

TOWN OF POUGHKEEPSIE, NEW YORK

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2009**

**TOWN OF POUGHKEEPSIE, NEW YORK
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DECEMBER 31, 2009**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Poughkeepsie, New York, as of December 31, 2009, and for the year then ended which collectively comprise the Town's financial statements as listed in the forgoing Table of Contents. These financial statements are the responsibility of the Town of Poughkeepsie, New York, management. 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 the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and other post employment benefits plan schedule of funding progress, listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic

financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the financial statements. The schedule of federal expenditures is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare financial statements. This information has been subject to the audit procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010, on our consideration of the Town of Poughkeepsie, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts and grants. The report on compliance with laws and regulations and internal control over financial reporting is an integral part of an audit performed in accordance with *Government Auditing Standards* and, in considering the results of our audit, this report should be read in conjunction with the auditor's report on the basic financial statements.

Sedar & Company, CPA's

Poughkeepsie, New York
September 27, 2010

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Poughkeepsie, New York, as of and for the year ended December 31, 2009, which collectively comprise the Town of Poughkeepsie, New York's basic financial statements and have issued our report thereon dated September 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Poughkeepsie's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not to provide an opinion on the effectiveness of the Town of Poughkeepsie's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Poughkeepsie's internal control over financial reporting.

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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting noted as Finding One. 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.

Compliance and Other Matters

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

We also noted certain immaterial instances of noncompliance that we have reported to the management of the Town of Poughkeepsie, New York, in the Schedule of Findings, Questioned Costs and Recommendations listed in the Table of Contents. The Town of Poughkeepsie, New York's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Poughkeepsie, New York's response and accordingly, we express no opinion on it.

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

Sedar & Company, CPA's
Poughkeepsie, New York
September 27, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Town of Poughkeepsie, New York, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Town of Poughkeepsie, New York's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings, Questioned Costs and Recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town of Poughkeepsie, New York's management. Our responsibility is to express an opinion on the Town of Poughkeepsie, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Poughkeepsie, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Poughkeepsie, New York's compliance with those requirements.

In our opinion, the Town of Poughkeepsie, New York, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Town of Poughkeepsie, New York, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Poughkeepsie, New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Poughkeepsie's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Town of Poughkeepsie's internal control.

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

The Town of Poughkeepsie, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response, and accordingly, we express no opinion on the responses.

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

Sedare & Company, CPAs

Poughkeepsie, New York
September 27, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND CONTROLS
OVER STATE TRANSPORTATION ASSISTANCE EXPENDED
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

Compliance

We have audited the compliance of the Town of Poughkeepsie, New York, with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2009. The programs tested are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Questioned Costs and Recommendations.

Compliance with the requirements of laws, regulations, contracts and grants applicable to each program is the responsibility of the Town of Poughkeepsie, New York's management. Our responsibility is to express an opinion on the Town of Poughkeepsie, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the Town of Poughkeepsie, New York's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Poughkeepsie, New York's compliance with those requirements.

In our opinion, the Town of Poughkeepsie, New York, complied, in all material respects, with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Town of Poughkeepsie, New York, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its state transportation assistance programs. In planning and performing our audit, we considered the Town of Poughkeepsie, New York's internal control over compliance with requirements that could have a direct and material effect on each of its state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Draft Part 43 of NYCRR.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with the state transportation assistance programs may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Sedore & Company, CPA's

Poughkeepsie, New York
September 27, 2010

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(UN-AUDITED)**

As the management of the Town of Poughkeepsie, Dutchess County, New York, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2009. This discussion and analysis should be read in conjunction with the financial statements and the accompanying notes to the statements that begin on page 17.

The Basic Financial Statements consist of a series of inter-related financial statements. The statements of Net Assets and Statement of Activities (on pages 17, 18 and 19) provide information about the activities of the Town as a whole, presenting both short-term and longer-term views of the Town's finances. For governmental activities, the Town's traditional fund financial statements (beginning on page 20) tell the reader how Town provided services and programs were financed in 2009, as well as what resources is available for future spending. Fund financial statements report on the Town's operations in greater detail than the government-wide statements, and concentrate on the Town's most significant funds (identified as "major" funds), with less significant or "non-major" funds accumulated for presentation in one column. Fiduciary fund statements provide information about financial activities for which the Town acts solely as trustee or agent for the benefit of organizations or persons outside of the Town government.

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

The Statement of Net Assets and Liabilities of the Town as a whole, with the difference between Assets and Liabilities reported as Net Assets. The Statement of Activities presents financial information as to how the Town's Net Assets changed during the fiscal year, with all changes being reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Over time, increases or decreases in the Town's Net Assets position are one indicator of whether its "financial health" is strengthening or deteriorating. Theses statements are inclusive of all Town's basic services including police, public works/highway, parks and recreation. Both statements utilize the accrual basis of accounting, the same accounting method used by most private-sector organizations.

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

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

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009 (CONT'D.)
(UN-AUDITED)**

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

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

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

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

Fiduciary Funds are not reported in the government-wide financial statements in that the resources of those funds are not available to support the Town's services and programs. The Town is responsible for ensuring that the assets reported in these funds are utilized for their intended purpose. The Town's fiduciary activities are reported in the Statement of Fiduciary Net Assets (on page 24), and are prepared using the full accrual basis of accounting.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements (beginning on page 25) provide additional information essential to a clear understanding of the financial information provided in the government-wide and fund financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009 (CONT'D.)
(UN-AUDITED)**

**The Town as a Whole
Governmental Activities**

For the fiscal year ended December 31, 2009 Net Assets changed as noted below, with the total \$1,394,525 decrease representing a 5.63% decrease in Net Assets.

Beginning Net Assets	\$24,770,112
Change in Net Assets	<u>(1,394,525)</u>
Ending Net Assets	<u>\$23,375,597</u>

Statement of Net Assets

Comparative Schedule for Fiscal Years Ended December 31, 2009 and 2008

	Year Ended <u>12/31/2009</u>	Year Ended <u>12/31/2008</u>
Revenues		
<u>Program Revenues</u>		
Charges for Service	\$5,311,176	\$5,344,171
Grants	1,412,168	1,521,858
General Revenue		
Property Tax	26,044,744	24,042,367
Mortgage Tax	986,327	1,104,315
Sales Tax	2,100,022	2,172,654
Fees, Fines and Licenses	1,216,827	1,368,610
Other Revenue	<u>2,801,665</u>	<u>2,950,680</u>
	<u>\$39,872,929</u>	<u>\$38,504,655</u>
 EXPENSES		
General Government Support	\$4,801,043	\$4,783,194
Public Safety & Health	16,369,867	15,770,470
Health	29,600	28,500
Transportation	7,243,347	7,876,709
Economic Assistance	83,777	83,227
Culture & Recreation	970,224	793,089
Home & Community Service	10,409,364	10,390,163
Interest Long term Debt	<u>1,360,232</u>	<u>1,487,190</u>
Total Expenses	<u>\$41,267,454</u>	<u>\$41,212,542</u>

Net Assets of \$23,375,597 as of year-end reflects a total decrease of \$1,394,525.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009 (CONT'D.)
(UN-AUDITED)**

The Town's Governmental Funds

For the fiscal year ended December 31, 2009 the Town's Governmental Funds reported combined ending fund balances of \$4,955,668, a minor increase from fiscal year 2008 fund balances of \$4,983,107. Operations in the General and Highway Funds, the Town's two major operating funds, resulted in a fund balance decrease of \$1,516,756.

The reserved portion of total fund balances not available for new spending includes: Highway Fund totaling \$191,000, which was appropriated for use in our 2010 budget, outstanding contract and purchase order commitments of \$695,650 and a Reserve for Debt Service of \$585,179. The combined unreserved undesignated portion of total fund balances reflects a surplus of \$3,475,113. The Town's General and Highway Funds (the Town's two major funds) includes \$301,663 in un-appropriated fund balances available for future use.

