share of the net pension liability and related ratios, and employer contributions on pages 3 through 8 and 42 through 49 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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the Town of Poughkeepsie, New York's basic financial statements. The accompanying schedules of indebtedness and combining information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules of indebtedness and combining information are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Emphasis of Matter**

As described in Note XVI to the financial statements, net position as of January 1, 2018 has been restated to reflect the implementation of GASB 75. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by Government Auditing Standards**

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

*RBT CPAs, LLP*

Poughkeepsie, NY  
June 14, 2019

**TOWN OF POUGHKEEPSIE, NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The accompanying management discussion and analysis of the Town's financial performance has been prepared to provide an overview of the Town's financial activities for the year ended December 31, 2018. This discussion and analysis is only an introduction and should be read in conjunction with the Town's financial statements.

Requests For Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Charles Emberger, Town Comptroller, at One Overocker Road, Poughkeepsie, New York, 12603.

2018 Financial Highlights

- The Town's net position (defined as assets plus deferred outflows less liabilities and deferred inflows) was a negative \$34,883,910 at December 31.
- The governmental total net position decreased by \$59,004,712 during the year ending December 31.
- At December 31, the proportionate share of the net pension liability for both retirement systems were included in total liabilities in the amount of \$3,513,185.
- As of the close of the year, the Town's governmental funds reported an ending fund balance of \$4,243,758, a decrease of \$3,026,130 in comparison with the prior year.
- At the end of the year, unassigned fund balance for the General Fund was \$1,341,664.

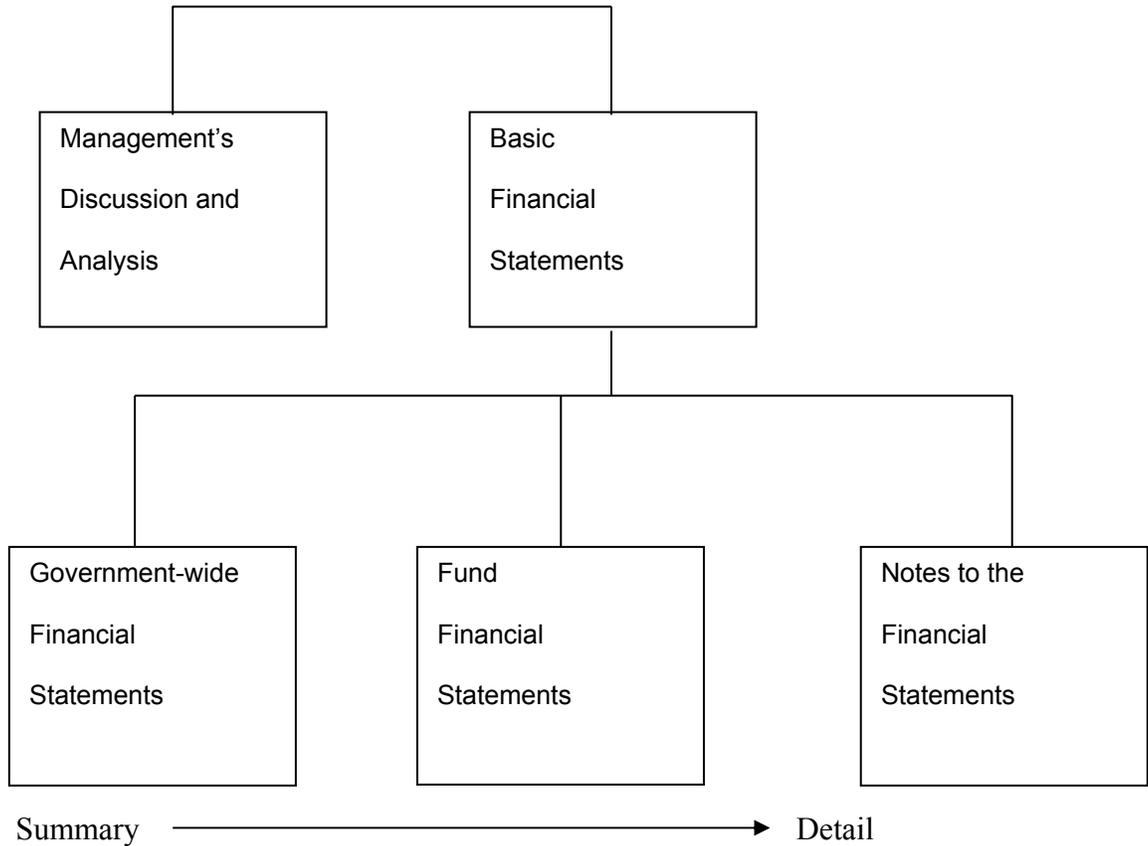
**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town's financial position through the use of government-wide statements and fund financial statements. Each view will be explained in more detail following this narrative. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Poughkeepsie, New York.

**TOWN OF POUGHKEEPSIE, NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Required Components of the Town’s Basic Financial Statements

**Figure 1**



**Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town’s financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town’s government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements, they include: 1) the governmental, proprietary, and fiduciary fund statements and 2) reconciliations to the government-wide financial statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town’s finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town’s financial status as a whole.

The two government-wide statements report the Town’s net position and how it has changed. Net position is the difference between the Town’s total assets and total liabilities. Measuring net position is one way to gauge the Town’s financial condition.

The governmental activities include most of the Town’s basic services such as public safety, road maintenance and administration. Property taxes, sales tax, charges for services and state aid finance most of these activities.

**TOWN OF POUGHKEEPSIE, NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a group of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in New York, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as New York State general municipal law and local finance law or the Town's budget regulations. All of the funds of the Town are classified in one of three categories: governmental funds and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliations that are a part of the fund financial statements.

**Fiduciary Funds** – The Town acts in an agency capacity for assets that are ultimately transferred to others, such as guarantee and bid deposits. These funds are excluded from the government-wide financial statements because the Town cannot use these assets to finance operations.

The Town adopts an annual budget for certain funds as required by municipal law. The budget is a legally adopted document that incorporates input from the citizens and management of the Town, and the decisions of the Town Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary comparison demonstrates how well the Town complied with the final budget and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget document. The schedule shows four columns: 1) the original budget as adopted by the Town Board; 2) the final budget as amended by the Town Board; 3) the actual revenues, expenditures and ending balances; and 4) the variance between the final budget and actual revenues and expenditures. The schedule is presented as required supplementary information.

**Notes to the Financial Statements**

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

**TOWN OF POUGHKEEPSIE, NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS  
GOVERNMENTAL ACTIVITIES  
NET POSITION**

	<b>2018</b>	2017	\$ Change	% Change
Current and Other Assets	<b>\$ 28,059,217</b>	\$ 29,947,328	<b>\$ (1,888,111)</b>	-6.30%
Capital Assets	<b>83,719,574</b>	84,961,494	<b>(1,241,920)</b>	-1.46%
Total Assets	<b>111,778,791</b>	114,908,822	<b>(3,130,031)</b>	-2.72%
Deferred Outflows of Resources	<b>9,942,832</b>	8,107,225	<b>1,835,607</b>	22.64%
Other Liabilities	<b>14,741,605</b>	16,690,440	<b>(1,948,835)</b>	-11.68%
Long-Term Liabilities	<b>133,402,225</b>	80,627,559	<b>52,774,666</b>	65.45%
Total Liabilities	<b>148,143,830</b>	97,317,999	<b>50,825,831</b>	52.23%
Deferred Inflows of Resources	<b>8,435,152</b>	1,577,246	<b>6,857,906</b>	434.80%
Net Position:				
Net Investment in Capital Assets	<b>38,786,907</b>	49,371,065	<b>(10,584,158)</b>	-21.44%
Restricted	<b>2,023,231</b>	4,227,575	<b>(2,204,344)</b>	-52.14%
Unrestricted (As Restated)	<b>(75,694,048)</b>	(29,477,838)	<b>(46,216,210)</b>	156.78%
Total Net Position	<b>\$ (34,883,910)</b>	\$ 24,120,802	<b>\$ (59,004,712)</b>	-244.62%

**Management’s Explanation of Changes**

Net position shows a 35 million dollar deficit, this is due to the implementation of GASB 75, wherein municipalities must show post-employment benefits for all employees, active and retired. New York State does not allow funding this liability, it is an accrual entry to the financials for reporting purposes only.

**TOWN OF POUGHKEEPSIE, NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS  
GOVERNMENTAL ACTIVITIES  
CHANGES IN NET POSITION**

	<b>2018</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>\$ Change</b>	<b>% Change</b>
Revenues:						
Program Revenues:						
Charges for Service	\$ 10,714,891	22.91%	\$ 8,153,024	17.38%	\$ 2,561,867	31.42%
Operating and Capital Grants	681,630	1.46%	3,444,589	7.34%	(2,762,959)	-80.21%
General Revenues:						
Real Property Taxes	27,841,301	59.52%	27,727,004	59.12%	114,297	0.41%
Real Property Tax Items	1,103,088	2.36%	1,209,450	2.58%	(106,362)	-8.79%
Non Property Taxes	3,215,868	6.87%	3,098,744	6.61%	117,124	3.78%
Use of Money and Property	885,085	1.89%	525,878	1.12%	359,207	68.31%
Intergovernmental Charges	403,865	0.86%	814,533	1.74%	(410,668)	-50.42%
State and Federal Aid	1,341,944	2.87%	1,334,765	2.85%	7,179	0.54%
Sale of Property and Compensation for Loss	254,887	0.54%	173,937	0.37%	80,950	46.54%
Miscellaneous	337,099	0.72%	416,191	0.89%	(79,092)	-19.00%
Total Revenues	<b>46,779,658</b>	<b>100.00%</b>	<b>46,898,115</b>	<b>100.00%</b>	<b>(118,457)</b>	<b>-0.25%</b>
Expenses:						
General Government Support	5,437,992	11.09%	5,495,473	10.24%	(57,481)	-1.05%
Public Safety	19,776,176	40.33%	21,387,592	39.86%	(1,611,416)	-7.53%
Transportation	11,014,955	22.47%	12,015,736	22.40%	(1,000,781)	-8.33%
Economic Assistance	136,172	0.28%	136,779	0.25%	(607)	-0.44%
Culture & Recreation	1,005,534	2.05%	1,037,428	1.93%	(31,894)	-3.07%
Home & Community Service	10,033,187	20.46%	12,446,571	23.20%	(2,413,384)	-19.39%
Debt Service	1,626,922	3.32%	1,132,786	2.11%	494,136	43.62%
Total Expenses	<b>49,030,938</b>	<b>100.00%</b>	<b>53,652,365</b>	<b>100.00%</b>	<b>\$ (4,621,427)</b>	<b>-8.61%</b>
Increase/(Decrease) in Net Position	<b>\$ (2,251,280)</b>		<b>\$ (6,754,250)</b>			

**Management's Explanation of Changes**

Expenses for 2017 included a one-time charge pertaining to an uncollectible receivable of \$2.5 million. Despite implementation of GASB #75, which had a significant impact on beginning net position, OPEB expense for 2018 dropped by \$7 million.