Comparative Schedule of Expenditures

The following schedule presents a summary of General, Special Revenue (including Highway), Capital Project, and Debt Service Fund expenditures for the fiscal year ended December 31, 2009 and 2008.

<u>Expenditures:</u>	<u>Year Ended 12/31/2009</u>	<u>Year Ended 12/31/2008</u>
General Governmental Support	\$4,900,868	\$5,009,312
Public Safety	13,167,759	12,743,533
Health	29,600	28,500
Transportation	9,099,074	8,556,108
Economic Assistance/Opportunity	83,777	83,227
Culture and Recreation	703,029	716,175
Home and Community Services	9,697,960	9,877,774
Employee Benefits	1,414,080	1,343,627
Debt Service	<u>4,861,304</u>	<u>5,117,084</u>
 Total Expenditures	 <u>\$43,957,451</u>	 <u>\$43,475,340</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009 (CONT'D.)
(UN-AUDITED)**

As shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, recast in the chart above, the Town expended \$43,957,451 for current year operations. By comparison, this was \$482,111 (on net basis) more than the \$43,475,340 expended in 2008.

Comparative Schedule of Revenues

The following schedule presents a summary of General, Special Revenue (including Highway), Capital Project, and Debt Service Fund revenues for the fiscal years ended December 31, 2009 and 2008.

<u>Revenue Sources:</u>	<u>Year Ended 12/31/2009</u>	<u>Year Ended 12/31/2008</u>
Real Property Tax items	\$26,603,931	\$24,531,399
Non-Property Taxes	2,767,698	2,750,910
Dept. Income/Charges/fees/permits	5,188,974	5,407,530
Use of Money and Property	536,769	909,801
Fines and Forfeitures	588,597	602,543
Interfund Revenues	49,491	19,563
License & Permits	628,230	766,067
Sale of Property & Compensation Loss	99,996	120,842
State and Federal Aid/Payments	2,803,365	2,942,181
All Other Revenues	<u>532,962</u>	<u>570,147</u>
 Total Revenues	 <u>\$39,800,013</u>	 <u>\$38,620,983</u>

Again, as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, recast in the chart above, the Town recorded \$39,800,013 in revenues to support current year operations. By comparison, this was (on a net basis) \$1,179,030 more than the \$38,620,983 recorded in 2008. Most revenue categories declined in 2009, with the increase in real property taxes offsetting said, thus accounting for the increase.

General Fund. The General Fund, a major fund, is the primary operating fund of the Town, including the operations of the Police, Parks and Recreation, and Public Works Departments, General Administration, the Town Court, and that portion of the Highway Department not required to be accounted for in the Highway Fund. Results of operations in the General Fund resulted in a \$764,222 negative net change in fund balance. The present \$80,189 in unreserved, un-appropriated fund balance represents .4% of the \$22,414,882 in total fund expenditures and operating transfers out recorded in the fiscal year.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009 (CONT'D.)
(UN-AUDITED)**

Highway Fund. The Highway Fund, also classified as a major fund, includes the greater portion of the activities of the Town's Highway Department (with the balance of highway Department activities being accounted for in the General Fund). Highway Fund activities include road repair, machinery acquisition and maintenance, and snow and ice control. Results of operations in the Highway Fund resulted in a \$752,534 decrease net change in fund balance. The \$221,474 unreserved, un-appropriated fund balance represents 3.67% of the \$6,028,434 in fund expenditures and operating transfers out recorded in the fiscal year.

"Non-Major" Special Revenue (Governmental) Funds. "Non-Major" Special Revenue Funds are used to account for taxes, user fees and other revenues that are raised or received to fund special governmental activities including the ambulance, fire protection, street lighting, and refuse collection to service areas that may or may not encompass the entire Town. Collectively accounting for \$1,952,949 of all governmental activities, operations of all "Non-Major" Special Revenue funds resulted in a \$30,944 negative net change in fund balances. Current unreserved, undesignated fund balance now stands at \$602,993.

Water Fund. The Town runs a joint venture with the City of Poughkeepsie. The main purpose is to provide our residents and business owners with a quality and affordable water supply. The Town operates two water districts, collecting capital improvements from each district. Sale of water was up minimally by \$15,313, but due to a reduction in fund expenditures and 3rd party water sales from the Water Plant, fund balance increased by \$835,796. The unreserved, un-appropriated fund balance of \$4,761,192 represents 97.4% of the \$4,888,097 in fund expenditures and operating transfers out recorded in the fiscal year.

Sewer Fund. The Town operates 29 Sewer Districts. Taxes are collected for capital expenditure for 25 of the districts. It also collects sewer rents for operation and maintenance of the facility/system. Plans for the expansion and upgrade to the Arlington Sewer Treatment Plant are still moving forward. The Town is currently incurring engineering expenses in the design and expansion of the plant. The current fund balance reflects a surplus of \$176,197. An approved 2009 rate increase of 20% for most residents/businesses had the expected result of bringing this fund back to a surplus position.

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009 (CONT'D.)
(UN-AUDITED)**

Capital Assets and Debt Administration

Capital Assets. In accordance with Governmental Accounting Standards Board (GASB) Statement #34, the Town records depreciation expense and accumulated depreciation associated with all of its assets including infrastructure. The Town's investment in capital assets for its governmental activities totals \$43,417,265, net of accumulated depreciation.

Debt Administration. At year-end 2009, the Town had \$35,550,000 in Serial Bonds and \$12,075,000 in Bond Anticipation Notes (BAN's) outstanding.

The Town maintains a conservative debt borrowing policy and presently holds an A-3 rating from Moody's Investors Service.

At year-end 2009, the Town had \$2,405,078 in accumulated Compensated Absences due to its employees, a net increase of \$139,869 from the prior year. The Town does not specifically budget for the payment of compensated absences, but utilizes available budgetary appropriations when that portion of the liability that relates to an employee severing service with the Town is "cashed out".

Economic Factors, Subsequent Significant Events, and Future Budget Impacts

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

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

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009 (CONT'D.)
(UN-AUDITED)**

Contacting the Town's Financial Management

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

TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS	<u>GOVERNMENTAL ACTIVITIES</u>
Current assets	
Cash and cash equivalents	\$ 10,010,848
Restricted cash and investments	476,385
Receivables (net)	11,479,495
Due from related party	92,042
Prepaid Expenses	3,277
Inventory	42,348
Total current assets	<u>22,104,395</u>
Non-current assets	
Bond issue costs	174,570
Capital assets:	
Land	10,686,296
Infrastructure, net of depreciation	20,777,976
Buildings, machinery and equipment, net of depreciation	11,952,993
Total capital assets	<u>43,417,265</u>
Investment in Joint Water Project	19,816,090
Total assets	<u>\$ 85,512,320</u>
LIABILITIES	
Current Liabilities	
Accounts payable	1,660,131
Accrued expenses and retainage payable	2,882,232
Bond anticipation note	12,075,000
Deferred revenues	318,663
Current portion of long-term liabilities	
Capital lease payable	325,434
Compensated absence liability	240,508
Landfill remediation liability	24,604
Bonds payable	2,915,000
Total current liabilities	<u>20,441,572</u>
Non-current liabilities	
Capital lease payable	520,492
Compensated absence liability	2,164,570
Landfill remediation liability	662,358
Bonds payable	32,635,000
Postemployment benefits obligation	5,712,731
Total non-current liabilities	<u>41,695,151</u>
Total liabilities	<u>62,136,723</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	13,866,339
Invested in Joint Water Project, net of related debt	8,926,090
Restricted for:	
Debt service	585,179
Unrestricted	(2,011)
Total net assets	<u>23,375,597</u>
Total liabilities and net assets	<u>\$ 85,512,320</u>