**TOWN OF POUGHKEEPSIE, NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Funds Financial Analysis**

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

**Governmental Funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the year.

The General Fund is the chief operating fund of the Town. At the end of the current year, the unassigned fund balance of the General Fund was \$1,341,664. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 23 percent of total General Fund expenditures.

At December 31, 2018, the governmental funds of the Town reported a combined fund balance of \$4,243,758, a 43 percent decrease over the prior year end. Included in this change in fund balance are decreases in the Highway, Capital Projects, and Non-Major Funds and increases in the General A, General B, Water, and Sewer Funds. The Capital Projects decrease, (\$4,826,223), resulting from the use of short term debt financing, caused the overall drop in fund balance.

**General Fund Budgetary Highlights:** During the year, the Town revised the General Fund budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

**Capital Asset and Debt Administration**

**Capital Assets:** The Town's investment in capital assets for its governmental activities as of December 31, 2018, totaled \$55,213,293 (net of accumulated depreciation). These assets include land, buildings, improvements, machinery & equipment, roads & infrastructure and vehicles.

**Debt:** As of December 31, 2018, the Town had total debt outstanding for its governmental activities of \$44,655,429. The debt is backed by the full faith and credit of the Town. The Town's debt decreased overall by \$1,540,000 during the 2018 year.

For more detailed information on capital assets and long-term debt, see the notes to the basic financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 13,676,697
Restricted Cash	1,438,052
Accounts Receivable (Note I.H)	2,888,043
Due from Other Governments	8,949,908
State and Federal Aid Receivable	272,321
Inventory	61,172
Prepaid Expense	773,024
	<u>28,059,217</u>
<b>NON-CURRENT ASSETS</b>	
Capital Assets	
Land	10,702,283
Infrastructure, Net of Depreciation	24,214,400
Buildings, Machinery, and Equipment, Net of Depreciation	7,656,068
Construction in Progress	12,640,542
Total Capital Assets, net (Note V)	<u>55,213,293</u>
Investment in Joint Water Project	<u>28,506,281</u>
Total Assets	<u>111,778,791</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Refunding (Note IX)	20,300
Pension (Note VI)	9,922,532
Total Deferred Outflows of Resources	<u>9,942,832</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<u>121,721,623</u>
<b>LIABILITIES</b>	
Accounts Payable	1,042,366
Accrued Expenditures	1,415,997
Bond Anticipation Notes (Note VIII)	11,250,000
Due To Fiduciary Fund	26,551
Due To Other Governments	1,033,242
Noncurrent Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (Note IX)	2,703,429
Installment Purchase Obligations (Note IX)	215,063
Landfill Closure and Post Closure (Note IX)	10,605
Due and Payable More Than One Year:	
Bonds Payable (Note IX)	30,702,000
Installment Purchase Obligations (Note IX)	62,175
Landfill Closure and Post Closure (Note IX)	242,304
Compensated Absences (Note IX)	2,167,953
ERS Net Pension Liability-Proportionate Share (Note VI)	759,246
PFRS Net Pension Liability-Proportionate Share (Note VI)	2,753,939
Other Postemployment Benefits (Note VII)	93,785,511
Total Liabilities	<u>148,170,381</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows - Other	527,819
Pension (Note VI)	7,907,333
Total Deferred Inflows of Resources	<u>8,435,152</u>
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<u>156,605,533</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	10,280,626
Net Investment in Joint Water Project	28,506,281
Restricted	2,023,231
Unrestricted	(75,694,048)
Total Net Position	<u>\$ (34,883,910)</u>

See accompanying notes to basic financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2018**

	Program Revenues				Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b><u>FUNCTIONS/PROGRAMS</u></b>					
Primary Government:					
Governmental Activities:					
General Government	\$ (5,437,992)	\$ 1,126,060	\$ -	\$ -	\$ (4,311,932)
Public Safety	(19,776,176)	118,805	12,109	182,321	(19,462,941)
Transportation	(11,014,955)	-	-	355,553	(10,659,402)
Economic Assistance and Opportunity	(136,172)	-	-	-	(136,172)
Culture and Recreation	(1,005,534)	128,549	-	-	(876,985)
Home and Community Services	(10,033,187)	9,341,477	88,523	43,124	(560,063)
Interest on Debt	(1,626,922)	-	-	-	(1,626,922)
Total Primary Government	<u>\$ (49,030,938)</u>	<u>\$ 10,714,891</u>	<u>\$ 100,632</u>	<u>\$ 580,998</u>	<u>(37,634,417)</u>
General Revenues:					
Real Property Taxes					27,841,301
Real Property Tax Items					1,103,088
Non Property Taxes					3,215,868
Use of Money and Property					885,085
Intergovernmental Charges					403,865
State and Federal Aid					1,341,944
Sale of Property and Compensation for Loss					254,887
Miscellaneous					337,099
Total General Revenues					<u>35,383,137</u>
Change in Net Position					<u>(2,251,280)</u>
Net Position - Beginning					<u>24,120,802</u>
Prior Period Adjustment - Note XVI					<u>(56,753,432)</u>
Net Position - Beginning, as Restated					<u>(32,632,630)</u>
Net Position - Ending					<u>\$ (34,883,910)</u>

See accompanying notes to the financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	General Fund A	General Fund B	Highway	Water	Sewer	Capital Projects	Debt Service	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 2,816,643	\$ 2,017,770	\$ 923,446	\$ 865,082	\$ 4,965,910	\$ 1,266,752	\$ 618,378	\$ 202,716	\$ 13,676,697
Restricted Cash	706,182	-	-	-	-	731,870	-	-	1,438,052
Receivables (Note I.H)	218,695	299,901	8,811	1,376,994	977,081	-	3,284	3,277	2,888,043
Prepaid Expense	79,487	573,102	63,949	31,405	25,081	-	-	-	773,024
Due from Other Funds (Note IV)	39,009	27,128	129,952	1,913,117	36,609	335,799	100	79,586	2,561,300
Due from Other Governments	-	173,501	-	426,407	-	-	8,350,000	-	8,949,908
State and Federal Aid Receivable	272,321	-	-	-	-	-	-	-	272,321
<b>Total Assets</b>	<b>\$ 4,132,337</b>	<b>\$ 3,091,402</b>	<b>\$ 1,126,158</b>	<b>\$ 4,613,005</b>	<b>\$ 6,004,681</b>	<b>\$ 2,334,421</b>	<b>\$ 8,971,762</b>	<b>\$ 285,579</b>	<b>\$ 30,559,345</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts Payable	\$ 213,260	\$ 82,384	\$ 68,508	\$ 94,709	\$ 272,924	\$ 244,544	\$ -	\$ 66,037	\$ 1,042,366
Accrued Expenditures	67,705	575,663	107,999	65,172	38,082	-	-	-	854,621
Due to Other Funds (Note IV)	1,510,081	25,680	39,089	-	748,720	140,000	-	124,281	2,587,851
Due to Other Governments	153,300	-	-	-	-	821,088	3,284	-	977,672
Deferred Revenues	13,115	-	-	437,916	250,556	149,404	8,350,000	-	9,200,991
Bond Anticipation Notes Payable (Note VIII)	-	-	-	-	-	11,250,000	-	-	11,250,000
Compensated Absences Payable	-	402,086	-	-	-	-	-	-	402,086
<b>Total Liabilities</b>	<b>1,957,461</b>	<b>1,085,813</b>	<b>215,596</b>	<b>597,797</b>	<b>1,310,282</b>	<b>12,605,036</b>	<b>8,353,284</b>	<b>190,318</b>	<b>26,315,587</b>
Fund Balances:									
Fund Balance - Restricted									
Reserves	13,628	-	-	-	413,558	731,870	171,621	-	1,330,677
Recreation	624,406	-	-	-	-	-	-	-	624,406
Drainage	68,148	-	-	-	-	-	-	-	68,148
Fund Balance - Assigned									
Assigned for Subsequent Year's Budget	-	50,000	-	150,000	-	-	-	-	200,000
Assigned for Fund Purposes	-	1,610,416	910,562	3,865,208	4,191,096	(1,032)	446,857	95,261	11,118,368
Assigned for Purchase Commitments	127,030	345,173	-	-	89,745	-	-	-	561,948
Fund Balance - Unassigned	1,341,664	-	-	-	-	(11,001,453)	-	-	(9,659,789)
<b>Total Fund Balances</b>	<b>2,174,876</b>	<b>2,005,589</b>	<b>910,562</b>	<b>4,015,208</b>	<b>4,694,399</b>	<b>(10,270,615)</b>	<b>618,478</b>	<b>95,261</b>	<b>4,243,758</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,132,337</b>	<b>\$ 3,091,402</b>	<b>\$ 1,126,158</b>	<b>\$ 4,613,005</b>	<b>\$ 6,004,681</b>	<b>\$ 2,334,421</b>	<b>\$ 8,971,762</b>	<b>\$ 285,579</b>	<b>\$ 30,559,345</b>

See accompanying notes to the financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK  
RECONCILIATION OF THE TOTAL GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	Total Governmental Funds	Long-Term Assets and Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 13,676,697	\$ -	\$ -	\$ 13,676,697
Restricted Cash	1,438,052	-	-	1,438,052
Receivables	2,888,043	-	-	2,888,043
Inventory	-	61,172	-	61,172
Prepaid Expense	773,024	-	-	773,024
Due from Other Funds	2,561,300	-	(2,561,300)	-
Due from Other Governments	8,949,908	-	-	8,949,908
State and Federal Aid Receivable	272,321	-	-	272,321
Investment in Joint Water Project	-	28,506,281	-	28,506,281
Capital Assets, Net	-	55,213,293	-	55,213,293
Deferred Outflows of Resources - Loss on Refunding	-	20,300	-	20,300
Deferred Outflows of Resources - Pension	-	9,922,532	-	9,922,532
Total Assets and Deferred Outflows	<u>\$ 30,559,345</u>	<u>\$ 93,723,578</u>	<u>\$ (2,561,300)</u>	<u>\$ 121,721,623</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,042,366	\$ -	\$ -	\$ 1,042,366
Other Liabilities	-	-	-	-
Accrued Expenditures	854,621	561,376	-	1,415,997
Bond Anticipation Notes Payable	11,250,000	-	-	11,250,000
Bonds Payable	-	33,405,429	-	33,405,429
Installment Obligations Payable	-	277,238	-	277,238
Due to Other Funds	2,587,851	-	(2,561,300)	26,551
Due to Other Governments	977,672	55,570	-	1,033,242
Deferred Revenues	9,200,991	(8,673,172)	-	527,819
Landfill Closure and Post Closure	-	252,909	-	252,909
Compensated Absences	402,086	1,765,867	-	2,167,953
ERS Net Pension Liability-Proportionate Share	-	759,246	-	759,246
PFRS Net Pension Liability-Proportionate Share	-	2,753,939	-	2,753,939
Other Postemployment Benefits	-	93,785,511	-	93,785,511
Deferred Inflows of Resources - Pension	-	7,907,333	-	7,907,333
Total Liabilities and Deferred Inflows	<u>26,315,587</u>	<u>132,851,246</u>	<u>(2,561,300)</u>	<u>156,605,533</u>
Total Fund Balances	<u>4,243,758</u>	<u>(39,127,668)</u>	<u>-</u>	<u>(34,883,910)</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 30,559,345</u>	<u>\$ 93,723,578</u>	<u>\$ (2,561,300)</u>	<u>\$ 121,721,623</u>