The accompanying Notes to the Financial Statements
should be read in conjunction with these Financial Statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Governmental Activities:			
General government support	\$ 4,801,043	\$ 4,246	\$ 5,063
Public safety	16,369,867	221,099	194,222
Health	29,600	-	-
Transportation	7,243,347	-	-
Economic assistance & opportunity	83,777	-	884,875
Culture and recreation	970,224	25,828	-
Home and community services	10,409,364	5,060,003	-
Interest on long-term debt	1,360,232	-	-
Total governmental activities	<u>41,267,454</u>	<u>5,311,176</u>	<u>1,084,160</u>

General revenues

Taxes:

- Real property taxes
- Real property tax-related items
- Sales tax distribution
- Mortgage tax distribution
- Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Fees, fines and licenses

Special item-Gain on sale of property and compensation for loss

Miscellaneous

Total general revenues and special items

Change in net assets

Net assets- beginning of year

Net assets - end of year

The accompanying Notes to the Financial Statements
should be read in conjunction with these Financial Statements.

**NET (EXPENSE) REVENUE
AND CHANGES IN
NET ASSETS**

CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
\$ -	\$ (4,791,734)
-	(15,954,546)
-	(29,600)
258,428	(6,984,919)
-	801,098
-	(944,396)
69,580	(5,279,781)
-	(1,360,232)
328,008	(34,544,110)

26,044,744

559,187

2,100,022

986,327

667,676

409,933

536,769

1,216,827

75,299

552,801

33,149,585

(1,394,525)

24,770,122

\$ 23,375,597

TOWN OF POUGHKEEPSIE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>GENERAL FUND</u>	<u>HIGHWAY FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS							
Cash and cash equivalents	\$ 2,669,391	\$ 1,077,556	\$ 1,841,744	\$ 913,133	\$ 2,369,393	\$ 1,139,631	\$ 10,010,848
Restricted cash and investments		-	-	-	476,385	-	476,385
Receivables:							
Charges for services	-	-	746,447	612,505	-	-	1,358,952
Other	459,251	5,134	-	-	-	5,257	469,642
Due from other funds	613,547	46,763	2,352,909	121,458	29,337	305,939	3,469,953
Due from other governments	1,214,105	-	-	-	8,030,000	-	9,244,105
Due from related party	-	-	92,042	-	-	-	92,042
State and federal receivable	329,305	72,851	-	-	-	4,640	406,796
Prepaid expenses	-	-	-	-	-	3,277	3,277
Total assets	\$ 5,285,599	\$ 1,202,304	\$ 5,033,142	\$ 1,647,096	\$ 10,905,115	\$ 1,458,744	\$ 25,532,000
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ 782,287	\$ 325,427	\$ 38,583	\$ 144,764	\$ 294,850	\$ 74,220	\$ 1,660,131
Accrued expenses	239,934	40,326	15,310	29,181	-	6,112	330,863
Retainage payable	-	-	1,501	-	104,759	-	106,260
Bond anticipation note	-	-	-	-	12,075,000	-	12,075,000
Due to other funds	2,381,445	106,045	29,337	876,809	1,292	75,025	3,469,953
Due to other governments	1,254,466	68,820	60,148	202,199	-	449,904	2,035,537
Deferred revenues	13,115	-	122,210	217,946	64,362	78,869	496,502
Compensated absence obligation	402,086	-	-	-	-	-	402,086
Total liabilities	5,073,333	540,618	267,089	1,470,899	12,540,263	684,130	20,576,332
FUND EQUITY							
Fund balance (deficit):							
Reserved for:							
Encumbrances	123,351	249,212	4,861	317,194	1,032	-	695,650
Bonded debt	-	-	-	413,558	-	171,621	585,179
Miscellaneous	8,726	-	-	-	-	-	8,726
Unreserved:							
Subsequent year's expenditures	-	191,000	-	-	-	-	191,000
Undesignated	80,189	221,474	4,761,192	(554,555)	(1,636,180)	602,993	3,475,113
Total fund equity	212,266	661,686	4,766,053	176,197	(1,635,148)	774,614	4,955,668
Total liabilities and fund equity	\$ 5,285,599	\$ 1,202,304	\$ 5,033,142	\$ 1,647,096	\$ 10,905,115	\$ 1,458,744	\$ 25,532,000

The accompanying Notes to the Financial Statements
should be read in conjunction with these Financial Statements.

TOWN OF POUGHKEEPSIE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total fund equity for governmental funds \$ 4,955,668

Total net assets reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 43,417,265

Investment in joint venture is not reported in the funds 19,816,090

Revenues are recorded when earned in the net assets of governmental activities. 177,839

Long-term liabilities, including bonds payable, compensated absence, capital lease, postemployment benefits and landfill remediation liabilities, which are not due and payable in the current period, therefore are not reported in the funds. (44,798,611)

Bond issuance costs are not reported in the funds 174,570

Inventory is not reported in the funds 42,348

Accrued interest payable is not reported in the funds. (409,572)

Total net assets of governmental activities \$ 23,375,597

TOWN OF POUGHKEEPSIE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>GENERAL FUND</u>	<u>HIGHWAY FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES							
Real property taxes	\$ 14,270,038	\$ 4,840,535	\$2,704,180	\$ 3,191,281	\$ -	\$ 1,038,710	\$ 26,044,744
Real property taxes items	559,187	-	-	-	-	-	559,187
Non property taxes items	2,767,698	-	-	-	-	-	2,767,698
Departmental income	84,818	-	2,844,534	2,259,622	-	-	5,188,974
Intergovernmental charges	49,941	-	-	-	-	-	49,941
Use of money and property	369,522	5,754	143,187	4,239	-	14,067	536,769
Licenses and permits	626,135	2,095	-	-	-	-	628,230
Fines and forfeitures	588,597	-	-	-	-	-	588,597
Sale of property and compensation for loss	67,143	18,066	-	1,112	-	13,675	99,996
Miscellaneous local sources	288,622	50,622	31,992	75,303	84,351	1,622	532,512
State aid	1,559,662	358,828	-	-	-	-	1,918,490
Federal aid	-	-	-	-	-	884,875	884,875
Total revenues	<u>21,231,363</u>	<u>5,275,900</u>	<u>5,723,893</u>	<u>5,531,557</u>	<u>84,351</u>	<u>1,952,949</u>	<u>39,800,013</u>
EXPENDITURES							
General government support	4,656,390	72,211	102,155	70,112	-	-	4,900,868
Public safety	13,167,759	-	-	-	-	-	13,167,759
Health	-	-	-	-	-	29,600	29,600
Transportation	334,738	4,683,724	-	-	3,202,449	878,163	9,099,074
Economic assistance & opportunity	83,777	-	-	-	-	-	83,777
Culture and recreation	703,029	-	-	-	-	-	703,029
Home and community services	752,865	-	3,186,302	4,493,140	324,284	941,369	9,697,960
Employee benefits	1,079,903	104,618	84,758	144,801	-	-	1,414,080
Debt service	1,636,421	1,167,881	1,514,882	130,910	220,000	191,210	4,861,304
Total expenditures	<u>22,414,882</u>	<u>6,028,434</u>	<u>4,888,097</u>	<u>4,838,963</u>	<u>3,746,733</u>	<u>2,040,342</u>	<u>43,957,451</u>
Excess of revenues over expenditures	(1,183,519)	(752,534)	835,796	692,594	(3,662,382)	(87,393)	(4,157,438)
Other financing sources:							
Proceeds from serial bonds	-	-	-	-	3,565,000	-	3,565,000
BAN's redeemed from appropriations	-	-	-	-	565,000	-	565,000
Operating transfers in	475,746	-	-	-	-	56,449	532,195
Operating transfers out	(56,449)	-	-	-	(475,746)	-	(532,195)
Total other financing sources	<u>419,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,654,254</u>	<u>56,449</u>	<u>4,130,000</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	(764,222)	(752,534)	835,796	692,594	(8,128)	(30,944)	(27,438)
Fund Balance, December 31, 2008	<u>976,488</u>	<u>1,414,220</u>	<u>3,930,257</u>	<u>(516,397)</u>	<u>(1,627,020)</u>	<u>805,558</u>	<u>4,983,106</u>
Fund Balance, December 31, 2009	<u>\$ 212,266</u>	<u>\$ 661,686</u>	<u>\$4,766,053</u>	<u>\$ 176,197</u>	<u>\$ (1,635,148)</u>	<u>\$ 774,614</u>	<u>\$ 4,955,668</u>