See accompanying notes to the financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund A	General Fund B	Highway	Water	Sewer	Capital Projects	Debt Service	Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>									
Real Property Taxes	\$ 3,466,318	\$ 13,289,233	\$ 6,086,344	\$ 1,150,789	\$ 2,798,802	\$ -	\$ -	\$ 1,049,815	\$ 27,841,301
Real Property Tax Items	104,539	888,329	-	67,194	1,728	-	-	41,298	1,103,088
Non Property Tax Items	-	3,215,868	-	-	-	-	-	-	3,215,868
Departmental Income	165,001	349,697	-	4,555,992	3,333,484	(800)	-	-	8,403,374
Intergovernmental Income	-	39,599	-	-	-	-	799,266	-	838,865
Use of Money and Property	352,970	306,683	2,999	99,783	122,650	-	-	-	885,085
Licenses and Permits	71,979	777,170	750	7,330	-	-	-	-	857,229
Fines and Forfeitures	920,452	400	-	-	-	-	-	-	920,852
Sale of Property and Compensation for Loss	72,036	162,426	6,384	14,041	-	-	-	-	254,887
Miscellaneous	236,165	336,100	46,447	22,317	87,940	69,991	470,209	-	1,269,169
State and Federal Aid	1,073,542	280,511	444,076	-	-	3,675	-	-	1,801,804
<b>Total Revenues</b>	<b>6,463,002</b>	<b>19,646,016</b>	<b>6,587,000</b>	<b>5,917,446</b>	<b>6,344,604</b>	<b>72,866</b>	<b>1,269,475</b>	<b>1,091,113</b>	<b>47,391,522</b>
<b>Expenditures:</b>									
General Government	3,037,173	586,096	50,748	68,830	67,506	139,224	104,909	35,423	4,089,909
Public Safety	-	10,510,494	-	-	-	44,328	-	-	10,554,822
Transportation	324,840	-	3,257,598	-	-	2,946,714	-	1,097,660	7,626,812
Economic Assistance and Opportunity	78,672	-	-	-	-	-	-	57,500	136,172
Culture and Recreation	744,225	-	-	-	-	-	-	-	744,225
Home and Community Services	142,473	395,719	-	3,061,879	4,402,692	-	-	-	8,002,763
Employee Benefits	1,366,255	7,400,726	1,021,834	733,656	557,890	-	-	-	11,080,361
Capital Outlay	5,439	516,387	388,809	119,661	-	1,938,823	-	-	2,969,119
Debt Service	285,788	-	1,982,974	1,177,762	686,001	-	799,266	80,895	5,012,686
<b>Total Expenditures</b>	<b>5,984,865</b>	<b>19,409,422</b>	<b>6,701,963</b>	<b>5,161,788</b>	<b>5,714,089</b>	<b>5,069,089</b>	<b>904,175</b>	<b>1,271,478</b>	<b>50,216,869</b>
Excess/(Deficiency) of Revenues Over Expenditures	478,137	236,594	(114,963)	755,658	630,515	(4,996,223)	365,300	(180,365)	(2,825,347)
<b>Other Financing Sources/(Uses):</b>									
BANS Redeemed from Appropriations	-	-	-	-	-	170,000	-	-	170,000
Proceeds from Obligations	-	-	-	-	-	-	5,245,000	-	5,245,000
Payment to Escrow Agent	-	-	-	-	-	-	(5,610,300)	-	(5,610,300)
Operating Transfers In	11,667	-	-	-	4,457,385	-	-	-	4,469,052
Operating Transfers Out	-	-	-	(10,000)	(4,459,052)	-	-	-	(4,469,052)
<b>Total Other Financing Sources/(Uses)</b>	<b>11,667</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>(1,667)</b>	<b>170,000</b>	<b>(365,300)</b>	<b>-</b>	<b>(195,300)</b>
<b>Change in Fund Balances</b>	<b>489,804</b>	<b>236,594</b>	<b>(114,963)</b>	<b>745,658</b>	<b>628,848</b>	<b>(4,826,223)</b>	<b>-</b>	<b>(180,365)</b>	<b>(3,020,647)</b>
Prior Period Adjustment (Note XVI)	-	(161,750)	-	-	-	-	-	-	(161,750)
Fund Balances - Beginning	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
Fund Balances - Beginning, as restated	1,685,072	1,768,995	1,025,525	3,269,550	4,065,551	(5,444,392)	618,478	275,626	7,264,405
<b>Fund Balances - Ending</b>	<b>\$ 2,174,876</b>	<b>\$ 2,005,589</b>	<b>\$ 910,562</b>	<b>\$ 4,015,208</b>	<b>\$ 4,694,399</b>	<b>\$ (10,270,615)</b>	<b>\$ 618,478</b>	<b>\$ 95,261</b>	<b>\$ 4,243,758</b>

See accompanying notes to the 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, 2018**

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Asset Transactions	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
<b>Revenues:</b>						
Real Property Taxes	\$ 27,841,301	\$ -	\$ -	\$ -	\$ -	\$ 27,841,301
Real Property Tax Items	1,103,088	-	-	-	-	1,103,088
Non Property Tax Items	3,215,868	-	-	-	-	3,215,868
Departmental Income	8,403,374	533,436	-	-	-	8,936,810
Intergovernmental Income	838,865	(435,000)	-	-	-	403,865
Use of Money and Property	885,085	-	-	-	-	885,085
Licenses and Permits	857,229	-	-	-	-	857,229
Fines and Forfeitures	920,852	-	-	-	-	920,852
Sale of Property and Compensation for Loss	254,887	-	-	-	-	254,887
Miscellaneous	1,269,169	(710,300)	-	-	-	558,869
State and Federal Aid	1,801,804	-	-	-	-	1,801,804
<b>Total Revenues</b>	<b>47,391,522</b>	<b>(611,864)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,779,658</b>
<b>Expenditures:</b>						
General Government	4,089,909	(51,360)	175,091	(43,520)	1,267,872	5,437,992
Public Safety	10,554,822	-	470,529	-	8,750,825	19,776,176
Transportation	7,626,812	204,082	2,016,192	(167,191)	1,335,060	11,014,955
Economic Assistance and Opportunity	136,172	-	-	-	-	136,172
Culture and Recreation	744,225	-	30,034	-	231,275	1,005,534
Home and Community Services	8,002,763	(24,836)	160,180	-	1,895,080	10,033,187
Employee Benefits	11,080,361	2,399,751	-	-	(13,480,112)	-
Capital Outlay	2,969,119	-	(2,969,119)	-	-	-
Debt Service	5,012,686	309,236	-	(3,695,000)	-	1,626,922
<b>Total Expenditures</b>	<b>50,216,869</b>	<b>2,836,873</b>	<b>(117,093)</b>	<b>(3,905,711)</b>	<b>-</b>	<b>49,030,938</b>
Excess/(Deficiency) of Revenues Over Expenditures	(2,825,347)	(3,448,737)	117,093	3,905,711	-	(2,251,280)
<b>Other Financing Sources/(Uses):</b>						
BANS Redeemed from Appropriations	170,000	-	-	(170,000)	-	-
Proceeds from Obligations	5,245,000	-	-	(5,245,000)	-	-
Payment to Escrow Agent	(5,610,300)	-	-	5,610,300	-	-
Operating Transfers In	4,469,052	-	-	-	(4,469,052)	-
Operating Transfers Out	(4,469,052)	-	-	-	4,469,052	-
<b>Total Other Financing Sources/(Uses)</b>	<b>(195,300)</b>	<b>-</b>	<b>-</b>	<b>195,300</b>	<b>-</b>	<b>-</b>
<b>Change in Fund Balances</b>	<b>\$ (3,020,647)</b>	<b>\$ (3,448,737)</b>	<b>\$ 117,093</b>	<b>\$ 4,101,011</b>	<b>\$ -</b>	<b>\$ (2,251,280)</b>

See accompanying notes to the financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2018**

	Agency Fund
<b>ASSETS</b>	
Cash	\$ 1,747,203
Due From Governmental funds	26,551
Total Assets	<u>\$ 1,773,754</u>
<b>LIABILITIES</b>	
Escrow Funds Returnable and Other Liabilities	\$ 1,773,754
Total Liabilities	<u>\$ 1,773,754</u>

See accompanying notes to the financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Poughkeepsie, New York (the "Town"), established in 1854, is governed by the laws of the State of New York (the "State") and various local laws. The Town Board is the legislative body responsible for overall operations. The Supervisor serves as the Chief Executive Officer and as the Chief Fiscal Officer.

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. Under these criteria, no other entities are included in the Town's financial statements.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America for governmental units as established by the Governmental Accounting Standards Board (GASB). The notes to the financial statements are an integral part of the statements and are intended to be read with them.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net position and activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued**

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *General Fund – Town Wide* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *General Fund – Part-Town* is used to record revenues and expenditures related to services provided to residents living outside the Village of Wappingers Falls, such as police protection, planning and zoning services. The General Fund – Part-Town is considered a major fund and is presented separately.

The *Highway Fund* is used to account for financial resources necessary to repair and maintain the roads within the Town.

The *Water Fund* is used to account for financial resources to be used for the operations and maintenance of the water district within the Town.

The *Sewer Fund* is used to account for financial resources to be used for the operations and maintenance of the sewer districts within the Town.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The principal source of financing is from the sale of bonds or bond anticipation notes.

Fiduciary Funds are used to report assets which are held in trustee or custodial capacity and are, therefore, not available to support Town programs.

**D. Pervasiveness of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of other postemployment benefits, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**E. Budgetary Data**

The Town's budget policies are as follows:

1. No later than October 5<sup>th</sup>, the budget officer submits a tentative budget to the Town Board for the year commencing the following January 1. The tentative budget includes proposed expenditures and estimated revenue as the means of financing for all funds.
  - a. After public hearings are conducted to obtain taxpayers' comments, the governing body adopts the budget no later than November 20.
  - b. All modifications of the budget must be approved by the Town Board; however, the Town Supervisor is authorized to transfer certain budgeted amounts within the departments.
2. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all funds. Encumbrances are reported as assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

**F. Property Taxes**

Town real property taxes are levied annually on January 1 and become a lien on that date. Taxes are collected during the period January 1 to January 31 at face value and from February 1 to May 31 with interest added. The Town's Receiver of Taxes collects all real estate taxes for Town and County purposes. The Town's Receiver distributes the collected tax money to the Town prior to distributing the remaining balance collected to the County on June 1. The Town thereby is assured of 100% tax collection. Responsibility for the collection of unpaid taxes rests with the County. Uncollected tax liens are sold annually by the County.