The accompanying Notes to the Financial Statements
should be read in conjunction with these Financial Statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund equities - total government funds \$ (27,438)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,917,203

Proceeds from all types of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt Issuance:		
Serial Bond note principal	(3,565,000)	
Repayments:		
Capital Leases	419,582	
Serial Bond note principal	2,941,057	(204,361)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (4,985)

Bond issuance costs capitalized and amortized, net (23,532)

Change in inventory is not reported in governmental funds 35,582

Some expenses reported in the statement of activities, such as compensated absences and landfill liabilities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(139,869)	
Postemployment benefits	(2,895,407)	
Joint landfill	27,192	(3,008,084)

Revenues reported in the governmental funds that are not allocable to the current period are not reported in the statement of activities. (78,910)

Net change in net assets of governmental activities \$ (1,394,525)

TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2009

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,391,689</u>
Total assets	<u><u>\$ 1,391,689</u></u>
LIABILITIES	
Escrow funds returnable and other liabilities	<u>\$ 1,391,689</u>
Total liabilities	<u>1,391,689</u>
Total net assets	<u>-</u>
Total liabilities and net assets	<u><u>\$ 1,391,689</u></u>

The accompanying Notes to the Financial Statements
should be read in conjunction with these Financial Statements.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE A - Summary of Significant Accounting Policies

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

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

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Town is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements in preparing its government-wide financial statements. The more significant accounting policies established by GAAP and used by the Town in preparing its government-wide and fund financial statements are discussed below.

1. The Reporting Entity

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

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

2. Basic Financial Statements – Government-Wide Statements

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

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

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

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

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

3. Basic Financial Statements – Fund Financial Statements

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

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

B. Fiduciary Funds

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

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

4. Basis of Accounting

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

A. Accrual

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

B. Modified Accrual

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

5. Financial Statement Amounts

A. Cash and Investments

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

5. Financial Statement Amounts (Continued)

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

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies, as discussed previously in these Notes. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosure*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the Town or its agent in the Town's name. As of December 31, 2009, the Town's bank balance not was exposed to custodial credit risk.

The cash and investments of the Town at December 31, 2009, are as follows:

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL	NON-	
	FUND	FUND	FUND	FUND	PROJECTS	MAJOR	TOTAL
	FUND	FUND	FUND	FUND	FUND	FUND	TOTAL
Non-Interest							
Bearing Accounts	\$ 1,100	\$ -	\$ 50	\$ 75	\$ -	\$ 50	\$ 1,275
Interest Bearing							
Accounts	<u>2,668,291</u>	<u>1,077,556</u>	<u>1,841,694</u>	<u>913,058</u>	<u>2,369,393</u>	<u>1,139,581</u>	<u>10,009,573</u>
Subtotal	2,669,391	1,077,556	1,841,744	913,133	2,369,393	1,139,631	10,010,848
Restricted							
US Treasury Bills	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476,385</u>	<u>-</u>	<u>476,385</u>
TOTAL	<u>\$ 2,669,391</u>	<u>\$ 1,077,556</u>	<u>\$ 1,841,744</u>	<u>\$ 913,133</u>	<u>\$ 2,845,778</u>	<u>\$ 1,139,631</u>	<u>\$ 10,487,233</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

5. Financial Statement Amounts (Continued)

The Town calculates its sick leave liability based on the assumption that most employees would continue to be employed by the Town until retirement. In governmental and fiduciary funds, the cost of vacation and sick leave is generally recognized when payments are made to employees. In prior years the Town has partially funded its liability for compensated absences through budgetary appropriations in the General Fund, amounting to \$402,086, with the balance of \$2,002,992 remaining un-funded. In the statement of net assets the liability of \$2,405,078 for accrued sick pay is recognized according to an estimate of payments in the following year and all future years.

Current portion	\$ 240,508
Long-term liability	<u>2,164,570</u>
TOTAL	<u>\$ 2,405,078</u>

E. Interfund Activity

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

F. Budgets

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

5. Financial Statement Amounts (Continued)

G. Pension Plans

Plan Description

The Town of Poughkeepsie participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

	<u>ERS</u>	<u>PFRS</u>
2009	<u>\$ 577,363</u>	<u>\$ 1,360,193</u>
2008	<u>\$ 665,518</u>	<u>\$ 1,410,569</u>
2007	<u>\$ 682,381</u>	<u>\$ 1,592,177</u>

The Town's contributions made to the Systems were equal to or in excess of 100 percent of the contributions required for each year.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

5. Financial Statement Amounts (Continued)

H. Post Employment Benefits

The cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid, which is the accrual accounting perspective. In adopting the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Town recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years. The Post Employment Benefits Liability as of December 31, 2009 is \$5,712,731.

Plan Description

The Town provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the Town. This plan is a single employer plan, established by authority of the Town Board and administered by the Town. Currently, there are approximately 70 retirees receiving post employment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for the life of the retiree based on the retiree's years of service at retirement. A copy of the report on these benefits can be requested at Town Hall. A summary of benefits is as follows:

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

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

5. Financial Statement Amounts (Continued)

Funding Policy

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

Annual Other Postemployment Benefit Cost

The Town's OPEB cost (expense) amounted to \$3,630,982 for the year ended December 31, 2009. The Town's OPEB cost was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs plus a past service cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

Level Dollar Amortization

Past Service Costs	\$ 2,277,500
Normal Costs	1,353,482
Annual Required Contribution (ARC)	<u>\$ 3,630,982</u>
 Percent of annual OPEB cost contributed	 20.26%

Benefit Obligation Accrued to Date

Actuarial Accrued Liability (AAL)	
Retired employees	\$16,124,502
Active employees- Fully Eligible	5,249,838
Active employees- Not Fully Eligible	16,124,501
Unfunded actuarial accrued liability (UAAL)	<u>\$37,498,841</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

5. Financial Statement Amounts (Continued)

Annual Other Postemployment Benefit Cost

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2009, actuarial valuation, the liabilities were computed using the projected unit credit cost method and level percent amortization. The actuarial assumptions utilized a 5% baseline discount rate.

I. Property Taxes

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

5. Financial Statement Amounts (Continued)

J. Insurance

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

K. Long-Term Liabilities

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

L. Reserves of Fund Equity

The Town records indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amounts of the reserves used by the Town:

	BALANCE AT DECEMBER 31, 2009
GENERAL FUND	
Reserved for Encumbrances	\$ 123,351
Reserved for Miscellaneous	8,726
Total General Fund Reserves	132,077
HIGHWAY FUND	
Reserved for Encumbrances	249,212
WATER FUND	
Reserved for Encumbrances	4,861
SEWER FUND	
Reserved for Encumbrances	317,194
Reserved for Bonded Debt	413,558
Total Sewer Fund Reserves	730,752
CAPITAL PROJECTS FUND	
Reserved for Encumbrances	1,032
NON-MAJOR FUNDS	
Reserved for Bonded Debt	171,621
TOTAL FUND EQUITY RESERVES	\$ 1,289,555

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note A - Summary of Significant Accounting Policies, (Continued)

5. Financial Statement Amounts (Continued)

M. Use of Estimates

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

Note B – Other Receivables

Other Receivables at December 31, 2009 consist of the following:

	<u>GENERAL</u> <u>FUND</u>	<u>HIGHWAY</u> <u>FUND</u>	<u>WATER</u> <u>FUND</u>	<u>SEWER</u> <u>FUND</u>	<u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>NON-MAJOR</u> <u>FUNDS</u>	<u>TOTAL</u>
Accounts Receivable	\$ 459,251	\$ 5,134	\$ -	\$ -	\$ -	\$ 5,257	\$ 469,642
Water Rents Receivable	-	-	746,447	-	-	-	746,447
Sewer Rents Receivable	-	-	-	612,505	-	-	612,505
Totals	<u>\$ 459,251</u>	<u>\$ 5,134</u>	<u>\$ 746,447</u>	<u>\$612,505</u>	<u>\$ -</u>	<u>\$ 5,257</u>	<u>\$ 1,828,594</u>

Note C – Interfund Receivables, Payables and Transfers

The following is a summary of amounts due from and due to other funds as of December 31, 2009. These inter-fund balances have been eliminated as part of the aggregation of fund balances. Such balances arise through the use of a pooled cash disbursement account, district transfers for sewer operations and the temporary funding of capital projects.

<u>FUND</u>	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General	\$ 613,547	\$ 2,381,445
Highway	46,763	106,045
Water	2,352,909	29,337
Sewer	121,458	876,809
Non-Major	305,939	75,025
Capital Projects Fund	29,337	1,292
Total	<u>\$ 3,469,953</u>	<u>\$ 3,469,953</u>

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General	\$ 475,746	\$ 56,449
Capital Projects	-	475,746
Non-Major	56,449	-
Total	<u>\$ 532,195</u>	<u>\$ 532,195</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note D – Capital Assets

The following is a summary of changes and adjustments in the Capital Assets, for the year ended December 31, 2009:

	BALANCE			BALANCE
	JANUARY 1,			DECEMBER 31,
Governmental activities:	<u>2009</u>	<u>ADDITIONS</u>	<u>(DISPOSALS)</u>	<u>2009</u>
Land	\$ 10,686,296	\$ -	\$ -	\$ 10,686,296
Buildings	14,702,603	276,265	-	14,978,868
Town Roads and Other Infrastructure	78,508,579	3,256,978	-	81,765,557
Improvements other than buildings	1,975,601	-	-	1,975,601
Machinery & equipment	<u>8,570,230</u>	<u>1,240,694</u>	<u>(129,920)</u>	<u>9,681,004</u>
Total	<u>114,443,309</u>	<u>4,773,937</u>	<u>(129,920)</u>	<u>119,087,326</u>
Less accumulated depreciation				
Buildings	(6,877,462)	(352,716)	-	(7,230,178)
Town Roads and Other Infrastructure	(59,477,523)	(1,510,058)	-	(60,987,581)
Improvements	(1,519,568)	(79,412)	-	(1,598,980)
Machinery & equipment	<u>(5,199,460)</u>	<u>(753,306)</u>	<u>99,444</u>	<u>(5,853,322)</u>
Total accumulated depreciation	<u>(73,074,013)</u>	<u>(2,695,492)</u>	<u>99,444</u>	<u>(75,670,061)</u>
Governmental activities				
capital assets, net	<u>\$ 41,369,296</u>	<u>\$ 2,078,445</u>	<u>\$ (30,476)</u>	<u>\$ 43,417,265</u>

*Depreciation was charged to governmental activities as follows:

General government support	\$ 165,961
Public Safety	557,154
Transportation	1,747,145
Home & community	189,669
Culture & recreation	<u>35,563</u>
Total depreciation expense	<u>\$ 2,695,492</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note E - Bond Anticipation Notes Payable

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

The changes in Bond Anticipation Notes Payable are:

<u>PURPOSE</u>	<u>BALANCE JANUARY 1, 2009</u>	<u>NEW ISSUES</u>	<u>RE-FINANCED</u>	<u>PAYMENTS</u>	<u>BALANCE DECEMBER 31, 2009</u>
Various Purposes	\$ 13,250,000	\$ 2,955,000	\$ (3,565,000)	\$ (565,000)	\$ 12,075,000

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

NOTE F - Long Term Debt

1. Serial Bonds Outstanding

The Serial Bonds Payable, as of December 31, 2009, are as follows:

<u>PURPOSE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>ORIGINAL AMOUNT OF ISSUE</u>	<u>AMOUNT OUTSTANDING DECEMBER 31, 2009</u>
Sewer	09/01/69	03/01/09	7.50%	\$ 2,369,000	\$ -
Public Improvements					
Police/Court Facility	02/15/98	08/15/17	6.74%	1,400,000	620,000
Public Improvements					
Water Improvements	07/29/99	04/15/19	3.48%	4,526,668	2,480,000
Water Improvements	02/14/02	10/15/23	1.51%	7,194,417	5,230,000
Various Purpose	6/1/2003	6/1/2018	2.98%	6,445,000	3,230,000
Public Improvements	9/15/2004	3/15/2019	3.529%	5,555,000	3,855,000
Public Improvements					
Refunding	9/15/2004	12/15/2016	Various	3,025,000	1,525,000
Public Improvements					
Refunding	9/15/2004	12/15/2016	Various	6,415,000	3,180,000
Water Improvements	07/15/06	12/15/2016	4.600%	901,057	795,000
Public Improvements					
Refunding	4/15/2008	4/15/017	Various	4,100,000	3,290,000
Library	12/01/08	12/1/1931	Various	8,465,148	8,030,000
Landfill	09/01/09	10/1/2023	1.03%	3,565,000	3,315,000
TOTALS				<u><u>\$ 37,831,142</u></u>	<u><u>\$ 35,550,000</u></u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

NOTE F - Long Term Debt, (Continued)

2. In-Substance Defeasance of Debt

In September 2004, the Town issued \$9,440,000 in General Obligation Bonds with an average interest rate of 3.38 percent to advance refund \$8,825,000 of outstanding 1993 and 1996 Series bonds with rates ranging from 4.15 to 5.10 %. The net proceeds of \$9,308,515 (including bond premium of \$32,860 and less payment of \$164,345 in underwriting fees, insurance, and other insurance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1993 and 1996 Series bonds. As a result, these Series bonds are considered to be defeased and the liability for the bonds has been removed from the Town's accounts. The Town recorded a net loss on refunding of \$526,360 in 2004 in the government-wide financial statements but expects a net economic gain of \$79,875 in present value savings.

In March 2008, the Town issued \$4,100,000 in General Obligation Bonds with an average interest rate of 3.47 percent to advance refund \$4,145,000 of outstanding 1997 and 1998 Series bonds with rates ranging from 4.50-5.00 %. The net proceeds of \$4,347,894 (including bond premium of \$247,894 and less payment of \$98,374 in underwriting fees, insurance, and other insurance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1997 and 1998 Series bonds. As a result, these Series bonds are considered to be defeased and the liability for the bonds has been removed from the Town's accounts.