**G. Cash and Investments**

The Town's investment policies are governed by State statutes. In addition, the Town has its own written investment policy. The Town's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Town is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

**H. Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables recorded in the governmental fund's balance sheet are expected to be collected within sixty days of year end.

**I. Due To/From Other Funds**

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. See Note IV for a schedule detailing the interfund balances.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**J. Inventories and Prepaid Items**

Purchases of inventoriable items are recorded as expenditures in the Governmental Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the Government-wide statements.

Prepaid items represent payments made by the Town for which benefits extend beyond year end.

**K. Capital Assets**

Capital assets are reported at historical cost. The Town depreciates capital assets using the straight line method over the estimated useful lives of the assets. Capitalization thresholds and estimated lives of assets reported in the Government-wide statements are as follows:

Buildings	30 years
Improvements Other than Buildings	15 years
Machinery and equipment	3-20 years

**L. Infrastructure**

The Town includes long-lived improvements to roads, property, and water systems as capital assets in the Government-wide statements. Infrastructure is reported at historical cost and is depreciated using the straight-line method over the estimated useful lives.

Under generally accepted accounting principles, the Town is considered a small government and, as such, is required only to recognize infrastructure on a prospective basis.

Capitalization thresholds and estimated useful lives for infrastructure are as follows:

Town Roads and Other Infrastructure	15-40 years
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**M. Vested Employee Benefits**

Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee may be entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. A liability for accrued vacation and sick time is reflected in the Government-wide statements under the heading "Compensated Absences." See Note IX.

The Town's employees participate in the New York State Employees' Retirement System and New York State Police and Fire Retirement System. See Note VI.

In addition to providing pension benefits, the Town provides health insurance coverage for retired employees. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year for the Town. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as a governmental fund expenditure in the year paid. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age and at least 20 years of service while working for the Town. See Note VII.

**N. Unemployment Insurance**

Town employees are covered by unemployment insurance. The Town has chosen to discharge its liability to the New York State Unemployment Insurance Fund by means of the benefit reimbursement method. This is a dollar-for-dollar reimbursement to the Unemployment Insurance Fund for the benefits paid to former employees and charged to the Town's account. The Town is exempt from federal unemployment insurance tax.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**O. Deferred Compensation**

The Town, through the New York State Deferred Compensation Board, offers its employees a Deferred Compensation Plan (“the Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all eligible participants, permits participants to defer a portion of their salary (up to the IRS limits) until future years. Amounts deferred under the Plan are not available to the employee until termination, retirement, death or unforeseeable emergency. The Town does not contribute to this plan.

**P. Risk Retention**

The Town assumes the liability for most risk including, but not limited to, property damage and personal injury liability. The Town purchases commercial insurance to mitigate these risks, subject to certain deductibles. 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.

**Q. Equity Classification**

1. Government-wide Statements

Equity is defined as net position and displayed in three components:

- Net Investment in Capital Assets

Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- Restricted Net Position

Consists of net assets with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

- Unrestricted Net Position

The remaining portion of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

2. Fund Financial Statements

Equity is defined as fund balance and displayed in five fund balance classifications, which are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds:

- Non-spendable:

Amounts that cannot be spent in the current period either because of their form or because they must be maintained intact. Prepaid expenses are non-spendable assets because, by definition, the money has already been spent.

Restricted:

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.

Various New York State statutes allow local governments to establish reserve funds for various purposes.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Q. Equity Classification – continued**

2. Fund Financial Statements - Continued

Committed:

Amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority (the Town Board) before the end of the year. The same level of formal action is required to remove the constraint.

Assigned:

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 its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned:

Represents the residual amount of fund balance in the General Fund. In funds other than the General Fund, this classification should only be used to report a deficit balance.

3. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the Town's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements. Similarly, when an expenditure is incurred for which multiple classifications of fund balance are available the Town's policy is to apply fund balance in the following order: restricted, committed, assigned, unassigned.

**R. Interfund Transfers**

The operations of the Town give rise to certain transactions between funds, including transfers to provide services and construct assets. Interfund transfers within fund categories are eliminated for the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided in Note IV.

**S. Subsequent Events**

Management has evaluated subsequent events from December 31, 2018, through June 14, 2019, the date on which the financial statements were available to be issued.

**II. 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 governmental funds.

**A. 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 detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Funds Balance Sheet and Net Position reported on the Statement of Net Position.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS  
AND GOVERNMENT-WIDE STATEMENTS - CONTINUED**

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities - Continued**

- (1) The costs of building and acquiring capital assets (land, infrastructure, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Town as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 155,647,388
Accumulated Depreciation	<u>(100,434,094)</u>
Capital Assets, Net	<u>\$ 55,213,293</u>

- (2) The costs of building and acquiring capital assets (land, infrastructure, buildings and equipment) for the Town's investment in the Joint Water Project financed from the governmental funds are reported as expenditures in the year they are incurred and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes the investment in the Joint Water Project among the assets of the Town as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Investment in the Joint Water Project	<u>\$ 28,506,281</u>
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- (3) The cost of inventoriable assets are reported as expenditures in the year they are incurred and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes the inventory among the assets of the Town as a whole.

Inventory	<u>\$ 61,172</u>
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- (4) Interest payable is recognized in the government-wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest that was not paid from current financial resources.

Interest Payable at December 31, 2018	<u>\$ 561,376</u>
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- (5) The governmental funds do not include long-term liabilities because they are not due and payable in the current period. However, these liabilities are reported in the Statement of Net Position because they represent economic liabilities. Balances at year end were:

Bonds and Installment Obligations Payable	\$ 33,682,667
Compensated Absences Payable	1,765,867
ERS & PFRS Pension Liability-Proportionate Share	3,513,185
Other Postemployment Benefits	93,785,511
HUD Repayment Liability	55,570
Landfill Closure and Post Closure Liability	283,323
	<u>\$ 133,086,123</u>

- (6) Certain revenues are recognized in the Statement of Net Position, but not in the governmental funds, because they are not expected to be received within 60 days of year end, Remaining deferred revenues at year end were:

Deferred Bond Premiums	\$ 514,704
Fees	13,115
	<u>\$ 527,819</u>

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS - CONTINUED**

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities - Continued**

(7) Deferred outflows and inflows related to pensions are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Deferred Outflows of Resources	\$ 9,942,832	
Deferred Inflows of Resources	(7,907,333)	
	\$ 2,035,499	

**B. 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 use a current financial resource measurement focus, whereas the Statement of Activities uses an economic resource measurement focus.
- Capital asset transaction differences include the difference between recording an expenditure for the purchase of capital assets 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.

Total Revenues and Other Funding Sources

Total revenues reported in governmental funds	\$ 47,391,522	
Water and Sewer billings are recognized in the entity-wide statements under full accrual accounting, whereas they are recognized when measurable and available in the governmental fund statements. This is the amount by which the fourth quarter Water and Sewer billings for the current year exceeded the fourth quarter Water and Sewer billings for the prior year.	533,436	
The Library debt refunding provided a bond premium which was deferred and a decrease in the net amount owed.	(710,300)	
Debt Service Payments from the Library are recognized in the entity-wide statements under full accrual accounting, whereas they are recognized when measurable and available in the governmental fund statements. This is the amount by which the December 31, 2018 receivable amount decreased over the prior year.	(435,000)	
Total revenues reported in the Statement of Activities	\$ 46,779,658	

**TOWN OF POUGHKEEPSIE, NEW YORK  
 NOTES TO BASIC FINANCIAL STATEMENTS**

**II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS  
 AND GOVERNMENT-WIDE STATEMENTS - CONTINUED**

**B. Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities -  
 Continued**

Total Expenditures/Expenses

Total expenditures reported in governmental funds \$ 50,216,869

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which the liability for compensated absences increased during the year. 3,693

In the Statement of Activities, the expenses for other postemployment benefits are measured based on the actuarially determined present value of projected benefit payments to be provided to current and retired employees. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially the amounts paid). This is the amount by which the change in the present value exceeded the amount of financial resources 1,961,754

In the Statement of Activities, pension expense related to ERS and PERS defined benefit plans is measured as the change in the Town's proportionate shares of the net pension assets and liabilities as of the measurement dates for each plan. In the governmental funds, however, these expenditures are recognized as the sum of (1) amounts paid by the employer to the pension plan, and (2) the change between beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. This is the amount by which pension expense was greater than the amount of financial resources expended during the year. 434,304

Interest payable is recognized in the government-wide statements under full accrual accounting, whereas it is recognized when paid in the governmental fund statements. This is the amount by which interest payable for the prior year exceeds the interest payable for the current year. 309,236

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the year they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$2,969,120 exceeded depreciation expense of \$2,852,027 in the current year (117,093)

Repayment of bond and BAN principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities. (3,695,000)

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS  
AND GOVERNMENT-WIDE STATEMENTS – CONTINUED**

**B. Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities –  
Continued**

Other expenses are recognized in the government-wide statements under full accrual accounting, whereas it is recognized when paid in the governmental fund statements.

(82,825)

Total expenses reported in the Statement of Activities

\$ 49,030,938

**III. CASH**

At December 31, 2018, the carrying amount of the Town’s deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$17,028,545 and the bank balance was \$17,014,021. The Town’s deposits at December 31, 2018, and during the year then ended, were entirely covered by FDIC Insurance or by pledged collateral held by the Town’s agent bank in the Town’s name.

**IV. INTERFUND ACTIVITY**

Interfund receivables and payables at December 31, 2018 were as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General A	\$ 39,009	\$ 1,510,081
General B	27,128	25,680
Highway	129,952	39,089
Water	1,913,117	-
Sewer	36,609	748,720
Debt Service	100	-
Capital Projects	335,799	140,000
Non-Major	79,586	124,281
Governmental Funds	<u>2,561,300</u>	<u>2,587,851</u>
Fiduciary Fund	26,551	-
Total	<u>\$ 2,587,851</u>	<u>\$ 2,587,851</u>

Interfund revenues and expenditures at December 31, 2018 were as follows:

<u>FUND</u>	<u>INTERFUND REVENUES</u>	<u>INTERFUND EXPENSES</u>
General A	\$ 11,667	\$ -
Water	-	(10,000)
Sewer	4,457,385	(4,459,052)
Total	<u>\$ 4,469,052</u>	<u>\$ (4,469,052)</u>

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**V. CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2018 were as follows:

	<b>BALANCE JANUARY 1, 2018</b>			<b>BALANCE DECEMBER 31, 2018</b>
		<b>ADDITIONS</b>	<b>DECREASES</b>	
<b>Governmental activities:</b>				
Land	\$ 10,702,283	\$ -	\$ -	\$ 10,702,283
Buildings	15,319,063	-	-	15,319,063
Town Roads and Other Infrastructure	99,103,569	-	-	99,103,569
Improvements Other than Buildings	2,182,384	-	-	2,182,384
Machinery & Equipment	14,784,600	1,030,296	(115,349)	15,699,547
Construction in Progress	10,701,719	1,938,823	-	12,640,542
<b>Total</b>	<b>152,793,618</b>	<b>2,969,119</b>	<b>(115,349)</b>	<b>155,647,388</b>
Less Accumulated Depreciation				
Buildings	(10,113,061)	(301,830)	-	(10,414,891)
Town Roads and Other Infrastructure	(73,189,247)	(1,699,922)	-	(74,889,169)
Improvements Other than Buildings	(1,940,346)	(22,867)	-	(1,963,213)
Machinery & Equipment	(12,454,762)	(827,408)	115,349	(13,166,821)
<b>Total Accumulated Depreciation</b>	<b>(97,697,416)</b>	<b>(2,852,027)</b>	<b>115,349</b>	<b>(100,434,094)</b>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 55,096,202</b>	<b>\$ 117,091</b>	<b>\$ -</b>	<b>\$ 55,213,293</b>

Depreciation was charged to governmental activities as follows:

General Government Support	\$ 175,092
Public Safety	470,529
Transportation	2,016,192
Home & Community	160,180
Culture & Recreation	30,034
<b>Total Depreciation Expense</b>	<b>\$ 2,852,027</b>

**TOWN OF POUGHKEEPSIE, NEW YORK  
 NOTES TO BASIC FINANCIAL STATEMENTS**

**VI. PENSION PLANS**

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). 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, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

The Systems are noncontributory except for Tier 3, 4, 5 and 6 employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% to 6% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of member payroll and employer contributions, used in computing the contributions required to be made by employers to the pension accumulation fund. An Eligible Tier 3 or 4 member with ten or more years of membership, or ten years credited service, will not be required to contribute to the Retirement System. Tier 5 and 6 members must continue to contribute throughout their employment.

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

<u>Plan Year Ended March 31</u>	<u>ERS</u>	<u>PFRS</u>
2019	\$ 969,599	\$ 2,122,496
2018	\$ 1,001,455	\$ 2,264,251
2017	\$ 1,241,264	\$ 2,409,668

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

At December 31, 2018, the Town reported liabilities of \$759,245 and \$2,753,940 for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2018 for ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the Systems relative to the projected contributions of all participating members, as actuarially determined. This information was provided to the Town by the ERS and PFRS Systems.

At March 31, 2018, the Town's proportion of the ERS net pension liability was .0235246 %. At March 31, 2017, the Town's proportion of the ERS net pension liability was .0223465%.

At March 31, 2018, the Town's proportion of the PFRS net pension liability was .2724631%. At March 31, 2017, the Town's proportion of the PFRS net pension liability was .2669969%.

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**VI. PENSION PLANS – CONTINUED**

For the year ended December 31, 2018 the Town recognized pension expense of \$982,558 for ERS and \$2,586,359 for PFRS. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 270,798	\$ 1,133,494	\$ 1,404,292
Changes of assumptions	503,442	2,086,608	2,590,050
Net difference between projected and actual earnings on pension plan investments	1,102,743	2,228,991	3,331,734
Changes in proportion and difference between the Town's contributions and proportionate share of contributions	198,370	79,900	278,270
Town's contributions subsequent to the measurement date	726,509	1,591,677	2,318,186
<b>Total</b>	<b>\$ 2,801,862</b>	<b>\$ 7,120,670</b>	<b>\$ 9,922,532</b>

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 223,777	\$ 731,785	\$ 955,562
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	2,176,703	4,489,067	6,665,770
Differences between expected and actual experience	27,135	258,866	286,001
Changes in proportion and difference between the Town's contributions and proportionate share of contributions	-	-	-
<b>Total</b>	<b>\$ 2,427,615</b>	<b>\$ 5,479,718</b>	<b>\$ 7,907,333</b>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	<u>ERS</u>	<u>PFRS</u>
2019	\$ 227,203	\$ 519,537
2020	166,843	456,589
2021	(518,254)	(599,523)
2022	(228,054)	(425,234)
2023	-	97,906

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**VI. PENSION PLANS – CONTINUED**

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>PFRS</u>
Measurement Date	March 31, 2018	March 31, 2018
	7.00%	7.00%
	compounded annually	compounded annually
Investment Rate of Return	net of investment expense	net of investment expense
Projected Salary Increases	3.8%	4.5%
	April 1, 2010 - March 31, 2015	April 1, 2010 - March 31, 2015
Decrement Tables	System's Experience	System's Experience
Inflation Rate	2.50%	2.50%
	Society of Actuaries	Society of Actuaries
Mortality Improvement	Scale MP - 2014	Scale MP - 2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each of the target asset allocation percentages and by adding expected inflation.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**VI. PENSION PLANS – CONTINUED**

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for both retirement systems are summarized below:

Measurement Date	<b>ERS and PFRS</b>	
	March 31, 2018	
	<b>Target</b>	<b>Long-Term</b>
<b>Asset Class:</b>	<b>Allocation</b>	<b>Expected Real Rate of Return</b>
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.75%
Real Estate	10%	5.80%
Absolute Return Strategies	2%	4.00%
Opportunistic Portfolio	3%	5.89%
Real Assets	3%	5.54%
Bonds and Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed Bonds	4%	1.50%
	<u>100%</u>	

Discount Rate

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

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

The following presents the Town's proportionate share of the ERS and PFRS net pension liabilities calculated using the discount rates referred to above, as well as what the Town's proportionate share of each net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate referred to above:

	1% Decrease	Current Assumption	1% Increase
<b>ERS</b>	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ 5,744,649	\$ 759,246	\$ (3,458,208)
<b>PFRS</b>	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ 13,489,541	\$ 2,753,939	\$ (6,250,712)

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**VI. PENSION PLANS – CONTINUED**

Pension Plan Fiduciary Net Position

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

Measurement Date	(Dollars in Thousands)	
	ERS	PFRS
	March 31, 2018	March 31, 2018
Employers' total pension liability	\$ (183,400,590)	\$ (32,914,423)
Plan net position	180,173,145	31,903,666
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ (1,010,757)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	98.24%	96.93%

Payables to the Pension Plan

For ERS, employer contributions for the plan year ended March 31, 2019 were paid to the System in December 2018. Prepaid retirement contributions as of December 31, 2018, amounted to \$242,400.

For PFRS, employer contributions for the plan year ended March 31, 2019 were paid to the System in December 2018. Prepaid retirement contributions as of December 31, 2018 amounted to \$530,624.

**VII. OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Town provides postemployment health insurance coverage to retired employees through a self-administered single employer plan in accordance with the provisions of various employment contracts and human resource policies. The benefit levels, employee contributions and employer contributions are governed by the Town's contractual agreements. A trust that meets the criteria in paragraph 4 of GASB Statement 75 has not been established.

Benefits Provided

The Town's OPEB plan subsidizes the cost of healthcare to eligible retired employees and their spouses and dependent children. Eligibility is based on the respective rules of the New York State and Local Employees Retirement System (ERS) as well as the provisions of the Town's agreements with its employees. The following eligibility rules current apply to the Town's employees:

- CSEA: eligibility for retirement under ERS; 10 years of Town service
- Staff: eligibility for retirement under ERS; 10 years of Town service

Medical and prescription drug benefits are offered to retirees on a Town-subsidized basis. Upon attaining age 65 or upon disability retirement, Medicare (Parts A and B) becomes the primary provider for hospital insurance and supplementary medical insurance, with the Town's plan providing an additional layer of coverage. The Town reimburses Medicare Part B premiums for retirees and their spouses, but not those of surviving spouses.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**VII. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

The benefit terms are dependent on which contract covers each employee for contribution rates for new retirees are as follows:

Group	Provider Options	Years of Service		Town Contributions (Fixed)				Reimburse Part B Premium		
				Individual	Spouse	Individual and Children	Family	Individual	Spouse	Surviving Spouse
Non-Union & CSEA	Empire (NYSHIP)	0 - 10	under 65	-	N/A	N/A	-	Y	Y	Y
		0 - 10	over 65	-	N/A	N/A	-			
		10 - 19	under 65	355.24	N/A	N/A	821.85			
		10 - 19	over 65	155.54	N/A	N/A	622.14			
		20 - 29	under 65	507.49	N/A	N/A	1,174.08			
		20 - 29	over 65	222.20	N/A	N/A	888.77			
		30 +	under 65	811.98	N/A	N/A	1,878.52			
Police	Empire (NYSHIP)	0 - 30+	under 65	1,014.98	N/A	N/A	2,348.15	Y	Y	Y
			over 65	444.39	N/A	N/A	1,777.54			
Non-Union & CSEA	MVP HMO	0 - 10	under 65	-	-	-	-	Y	Y	Y
		10 - 19	under 65	336.68	774.36	774.36	824.86			
		20 - 29	under 65	480.97	1,106.23	1,106.23	1,178.38			
		30 +	under 65	769.55	1,769.97	1,769.97	1,885.40			
Police	MVP HMO	0 - 30+	under 65	961.94	2,212.46	2,212.46	2,356.75	Y	Y	Y
Non-Union & CSEA	MVP POS	0 - 10	under 65	-	-	-	-	Y	Y	Y
		10 - 19	under 65	397.01	794.00	794.00	1,032.22			
		20 - 29	under 65	567.16	1,134.29	1,134.29	1,474.60			
		30 +	under 65	907.45	1,814.86	1,814.86	2,359.36			
Police	MVP POS	0 - 30+	under 65	1,134.31	2,268.57	2,268.57	2,949.20	Y	Y	Y
Non-Union & CSEA	MVP Post-65	0 - 10	over 65	-	N/A	N/A	N/A	Y	Y	Y
		10 - 19	over 65	121.66	N/A	N/A	N/A			
		20 - 29	over 65	173.80	N/A	N/A	N/A			
		30 +	over 65	278.08	N/A	N/A	N/A			
Police	MVP Post-65	0 - 30+	over 65	347.60	N/A	N/A	N/A	Y	Y	Y

The Town's contribution is equivalent to the portion of health insurance premiums paid that are allocated to retirees, estimated to be \$2,287,891 during the year ended December 31, 2018.

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by benefit terms:

Active employees	187
Retired	133
Total employees covered by benefit terms	<u>320</u>

Total OPEB Liability

The Town obtained an actuarial valuation report as of December 31, 2018. The liability for other postemployment benefits was measured as of December 31, 2018 and totaled \$93,785,511.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**VII. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	Not Applicable
Projected Salary Increases, Including Wage Inflation	3.00%
Discount Rate	3.80%
Healthcare Cost Trend Rates	
	Pre-65: 8.0% for 2020, decreasing 0.5% per year to an ultimate rate of 5.0% for 2026 and later years
	Post-65: Same
Current Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement
Future Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement

- The discount rate was based on an average of three 20 year bond indices as of December 31, 2018.
- Mortality rates used were the RP 2014 Healthy Male and Female Tables based on the Employee and Annuitant Table for both pre and post-retirement with adjustments for mortality improvements based on the SOA Scale MP-2018.
- The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015 completed by the New York Retirement Systems.