3. Capital Lease Program

The Town has entered into capital leases for certain police and highway vehicles with a total asset cost of \$1,794,109 with accumulated amortization of \$1,172,400. 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 2009 amounted to \$457,061 including interest of \$37,477. At December 31, 2009, the annual capital lease payments are as follows:

<u>YEAR ENDING</u> <u>DECEMBER 31,</u>	<u>CAPITAL</u> <u>LEASES</u>
2010	\$354,679
2011	283,089
2012	<u>266,022</u>
	903,790
Less: Interest portion	<u>(57,864)</u>
Total minimum lease payments	<u>\$845,926</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

NOTE F - Long Term Debt, (Continued)

4. Changes in Long Term Debt:

The changes in the Town's indebtedness during the year ended December 31, 2009, are summarized as follows:

	BALANCE			BALANCE		AMOUNTS DUE
	JANUARY 1,			DECEMBER 31,	WITHIN	
	2009	INCREASE	(DECREASE)	2009	ONE YEAR	
Serial Bonds	\$ 34,926,057	\$ 3,565,000	\$ (2,941,057)	\$ 35,550,000	\$ 2,915,000	
Capital Lease	1,134,744	130,766	(419,584)	845,926	325,434	
Landfill Closure and Post Closure	714,154	-	(27,192)	686,962	24,604	
Compensated Absences	2,265,209	139,869	-	2,405,078	240,508	
TOTAL	\$ 39,040,164	\$ 3,835,635	\$ (3,387,833)	\$ 39,487,966	\$ 3,505,546	

The Compensated Absence liability includes a funded and an un-funded portion, as described in Note 5E.

5. Amortization of Bonded Debt

The annual requirements to amortize bonded debt, as of December 31, 2009, are as follows:

YEAR ENDING			
DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2010	2,915,000	1,340,111	4,255,111
2011	2,895,000	1,231,756	4,126,756
2012	2,960,000	1,134,057	4,094,057
2013	3,010,000	1,029,689	4,039,689
2014	3,080,000	914,675	3,994,675
2015-2019	12,325,000	2,856,009	15,181,009
2020-2024	4,870,000	1,249,418	6,119,418
2025-2029	2,425,000	532,829	2,957,829
2030-2031	1,070,000	69,184	1,139,184
Total	\$ 35,550,000	\$ 10,357,728	\$ 45,907,728

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note G - Joint Ventures

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

1. Tri-Municipal Sewer Commission

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

Operation and maintenance costs are allocated between the parties based on waste flow. For the year ended December 31, 2009, the Town incurred a cost of approximately \$185,606 for its share of operation and maintenance costs.

The following is a summary of unaudited financial information at December 31, 2009 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.

**Unaudited
Balances at
December 31, 2009**

Total Assets (excluding fixed assets)	<u>\$ 1,191,086</u>
Total Liabilities	<u>\$ 355,679</u>
Joint Venture Equity	<u>\$ 835,407</u>
Total Revenues - 2009	<u>\$1,577,591</u>
Total Expenditures - 2009	<u>\$1,756,928</u>
Total Fixed Assets	<u>\$39,240,356</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note G - Joint Ventures (Continued)

2. Poughkeepsie Joint Water Project

In August 1995, the Town entered into an inter-municipal agreement with the City of Poughkeepsie to provide for the planning, design, technological enhancement, construction or expansion, and operation and maintenance of the above named water treatment facility. This agreement amends and supersedes an agreement dated October 11, 1991 covering a joint water project. Under the terms of the 1995 agreement, the Town obtained an one-half interest in the City's Water treatment plant; the Town would finance studies for and upgrades and/or expansions to the plant to increase capacity; the Town would pay 50% of the cost to design and build an alum 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 Town financed the purchase of its interest in the water plant and payment of certain capital improvements by issuing serial bonds in December 1996 in the amount of \$6,425,000, which is recorded as Long-Term Debt. The bond was refinanced during 2004 and is included as Refunding Improvement Bonds for 2004.

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 alum 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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note G - Joint Ventures (Continued)

2. Poughkeepsie Joint Water Project

The Town financed the purchase of its interest in the water plant and payment of certain capital improvements by issuing serial bonds in December 1996 in the amount of \$6,425,000, which is recorded as Long-Term Debt. The bond was refinanced during 2004 and is included as Refunding Improvement Bonds for 2004.

The following is an un-audited 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.

	Unaudited Balances at <u>December 31, 2009</u>
Total Assets	<u>\$ 613,811</u>
Total Liabilities	<u>\$ 607,263</u>
Joint Venture Equity	<u>\$ 6,548</u>
Total Revenues – 2009	<u>\$ 3,489,056</u>
Total Expenditures - 2009	<u>\$ 3,489,099</u>
Long Term Debt	<u>\$ 188,380</u>
Investment in Fixed Assets	<u>\$25,663,187</u>

The Town's net share of operating expenditures amounted to \$1,767,760, which is recorded in the Water Fund - Home and Community Service. Included in Due from Related Party is \$92,042 representing the balance due to the Town for overpayment of its operating costs.

As part of the Joint Project agreement described above, the Town has committed to financing studies and a portion of construction costs related to the expansion of the Joint Water treatment facility. The Town estimated total construction costs to approximate \$19,363,000 with \$11,232,000 being financed by the Town and \$8,131,000 being financed by the City of Poughkeepsie. The Town issued debt to fund this commitment. As of December 31, 2009 the outstanding balance is \$10,890,000.

The Town has presented its equity interest in the Joint Venture in the Statement of Net Assets as \$19,816,090, representing the Town's capital expenditures to date and the amount of net assets invested in the Joint Venture, net of outstanding debt as \$8,926,090.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note G - Joint Ventures (Continued)

3. Poughkeepsie-Wappingers-LaGrange Joint Landfill

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

The following is a summary of unaudited financial information at December 31, 2009, 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.

	Un-audited Balances at <u>December 31, 2009</u>
Total Assets	<u>\$ 148,413</u>
Total Liabilities	<u>\$ -0-</u>
Total Venture Equity	<u>\$ 148,413</u>
Total Revenues	<u>\$ 60,249</u>
Total Expenditures	<u>\$ 52,252</u>

During 2003, an Order of Consent was issued through the New York State Department of Environmental Conservation to remediate Environmental Conservation Law and New York Codes Rule and Regulations violations. To comply with this order, the member municipalities must complete final closure of the landfill under current regulations by December 31, 2005 and perform post closure care and monitoring for a minimum of thirty years thereafter. The estimated cost of final closure is \$10,000,000. All costs will be borne proportionately by each municipality; the Town of Poughkeepsie's share being 42.4208%, or \$4,242,074. Post closure and monitoring costs, commenced in 2009 and continue for 30 years, are estimated to amount to \$1,619,400, with the Town's share being \$686,962.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

NOTE H - Legal Compliance

1. Deficit Fund Balances

The following special districts and funds have material deficit fund balances at year-end as shown. The Town intends to increase revenues to fund these deficits.

	Fund Balance (Deficit)
<u>General Fund/ Town Outside Village</u>	<u>\$ (76,246)</u>
<u>General Fund/ Town-Wide</u>	<u>\$ (346,385)</u>
<u>Street Lighting Fund</u>	<u>\$ (103,683)</u>

2. Overdrawn Appropriations

Expenditures in the following fund/categories materially exceeded appropriations:

<u>FUND/CATEGORY</u>	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>VARIANCE (UNFAVORABLE)</u>
Highway Fund/ General Govt Support	\$ -	\$ 72,211	\$ (72,211)
Highway Fund/ Transportation	\$ 4,842,096	\$ 4,932,936	\$ (90,840)

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note I - Economic Dependency

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

Note J - Commitments and Contingent Liabilities

1. Lawsuits and Claims

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

2. Grants

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

3. Authorized Debt

As of December 31, 2009, the Town Board had authorized debt which was not issued:

<u>PURPOSE</u>	<u>AUTHORIZED</u>
Tri-Municipal Sewer System	\$ 1,755,000
Town-Wide Drainage	395,197
Additions & Reconstruction of Buildings	2,786,000
Assessment Update - 2001	125,000
Water Improvement	1,448,332
Arlington Sewer Improvement Area 1 - 2002	5,200,000
Arlington Sewer Improvement- 2008	16,000,000
	<hr/>
TOTAL	\$ 27,709,529

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2009

Note K - Commitments and Contingent Liabilities

Most of the above projects have been completed, so that, with the exception of the Town-Wide Drainage, Water Improvement, and Sewer Improvement Projects, the Town does not expect to exercise these authorizations.