Changes in the Total OPEB Liability during the year ended 12/31/18:

Balance - Beginning	\$91,823,757
Changes for the Year:	
Service Cost	803,812
Interest	3,445,833
Benefit Payments	(2,287,891)
Net Changes	<u>1,961,754</u>
Balance - Ending	<u><u>\$93,785,511</u></u>

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**VII. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current discount rate.

	1% Decrease 2.80%	Discount Rate 3.80%	1% Increase 4.80%
Total OPEB Liability	\$ 118,804,572	\$ 93,785,511	\$ 76,311,024

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or higher than the healthcare cost trend rate.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 75,224,065	\$ 93,785,511	\$ 121,656,940

OPEB Expense

For the year ended December 31, 2018, the Town recognized OPEB expense of \$4,249,645.

**VIII. SHORT-TERM DEBT**

State law requires that Bond Anticipation Notes (BANs) issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The following is a summary of the Town’s outstanding bond anticipation notes as of December 31, 2018:

PURPOSE	BALANCE JANUARY 1, 2018	NEW ISSUES	PAYMENTS	CONVERTED TO BOND	BALANCE DECEMBER 31, 2018
<b>Short-term</b>					
Road Improvements	\$ 3,000,000	\$ -	\$ (140,000)	\$ -	\$ 2,860,000
Sewer Plant	3,000,000	-	-	-	3,000,000
Arlington Sewer	1,450,000	-	(15,000)	-	1,435,000
Various Projects	1,470,000	-	(15,000)	-	1,455,000
Various Projects	-	2,500,000	-	-	2,500,000
<b>TOTAL</b>	<b>\$ 8,920,000</b>	<b>\$ 2,500,000</b>	<b>\$ (170,000)</b>	<b>\$ -</b>	<b>\$ 11,250,000</b>

Interest on short-term debt paid during the year was:

Interest Paid	\$ 172,200
Less: Interest accrued - prior year	(66,075)
Plus: Interest accrued - current year	279,375
	<u>\$ 385,500</u>

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**IX. LONG-TERM LIABILITIES**

Long-term liability balances and activity for the year are summarized below:

<b>FUND</b>	<b>BALANCE JANUARY 1, 2018</b>	<b>ISSUED/ EARNED</b>	<b>REDEEMED/ PAID</b>	<b>BALANCE DECEMBER 31, 2018</b>	<b>AMOUNTS DUE WITHIN ONE YEAR</b>
Bonds Payable	\$37,275,429	\$ 5,245,000	\$ (9,115,000)	\$ 33,405,429	\$ 2,703,429
Installment Purchase Obligations	487,949	-	(210,711)	277,238	215,063
Compensated Absences	2,164,260	3,693	-	2,167,953	-
Landfill Closure and Post Closure	277,745	15,207	(9,629)	283,323	10,605
Net Pension Liability	7,633,643	-	(4,120,458)	3,513,185	-
Other Postemployment Benefits	36,930,486	56,855,025	-	93,785,511	-
<b>Totals</b>	<b>\$84,769,512</b>	<b>\$ 62,118,925</b>	<b>\$ (13,455,798)</b>	<b>\$ 133,432,639</b>	<b>\$ 2,929,097</b>

Activity for compensated absences is shown at net due to the impracticality of determining these amounts separately. Payments of compensated absences are dependent upon future factors and, therefore, the timing of such payments cannot be determined. Compensated absences are reflected as a long-term liability in the Statement of Net Position.

**Long-term Debt**

The Town borrows money for various purposes, including acquiring land and equipment or constructing buildings and improvements. This borrowing enables the cost of these capital assets to be borne by the present and future taxpayers who benefit from the capital assets. The debt is backed by the full faith and credit of the Town.

At December 31, 2018, the total long-term bond principal indebtedness outstanding of the Town, was \$33,405,429. See Schedule of Indebtedness.

Interest on long-term debt paid during the year was:

Interest Paid	\$1,145,486
Less: Interest accrued - prior year	(213,109)
Plus: Interest accrued - current year	<u>282,001</u>
	<u><u>\$1,214,378</u></u>

**Refunding Bond Issue**

In April 2008, the Town issued serial bonds in the amount of \$8,465,148 with a variable interest rate for the purpose of funding improvements for the Greater Poughkeepsie Library District. In December 2018, the Town refunded these bonds by issuing \$5,245,000 in serial bonds with an interest rate ranging from 3.00 – 5.00%. After receiving a bond premium of \$473,493 and payment of \$108,193 cost of issuance expenses, the net proceeds were deposited in an irrevocable escrow account in the amount of \$5,910,000. The outstanding principal of \$5,590,000 and accrued interest was redeemed in January 2019. The effect of this refunding is to provide the Town with \$167,115 in net present value savings over the life of the debt and allows the Town to remove the refunded debt from its accounts.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**IX. LONG-TERM DEBT – CONTINUED**

The following is a summary of the maturity of long-term indebtedness:

	<u>DECEMBER 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019		\$ 2,648,429	\$ 1,185,514	\$ 3,833,943
2020		2,379,000	1,097,733	3,476,733
2021		2,469,000	1,011,336	3,480,336
2022		2,529,000	922,699	3,451,699
2023		2,167,000	840,120	3,007,120
2024-2028		7,353,000	3,257,239	10,610,239
2029-2033		4,730,000	2,146,990	6,876,990
2034-2038		3,470,000	1,448,311	4,918,311
2039-2043		2,975,000	854,332	3,829,332
2044-2047		2,685,000	249,436	2,934,436
<b>Total</b>		<u><b>\$ 33,405,429</b></u>	<u><b>\$ 13,013,709</b></u>	<u><b>\$ 46,419,138</b></u>

**Capital Lease Program**

The Town has entered into capital leases for a phone system, highway vehicles and certain hardware and software with a total asset cost of \$1,056,347 with accumulated amortization of \$835,499. 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 2018 amounted to \$226,245 including interest of \$15,534. At December 31, 2018, the annual capital lease principal and interest payments are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>PAYMENTS</u>
2019	\$ 215,063
2020	37,690
2021	<u>37,690</u>
Total Minimum Lease Payments	<u><u>\$ 290,442</u></u>

**X. OPERATING LEASES**

The Town leases office equipment and communication equipment. The total minimum rental commitment at December 31, 2018, under the leases mentioned above, is due during the following fiscal years:

<u>YEAR ENDING DECEMBER 31,</u>	<u>PAYMENTS</u>
2019	\$ 99,612
2020	95,625
2021	92,590
2022	84,060
2023	4,800
Thereafter	<u>1,200</u>
Total Minimum Lease Payments	<u><u>\$ 377,887</u></u>

Rental expense included in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the year ended December 31, 2018 related to the lease mentioned above was \$117,030.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**XI. RENTAL INCOME**

The Town has agreements with various organizations for the rental of part of the Town’s building and for the rental of land and antenna space. Rental income totaled \$296,683 for the year ended December 31, 2018. Minimum future rental income is as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>RENTAL INCOME</u>
2019	\$ 262,642
2020	163,818
2021	168,350
2022	173,041
2023	177,864
Thereafter	<u>468,507</u>
Total Minimum Rental Income	<u><u>\$1,414,222</u></u>

**XII. 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.

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, 2018, the Town incurred costs of \$190,940 for its share of operation and maintenance costs. The Town is also allocated a share of capital improvement costs based on design flow. For the year ended December 31, 2018, the Town incurred costs of \$53,333 for its share of capital improvements.

The following is a summary of unaudited financial information at December 31, 2018, 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.

Total Assets (Excluding Fixed Assets)	<u>\$ 1,978,285</u>
Total Liabilities	<u>\$ 930,625</u>
Joint Venture Equity	<u>\$ 1,047,660</u>
Total Revenues	<u>\$ 1,948,004</u>
Total Expenditures	<u>\$ 1,479,742</u>
Total Fixed Assets	<u>\$ 43,368,022</u>

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**XII. JOINT VENTURES – CONTINUED**

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.

	<b>Balances at December 31, 2017*</b>
Total Assets Excluding Fixed Assets)	\$ 1,263,599
Total Liabilities	\$ 2,893,609
Joint Venture Equity	\$ 29,103,777
Total Revenues	\$ 4,206,010
Total Expenditures	\$ 4,986,917
Total Fixed Assets, Net of Depreciation	\$ 30,306,868

\*Information for the year ended December 31, 2018 not available as of report date.

The Town’s share of operating expenditures amounted to \$2,330,371, its share of third party revenues amounted to \$917,196, resulting in a net cost of water provided by the Joint Water Project to be \$1,413,175, which is recorded in the Water Fund - Home and Community Service. Included in Due from Other Governments is \$426,407 representing the balance due from the Joint Water Project for 2018 and prior year operating costs, some of which continue to be disputed, primarily 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 expansions of the Joint Water treatment facility. The current expansion project’s total construction costs 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 has issued serial bonds to fund this commitment. As of December 31, 2018, the outstanding balances total \$6,619,456.

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 \$21,868,825.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**XII. JOINT VENTURES – CONTINUED**

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, 2018, 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.

Total Assets	<u>\$ 28,089</u>
Total Liabilities	<u>\$ -</u>
Total Venture Equity	<u>\$ 28,089</u>
Total Revenues	<u>\$ 2,323</u>
Total Expenditures	<u>\$ 17,726</u>

**XIII. CONTINGENCIES**

Grant Funding

The Town has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. Based on past audits, Town administration believes disallowances, if any, will be immaterial.

Certiorari Proceedings

Open tax certiorari cases, which claim excessive assessed values, exist with several taxpayers. Claims allowed, if any, will result in a refund of Property taxes previously collected by the Town. Any such refunds resulting from adverse settlements will be provided for when determinable.

Judgments and Claims

A few claims against the Town are presently pending for miscellaneous matters. Although final outcome of these matters is not known at this time, management of the Town does not believe that the final settlement of these matters will have a materially adverse effect on the financial condition of the Town.

**XIV. 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.

**XV. PROPERTY TAX ABATEMENTS**

The Town has 6 real property tax abatement agreements entered into by the Town under Article 18-A of the real property law. These agreements provide for abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) in compliance with RPTL 412-A, Article V & XI of the Private Housing Finance Law, Title I of Article 18-A of NYS GML Exemption Policy. In accordance with this policy, the Town of Poughkeepsie & the Dutchess County IDA grant PILOTs for various activities, such as new construction, purchasing of an existing facility, or the improvement or expansion of an existing facility.

**TOWN OF POUGHKEEPSIE, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**XV. PROPERTY TAX ABATEMENTS - CONTINUED**

The following provides information related to the PILOT agreements in effect for the year ended December 31, 2018:

<b>Start Date</b>	<b>Agreement</b>	<b>Taxable Assessed Value</b>	<b>Tax Rate</b>	<b>Tax Value</b>	<b>Pilot Received</b>	<b>Taxes Abated</b>
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	3,465,000	9.59	33,229	16,618	16,611
2014	6 Neptune	1,982,500	9.59	19,012	1,901	17,111
2014	2 Neptune	2,549,000	9.59	24,445	6,111	18,334
2016	2275 South Road	485,000	9.59	4,651	465	4,186

**XVI. CUMULATIVE EFFECT AND PRIOR PERIOD ADJUSTMENTS**

For the year ended December 31, 2018 the Town implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement replaces the requirements of Statement 45, Accounting and Financial Reporting by Employers for Postemployments Benefits Other than Pensions, as amended, and 57, OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans, for OPEB. GASB 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position (if any). There were also other corrections for prior year's expenses and revenues. The Town's net position has been restated as follows:

Net Position Beginning of Year	\$ 24,120,802
GASB 75 Implementation:	
Reverse of Total OPEB Liability under Statement 45	36,930,486
Record restated Total OPEB Liability under Statement 75	<u>(91,823,757)</u>
Net change in Net Position for Statement 75 implementation	(54,893,271)
Adjustment for capital asset and depreciation calculated improperly	(1,698,411)
Building inspection fees adjustment to accounts receivable	<u>(161,750)</u>
	<u>(56,753,432)</u>
Net Position Beginning of year, as restated	<u><u>\$(32,632,630)</u></u>

**XVII. SUBSEQUENT EVENTS**

In March 2019, the Town 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, 2020.

**XVIII. NEW ACCOUNTING PRINCIPLES**

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 adopted this standard for the December 31, 2018 financial statements as required.

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**XVIII. NEW ACCOUNTING PRINCIPLES - CONTINUED**

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). 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 has not evaluated the effect of GASB 83 on its financial statements.

In March 2017, GASB issued Statement 85, *Omnibus 2018*. 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 May 31, 2019 financial statements. The implementation of this standard is not expected to have a substantive effect on the Town's net position.

In June 2017, GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town is required to implement this standard for year ended May 31, 2021. The Town has not evaluated the effect of GASB 87 on its financial statements.

In March 2018, GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The Town is required to implement this standard for year ended May 31, 2020. The Town has not evaluated the effect of GASB 88 on its financial statements.

GASB has also issued Statements 86, 89 and 90, none of which are expected to have any substantive effects on the Town's net position.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

<u>Total OPEB Liability</u>	<u>12/31/18</u>
Service Cost	\$ 803,812
Interest	3,445,833
Benefit Payments	<u>(2,287,891)</u>
Net Change in Total OPEB Liability	1,961,754
Total OPEB liability - beginning	<u>91,823,757</u>
Total OPEB liability - ending	<u>\$ 93,785,511</u>
Covered Payroll	\$ 15,949,703
Total OPEB Liability as a percentage of covered payroll	588%

Notes to Schedule:

Changes in Assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

12/31/17	3.80%
12/31/18	3.80%

No assets are accumulated in a Trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

GASB 75 required that the past 10 years of information be presented. Due to the fact that 2018 was the year of implementation, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

**TOWN OF POUGHKEEPSIE, NEW YORK**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS**

Plan Year Ended	Proportion of the Net Pension Asset (Liability)	Proportionate Share of the Net Pension Asset (Liability)	Covered Payroll	Net Pension Asset (Liability) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
<b>Employees' Retirement System</b>					
3/31/2019	0.02352460%	\$ 759,246	\$ 6,671,292	11.38%	Not Available
3/31/2018	0.02234650%	\$ 2,099,726	\$ 5,697,780	36.85%	98.24%
3/31/2017	0.02336980%	\$ 3,750,925	\$ 5,667,489	66.18%	94.70%
3/31/2016	0.02356990%	\$ 796,250	\$ 6,174,030	12.90%	90.70%
Plan Year Ended	Proportion of the Net Pension Asset (Liability)	Proportionate Share of the Net Pension Asset (Liability)	Covered Payroll	Net Pension Asset (Liability) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
<b>Police and Fire Retirement System</b>					
3/31/2019	0.27246310%	\$ 2,753,939	\$ 9,307,456	29.59%	Not Available
3/31/2018	0.26699690%	\$ 5,533,917	\$ 9,569,026	57.83%	96.93%
3/31/2017	0.29139980%	\$ 8,627,727	\$ 9,370,329	92.07%	93.50%
3/31/2016	0.29009190%	\$ 798,506	\$ 8,571,940	9.32%	90.20%

GASB 68 requires that the past 10 years of information be presented. Due to the fact that GASB 68 was recently implemented, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

**TOWN OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**

Plan Year Ended	Contractually Required Contribution	Actual Employer Contribution	Contribution deficiency (excess)	Covered Payroll	Required Contributions as a Percentage of its Covered Payroll
<b>Employees' Retirement System</b>					
3/31/2019	\$ 969,599	\$ 969,599	\$ -	\$ 6,671,292	14.53%
3/31/2018	\$ 1,001,455	\$ 1,001,455	\$ -	\$ 5,697,780	17.58%
3/31/2017	\$ 1,241,364	\$ 1,241,364	\$ -	\$ 5,667,489	21.90%
3/31/2016	\$ 1,120,529	\$ 1,120,529	\$ -	\$ 6,174,030	18.15%

Plan Year Ended	Contractually Required Contribution	Actual Employer Contribution	Contribution deficiency (excess)	Covered Payroll	Required Contributions as a Percentage of its Covered Payroll
<b>Police and Fire Retirement System</b>					
3/31/2019	\$ 2,122,496	\$ 2,122,496	\$ -	\$ 9,307,456	22.80%
3/31/2018	\$ 2,264,251	\$ 2,264,251	\$ -	\$ 9,569,026	23.66%
3/31/2017	\$ 2,409,668	\$ 2,409,668	\$ -	\$ 9,370,329	25.72%
3/31/2016	\$ 2,350,986	\$ 2,350,986	\$ -	\$ 8,571,940	27.43%

GASB 68 requires that the past 10 years of information be presented. Due to the fact that GASB 68 was recently implemented, prior year information is not fully available for 10 years. The data will be accumulated over time and presented according to GASB 68.

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
**GENERAL FUND – TOWN-WIDE**  
**DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts GAAP Basis	Budget Positive/(Negative)
<b>Revenues:</b>				
Real Property Taxes	\$ 3,504,467	\$ 3,504,467	\$ 3,466,318	\$ (38,149)
Real Property Tax Items	235,000	235,000	104,539	(130,461)
Departmental Income	219,932	221,693	165,001	(56,692)
Use of Money and Property	15,000	118,380	352,970	234,590
Licenses and Permits	41,950	41,950	71,979	30,029
Fines and Forfeitures	845,000	845,000	920,452	75,452
Sale of Property and Compensation for Loss	40,000	45,897	72,036	26,139
Miscellaneous Local Sources	40,000	47,500	236,165	188,665
State Aid	825,000	825,000	1,073,542	248,542
<b>Total Revenues</b>	<b>5,766,349</b>	<b>5,884,887</b>	<b>6,463,002</b>	<b>578,115</b>
<b>Expenditures:</b>				
General Government Support	3,283,707	3,324,958	3,037,173	287,785
Transportation	310,589	336,286	324,840	11,446
Economic Assistance & Opportunity	81,500	81,500	78,672	2,828
Culture and Recreation	788,128	798,808	744,225	54,583
Home and Community service	205,250	212,585	142,473	70,112
Employee Benefits	1,216,990	1,267,272	1,366,255	(98,983)
Capital Outlay	-	14,150	5,439	8,711
Debt Service	380,185	405,974	285,788	120,186
<b>Total Expenditures</b>	<b>6,266,349</b>	<b>6,441,533</b>	<b>5,984,865</b>	<b>456,668</b>
Excess/(Deficiency) of Revenues over Expenditures	<b>(500,000)</b>	<b>(556,646)</b>	<b>478,137</b>	<b>1,034,783</b>
<b>Other Financing Sources/(Uses)</b>				
Operating Transfers In	500,000	500,000	11,667	(488,333)
<b>Total Other Financing Sources/(Uses)</b>	<b>500,000</b>	<b>500,000</b>	<b>11,667</b>	<b>(488,333)</b>
Net Change in Fund Balance	-	(56,646)	489,804	546,450
Appropriated Fund Balance	-	56,646	-	56,646
<b>Total Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 489,804</b>	<b>\$ 603,096</b>

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
**GENERAL FUND – PART-TOWN**  
**DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts GAAP Basis	Budget Positive/(Negative)
<b>Revenues:</b>				
Real Property Taxes	\$ 13,284,607	\$ 13,284,607	\$ 13,289,233	\$ 4,626
Real Property Tax Items	1,032,300	1,032,300	888,329	(143,971)
Non Property Tax Items	2,850,000	2,850,680	3,215,868	365,188
Departmental Income	357,500	359,195	349,697	(9,498)
Intergovernmental Income	-	-	39,599	39,599
Use of Money and Property	10,000	10,000	306,683	296,683
Licenses and Permits	712,400	712,400	777,170	64,770
Fines and Forfeitures	4,000	4,000	400	(3,600)
Sale of Property and Compensation for Loss	-	120,747	162,426	41,679
Miscellaneous Local Sources	255,500	331,978	336,100	4,122
State Aid	252,000	277,247	280,511	3,264
<b>Total Revenues</b>	<b>18,758,307</b>	<b>18,983,154</b>	<b>19,646,016</b>	<b>662,862</b>
<b>Expenditures:</b>				
General Government Support	671,776	670,316	586,096	84,220
Public Safety	15,256,689	10,547,769	10,510,494	37,275
Home and Community service	455,853	403,726	395,719	8,007
Employee Benefits	2,304,504	7,058,585	7,400,726	(342,141)
Capital Outlay	-	347,842	516,387	(168,545)
Debt Service	229,485	229,485	-	229,485
<b>Total Expenditures</b>	<b>18,918,307</b>	<b>19,257,723</b>	<b>19,409,422</b>	<b>(151,699)</b>
Excess/(Deficiency) of Revenues over Expenditures	(160,000)	(274,569)	236,594	511,163
Net Change in Fund Balance	(160,000)	(274,569)	236,594	511,163
Appropriated Fund Balance	160,000	274,569	-	274,569
<b>Total Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 236,594</b>	<b>\$ 785,732</b>

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
**HIGHWAY FUND**  
**DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts GAAP Basis	Budget Positive/(Negative)
<b>Revenues:</b>				
Real Property Taxes	\$ 6,010,985	\$ 6,010,985	\$ 6,086,344	\$ 75,359
Use of Money and Property	3,000	3,000	2,999	(1)
Licenses and Permits	-	-	750	750
Sale of Property and Compensation for Loss	-	-	6,384	6,384
Miscellaneous Local Sources	-	-	46,447	46,447
State Aid	325,000	438,655	444,076	5,421
Total Revenues	<u>6,338,985</u>	<u>6,452,640</u>	<u>6,587,000</u>	<u>134,360</u>
<b>Expenditures:</b>				
General Government Support	102,200	54,010	50,748	3,262
Transportation	3,511,712	3,353,187	3,257,598	95,589
Employee Benefits	969,928	943,383	1,021,834	(78,451)
Capital Outlay	-	438,655	388,809	49,846
Debt Service	1,755,145	1,755,145	1,982,974	(227,829)
Total Expenditures	<u>6,338,985</u>	<u>6,544,380</u>	<u>6,701,963</u>	<u>(157,583)</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(91,740)</u>	<u>(114,963)</u>	<u>(23,223)</u>
Net Change in Fund Balance	-	(91,740)	(114,963)	(23,223)
Appropriated Fund Balance	-	91,740	-	91,740
Total Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (114,963)</u>	<u>\$ 68,517</u>

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
**WATER FUND**  
**DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts GAAP Basis	Budget Positive/(Negative)
<b>Revenues:</b>				
Real Property Taxes	\$ 1,312,988	\$ 1,312,988	\$ 1,150,789	\$ (162,199)
Real Property Tax Items	66,500	66,500	67,194	694
Departmental Income	3,947,000	3,947,000	4,555,992	608,992
Use of Money and Property	3,173	115,611	99,783	(15,828)
Licenses and Permits	10,000	10,000	7,330	(2,670)
Sale of Property and Compensation for Loss	-	-	14,041	14,041
Miscellaneous Local Sources	15,000	15,000	22,317	7,317
<b>Total Revenues</b>	<b>5,354,661</b>	<b>5,467,099</b>	<b>5,917,446</b>	<b>450,347</b>
<b>Expenditures:</b>				
General Government Support	238,500	169,200	68,830	100,370
Home and Community service	3,190,148	3,085,358	3,061,879	23,479
Employee Benefits	730,990	729,505	733,656	(4,151)
Capital Outlay	-	175,575	119,661	55,914
Debt Service	1,495,023	1,607,461	1,177,762	429,699
<b>Total Expenditures</b>	<b>5,654,661</b>	<b>5,767,099</b>	<b>5,161,788</b>	<b>605,311</b>
Excess/(Deficiency) of Revenues over Expenditures	(300,000)	(300,000)	755,658	1,055,658
<b>Other Financing Sources/(Uses)</b>				
Operating Transfers Out	-	-	(10,000)	(10,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>(10,000)</b>
Net Change in Fund Balance	(300,000)	(300,000)	745,658	1,045,658
Appropriated Fund Balance	300,000	300,000	-	300,000
<b>Total Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 745,658</b>	<b>\$ 1,345,658</b>

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
**SEWER FUND**  
**DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts GAAP Basis	Budget Positive/(Negative)
<b>Revenues:</b>				
Real Property Taxes	\$ 2,414,452	\$ 2,414,452	\$ 2,798,802	\$ 384,350
Real Property Tax Items	23,050	23,050	1,728	(21,322)
Departmental Income	2,759,895	2,759,895	3,333,484	573,589
Use of Money and Property	-	-	122,650	122,650
Miscellaneous Local Sources	20,000	20,000	87,940	67,940
<b>Total Revenues</b>	<b>5,217,397</b>	<b>5,217,397</b>	<b>6,344,604</b>	<b>1,127,207</b>
<b>Expenditures:</b>				
General Government Support	109,600	109,600	67,506	42,094
Home and Community service	4,208,865	4,390,515	4,402,692	(12,177)
Employee Benefits	611,377	429,727	557,890	(128,163)
Debt Service	293,000	293,000	686,001	(393,001)
<b>Total Expenditures</b>	<b>5,222,842</b>	<b>5,222,842</b>	<b>5,714,089</b>	<b>(491,247)</b>
Excess/(Deficiency) of Revenues over Expenditures	(5,445)	(5,445)	630,515	635,960
<b>Other Financing Sources/(Uses)</b>				
Operating Transfers In	3,242,117	3,242,117	4,457,385	1,215,268
Operating Transfers Out	(3,236,672)	(3,236,672)	(4,459,052)	(1,222,380)
<b>Total Other Financing Sources/(Uses)</b>	<b>5,445</b>	<b>5,445</b>	<b>(1,667)</b>	<b>(7,112)</b>
Net Change in Fund Balance	-	-	628,848	
<b>Total Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 628,848</b>	<b>\$ -</b>

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**TOWN OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF INDEBTEDNESS**  
**DECEMBER 31, 2018**

	Date of Issue	Date of Final Maturity	Interest Rate	Outstanding Beginning of Fiscal Year	Issued During Fiscal Year	Paid During Fiscal Year	Outstanding End of Fiscal Year	Interest Paid During Fiscal Year	Interest Accrued at 12/31/2018	Due Within the Next Year
<b><u>BOND ANTICIPATION NOTES</u></b>										
Road Improvements	12/26/2016	3/9/2018	1.30%	\$ 3,000,000	\$ -	\$ (3,000,000)	\$ -	\$ 39,000	\$ -	\$ -
Sewer Plant	3/8/2017	3/9/2018	2.25%	3,000,000	-	(3,000,000)	-	67,500	-	-
Arlington Sewer	3/10/2016	3/8/2018	2.25%	1,450,000	-	(1,450,000)	-	32,625	-	-
Various Projects	5/28/2014	3/8/2018	2.25%	1,470,000	-	(1,470,000)	-	33,075	-	-
Various Projects	3/8/2018	3/8/2019	3.00%	-	11,250,000	-	11,250,000	-	279,375	11,250,000
<b>TOTAL BOND ANTICIPATION NOTES</b>				<b>8,920,000</b>	<b>11,250,000</b>	<b>(8,920,000)</b>	<b>11,250,000</b>	<b>172,200</b>	<b>279,375</b>	<b>11,250,000</b>
<b><u>SERIAL BONDS</u></b>										
Environmental Improvement 2010C	06/24/10	04/15/19	0.925 - 3.355%	535,000	-	(265,000)	270,000	13,173	955	270,000
Environmental Improvement 2012B	02/14/02	10/15/23	1.51 - 4.98%	2,525,000	-	(390,000)	2,135,000	125,461	26,467	400,000
Public Improvement	06/01/03	06/01/18	2.976%	390,000	-	(390,000)	-	6,825	-	-
Public Improvement	09/15/04	03/15/19	3.529%	510,000	-	(470,000)	40,000	10,413	66	40,000
Public Improvement	03/16/11	03/01/22	2.50 - 3.50%	1,965,000	-	(365,000)	1,600,000	58,113	11,979	375,000
Landfill	09/10/09	10/01/23	.286 - 3.564%	1,475,000	-	(240,000)	1,235,000	45,788	9,977	240,000
Public Improvement	03/13/14	03/01/27	2.00 - 4.00%	5,220,000	-	(465,000)	4,755,000	167,106	55,855	470,000
Water Flushing Program	08/20/15	04/01/26	4.600%	271,000	-	(25,000)	246,000	12,077	2,737	29,000
2008 Library Purpose Bond	06/01/08	12/01/31	3.25 - 5.00%	5,910,000	-	(5,910,000)	-	252,079	-	-
Library Purpose Bonds, 2014	03/13/14	12/15/37	3.00 - 4.00%	3,220,000	-	(115,000)	3,105,000	112,188	4,918	120,000
EFC Corporation SRF Series 2017 D	11/09/17	07/01/47	1.503 - 3.754%	4,349,456	-	(135,000)	4,214,456	96,964	70,848	94,456
EFC Corporation SRF Series 2017 C	11/09/17	08/01/47	1.061 - 3.976%	10,904,973	-	(345,000)	10,559,973	245,301	105,721	299,973
Library Purpose Refunding Bond 2018	12/18/18	12/01/31	3.00 - 5.00%	-	5,245,000	-	5,245,000	-	19,523	365,000
<b>TOTAL SERIAL BONDS</b>				<b>37,275,429</b>	<b>5,245,000</b>	<b>(9,115,000)</b>	<b>33,405,429</b>	<b>1,145,486</b>	<b>309,045</b>	<b>2,703,429</b>
<b>TOTAL INDEBTEDNESS</b>				<b>\$46,195,429</b>	<b>\$16,495,000</b>	<b>\$(18,035,000)</b>	<b>\$44,655,429</b>	<b>\$1,317,686</b>	<b>\$588,420</b>	<b>\$13,953,429</b>

**OTHER REPORTING  
REQUIRED BY  
GOVERNMENT AUDITING  
STANDARDS**



LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S 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**

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 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 (the "Town") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 14, 2019.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2018-01 and– 2018-02 that we consider to be significant deficiencies.

### 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 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 entity'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  
June 14, 2019

**TOWN OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2018**

**A. Internal Control Findings**

Finding 2018-01:

Bank Account Reconciliations:

- Condition: Bank account reconciliations contained many reconciling items that should be investigated and eliminated.
- Criteria: Clean bank reconciliations are an important internal control over recording cash transactions.
- Cause: The Town had numerous undocumented reconciling items on its payroll account bank reconciliation. Additionally, other cash account bank reconciliations had reconciling items that did not clear on a timely basis.
- Effect: General ledger account balances may not be current and, therefore, misleading.
- Recommendation: Reconciling items that do not clear the next month should be investigated and adjusted as appropriate, eliminating them from future bank reconciliation. In particular, funds should be moved to clear reconciling due to/due from items each month, preventing them from accumulating and distorting bank balances. On a monthly basis, a member of management should review all bank reconciliations for accurate recording of receipts and disbursements, existence of funds, and reasonableness, for example, questioning overdrafts or large balances in accounts where a zero balance is expected to be maintained.

Finding 2018-02:

Capital Assets:

- Condition: The Town has not adopted a policy for capitalization of assets and does not maintain the complete, annually updated listing.
- Criteria: A complete, annually updated listing should include important information, such as the date that each item was purchased, date of disposal (if applicable) and historical cost. The Town should also have an adopted policy defining the criteria for assets reported.
- Cause: The Town has not adopted a policy for capitalization or maintained a capital asset listing.
- Effect: The Town may not be able to accurately account for its capital assets.
- Recommendation: RBT recommends that the District adopt a capitalization policy and ensure the list of capital assets over this amount is annually updated with all capital purchases over this threshold.

**B. Compliance Findings**

None Noted



# TOWN OF POUGHKEEPSIE

Charles E. Emberger,  
Comptroller



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ONE OVERROCKER ROAD

POUGHKEEPSIE, NY 12603

## Response to audit findings:

- 1) Bank Account Reconciliation: We acknowledge the problem and requested help from the auditors to help find and correct the problem. The problem was found and we are clearing the issues and corrective action is in place so it does not happen again.
- 2) Capital Assets: We will implement a Capital Asset Policy, and adhere to the criteria set forth.

Charles Emberger

Town of Poughkeepsie