REQUIRED SUPPLEMENTAL INFORMATION



**TOWN OF POUGHKEEPSIE, NEW YORK
BUDGETARY COMPARISON SCHEDULE**

DECEMBER 31, 2009

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real property taxes	\$ 14,270,043	\$ 14,270,043	14,270,038	\$ (5)
Real property tax items	485,000	485,000	559,187	74,187
Non property tax items	2,890,000	2,890,000	2,767,698	(122,302)
Departmental income	8,000	8,000	84,818	76,818
Intergovernmental charges	373,795	458,114	49,941	(408,173)
Use of money and property	672,000	672,000	369,522	(302,478)
Licenses and permits	928,300	928,300	626,135	(302,165)
Fines and forfeitures	700,000	705,288	588,597	(116,691)
Sale of property and compensation for loss	27,000	47,011	67,143	20,132
Miscellaneous local sources	129,000	263,506	288,622	25,116
Interfund revenues	-	-	-	-
State aid	1,753,600	1,981,208	1,559,662	(421,546)
Federal aid	5,000	5,000	-	(5,000)
Total revenues	22,241,738	22,713,470	21,231,363	(1,482,107)
Appropriation of prior's year's fund balance	-	101,941	101,941	-
Total revenues and appropriation of prior year's fund balance	22,241,738	22,815,411	21,333,304	(1,482,107)
EXPENDITURES AND ENCUMBRANCES				
General Government Support	4,745,487	4,815,418	4,673,723	141,695
Public safety	13,092,735	13,561,215	13,211,533	349,682
Transportation	351,872	372,960	371,150	1,810
Economic assistance & opportunity	81,804	81,804	83,777	(1,973)
Culture and recreation	773,455	783,514	718,394	65,120
Home and community service	792,518	796,633	763,333	33,300
Employee benefits	1,061,072	1,061,072	1,079,903	(18,831)
Debt service	1,353,790	1,799,536	1,636,421	163,115
Total expenditures and encumbrances	22,252,733	23,272,152	22,538,234	733,918
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	(10,995)	(456,741)	(1,204,930)	(748,189)
Other financing sources (uses):				
Operating transfers in	13,495	459,241	475,746	16,505
Operating transfers out	(2,500)	(2,500)	(56,449)	(53,949)
Total other financing sources (uses)	10,995	456,741	419,297	(37,444)
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances and other uses	\$ -	\$ -	\$ (785,633)	\$ (785,633)

The accompanying Notes to the Financial Statements
should be read in conjunction with these Financial Statements.

EXHIBIT I

HIGHWAY FUND

ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 4,840,535	\$ 4,840,535	\$ 4,840,535	\$ -
			-
			-
			-
			-
75,000	75,000	5,754	(69,246)
		2,095	2,095
			-
	16,764	18,066	1,302
35,000	47,550	50,622	3,072
			-
355,535	422,426	358,828	(63,598)
	-	-	-
<u>5,306,070</u>	<u>5,402,275</u>	<u>5,275,900</u>	<u>(126,375)</u>
<u>300,000</u>	<u>838,319</u>	<u>838,319</u>	<u>-</u>
<u>5,606,070</u>	<u>6,240,594</u>	<u>6,114,219</u>	<u>(126,375)</u>
-	-	72,211	(72,211)
-	-	-	-
4,245,748	4,842,096	4,932,936	(90,840)
-	-	-	-
-	-	-	-
80,000	-	-	-
151,332	139,010	104,618	34,392
<u>1,167,883</u>	<u>1,259,488</u>	<u>1,167,881</u>	<u>91,607</u>
<u>5,644,963</u>	<u>6,240,594</u>	<u>6,277,646</u>	<u>(37,052)</u>
(38,893)	-	(163,427)	(163,427)
38,893	-	-	-
-	-	-	-
<u>38,893</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (163,427)</u>	<u>\$ (163,427)</u>

WATER FUND

<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$ 2,704,180	\$ 2,704,180	\$ 2,704,180	\$ -
-	-	-	-
-	-	-	-
3,337,000	3,337,000	2,844,534	(492,466)
-	-	-	-
100,000	100,000	143,187	43,187
-	-	-	-
-	-	-	-
-	-	-	-
17,500	17,500	31,992	14,492
-	-	-	-
-	-	-	-
-	-	-	-
6,158,680	6,158,680	5,723,893	(434,787)
-	4,753	-	(4,753)
6,158,680	6,163,433	5,723,893	(439,540)
115,000	115,000	102,155	12,845
-	-	-	-
-	-	-	-
-	-	-	-
4,436,880	4,441,633	3,291,774	1,149,859
98,000	98,000	84,758	13,242
1,508,800	1,508,800	1,514,882	(6,082)
6,158,680	6,163,433	4,993,569	1,169,864
-	-	730,324	730,324
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ 730,324	\$ 730,324

EXHIBIT I

SEWER FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 3,191,281	\$ 3,191,281	\$ 3,191,281	\$ -
-	-	-	-
1,660,663	1,660,663	2,259,622	598,959
-	-	-	-
20,946	20,946	-	(20,946)
-	-	4,239	4,239
-	-	-	-
-	-	1,112	1,112
4,100	6,472	75,303	68,831
-	-	-	-
-	-	-	-
-	-	-	-
4,876,990	4,879,362	5,531,557	652,195
-	256,810	-	(256,810)
4,876,990	5,136,172	5,531,557	395,385
90,000	90,000	70,112	19,888
-	-	-	-
-	-	-	-
-	-	-	-
4,887,317	5,146,499	4,810,334	336,165
100,500	100,500	144,801	(44,301)
130,913	130,913	130,910	3
5,208,730	5,467,912	5,156,157	311,755
(331,740)	(331,740)	375,400	707,140
4,703,717	4,703,717	-	(4,703,717)
(4,371,977)	(4,371,977)	-	4,371,977
331,740	331,740	-	(331,740)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,400</u>	<u>\$ 375,400</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2009**

EXHIBIT II:

<u>Year Ended,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Accrued Liability (UAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2009	1/1/2008	\$ -	\$ 37,498,841	\$ 37,498,841	0.0%	\$ 16,162,931	232.01%
12/31/2008	1/1/2008	\$ -	\$ 35,107,841	\$ 35,107,841	0.0%	\$ 15,391,670	228.10%

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF POUGHKEEPSIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

EXHIBIT III

FEDERAL GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures - Year Ended December 31, 2008
US Dept of Housing and Urban Development:			
Section 8 Housing Choice Vouchers	14.871		\$ 793,434 *
Community Development Block Grants- Entitlement Grants	14.218		<u>91,441</u>
Total US Dept of Housing and Urban Development			884,875
TOTAL			<u>\$ 884,875</u>

*Major Program

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Poughkeepsie, New York and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF POUGHKEEPSIE
SCHEDULE OF EXPENDITURES OF NEW YORK STATE TRANSPORTATION ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT IV

FEDERAL GRANTOR/ PROGRAM TITLE	NYS DOT Contract Ref Number	Expenditures - Year Ended December 31, 2009
Consolidated Local Streets & Highway Improvement Program (CHIPS)	820686	\$ <u>258,429</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES
OF NEW YORK STATE TRANSPORTATION ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of New York State Transportation Assistance includes the activity of the financial assistance programs provided by the New York State Department of Transportation to the Town of Poughkeepsie, New York and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to State transportation assistance programs.. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement

Type of Auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material Weakness identified:	<u>None Noted</u>
<ul style="list-style-type: none"> • Significant deficiencies identified that are not considered to be material weaknesses: 	<u>One Noted</u>
Noncompliance material to financial statements noted:	<u>None Noted</u>

Federal Awards

Internal Control over major programs:	
Material weakness identified:	<u>None Noted</u>
<ul style="list-style-type: none"> • Significant deficiencies identified that are not considered to be material weaknesses: 	<u>None Noted</u>
Type of report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	<u>None Noted</u>

State Awards

Internal Control over state transportation assistance expended:	
Material weakness identified:	<u>None Noted</u>
<ul style="list-style-type: none"> • Significant deficiencies identified that are not considered to be material weaknesses: 	<u>None Noted</u>
Type of report issued on compliance for program tested:	<u>Unqualified</u>
Summary of audit findings listed in Section II:	<u>None Noted</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009**

SECTION I - SUMMARY OF AUDITORS' RESULTS, (Continued)

Identification of major programs:

<u>CFDA NUMBER</u>	<u>PROGRAM</u>	<u>NAME OF FEDERAL</u>
14.856	Housing Assistance Payments Program for Low-Income Families - Section 8 programs	

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee classified as a low-risk auditee: Yes

Identification of State Transportation Assistance Programs:

Consolidated Local Street and Highway Improvement Program (CHIPS)

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year Findings:

Significant Deficiency:

Finding 1: Financial Statement Adjustments

Under auditing standards in accordance with generally accepted accounting principles, Town personnel are responsible for preparation and review of financial information as part of the audit. During our audit we recorded significant adjustments to the Town's accounts receivable, accounts payable, retirement accruals and encumbrances.

Effect:

The Town's accounts receivables, accounts payable, retirement accruals and encumbrances were all materially misstated.

Cause:

The Town did not record all material accruals for its accounts receivable, accounts payable, retirement and encumbrances.

Recommendation:

We commend the Town for recording the auditors' adjustments from the prior year which resulted in an improvement in the Town's reconciliation of the opening fund balance. The Town should still consider reviewing its financial statements and its internal control procedures over the areas noted above to ensure that all material adjustments and disclosures have been made for the audit.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

Other Matters:

Finding 2 – Due To & Due From’s

The Town’s interfund balances have been increased over the prior year. According to General Municipal Law, any interfund borrowings made during the year are required to be paid back before the end of the fiscal year.

Effect:

The Town has not repaid back its borrowing of monies before the end of the fiscal year and the Town may be borrowing money from different tax bases without charging interest.

Cause:

The Town has been experiencing deficits and cash flow shortfalls in some of its funds.

Recommendation:

The Town should approve a formal resolution for any borrowing between funds with different taxpayer bases and all borrowings between funds should be repaid before the end of the fiscal year.

Status of Prior Year Findings:

Finding 3 - Fraud Risk Assessment

The Town has not performed a formal review of its internal controls and identified potential areas of fraud and prepares a response to mitigate any potential internal control weaknesses.

Effect:

The Town may have weaknesses in its internal controls leaving itself susceptible to fraud.

Cause:

The Town has not performed a full fraud risk assessment process over the Town’s operations.

Recommendation:

The Town should implement a fraud risk assessment study from its Finance Committee in which it reviews the Town’s internal controls at an entity-wide level to ensure proper controls are implemented and effective.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

Finding 4 – Encumbrances

During our audit we noted that the Town does not track its encumbrances throughout the year on its general ledger. In addition, the Town provided a year-end report from its accounting software that did not agree to the Annual Updated Document.

Effect:

The encumbrances per the open purchase order report did not agree to the Annual Update Document.

Cause:

The Town did not generate an open purchase order report at year-end and agree that report to the general ledger.

Recommendation:

We recommend that the Town print an open purchase order report at year-end and agree this report to the general ledger.

Finding 5 - Over-expended Appropriations:

Certain appropriations were over-expended during the year.

Effect:

The Town has not provided for revenues sufficient to cover all expenditures since appropriations, i.e., planned expenditures, have been exceeded. The Town is also in violation of its legally adopted budget.

Cause:

The following appropriations were over-expended:

<u>FUND/CATEGORY</u>	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>VARIANCE (UNFAVORABLE)</u>
Highway Fund/ General Govt Support	\$ -	\$ 72,211	\$ (72,211)
Highway Fund/ Transportation	\$ 4,842,096	\$ 4,932,936	\$ (90,840)

Recommendation:

The Town should periodically review comparisons of budgeted and actual expenditures and provide for budget modifications as needed.

**TOWN OF POUGHKEEPSIE, NEW YORK
 SCHEDULE OF FINDINGS, QUESTIONED COSTS
 AND RECOMMENDATIONS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2009**

Finding 6 - Debt Service Fund

The Town has established a Debt Service Fund, but is not using the fund for the purpose of debt service. Rather, it is being used to accumulate interest revenue.

Effect:

Funds set aside for debt service are not being used for that purpose.

Cause:

Debt Service expenditures are being recorded in the operating funds instead of the Debt Service Fund.

Recommendation:

The Town should modify its budgets for its operating funds and the Debt Service Fund to reflect debt service expenditures in the Debt Service Fund and the use of Debt Service reserve to fund those expenditures.

Finding 7 - Deficit Fund Balance:

Several funds have incurred or increased a deficit fund balance during 2009.

Effect:

Future rate payers will be funding past expenditures.

Cause:

Deficit fund balances have occurred as follows:

	Fund Balance (Deficit)
<u>General Fund/ Town Outside Village</u>	<u>\$ (76,246)</u>
<u>General Fund/ Town-Wide</u>	<u>\$ (346,385)</u>
<u>Street Lighting Fund</u>	<u>\$ (103,683)</u>

Recommendation:

The Town should establish plans to provide for funding these deficits as well as improving budgeting procedures to prevent deficits from occurring and accumulating in the future.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

OTHER MATTERS:

Status of Prior Year Findings:

Satisfied/No Longer Applicable: - Prior Year Findings #2 and #3

OFFICE OF THE COMPTROLLER
Town of Poughkeepsie

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Dated 09/20/2010

Responses to 12/31/2009 audit findings

Financial Statement findings

Finding 1- (Financial Statement Adjustments):

Response: All future financial information will be reviewed by the Comptroller prior to the audit fieldwork. This will ensure continuing accuracy as well as proper communication. Much improvement continues to be made in this area.

Other Matters

Finding 2 – (Due To & Due From):

Response: All due to/ due from balances are in balance. All balances will be monitored on a monthly basis to ensure General Municipal Law compliance. The majority of the 2009 increase reflects funds with like tax bases.

Finding 3-(Fraud Risk Assessment):

Response: The town's Comptroller will review this recommendation with the Finance Committee. Good sound procedures are constantly being reviewed and then implemented under the direction of the Comptroller.

Finding 4-(Encumbrances):

Response: Much work and energy continues in this area as our software program continues to fault in this matter. We do however compensate for this shortcoming by ensuring that the year-end Purchase Order report reconciles to the General Ledger. A new procedure has been implemented where all year end encumbrances are sent out to the field to be verified for accuracy and compliance.

Finding 5- (Over-expended Appropriations):

Response: All departments receive budget to actual reports on a current basis for their review. The Comptroller is responsible for ensuring that all appropriations are made only when they fall within budget parameters. Much improvement in this area continues to be made as Comptroller has open communication with all departments.

Finding 6 - (Debt Service Fund):

Response: All debt service requirements are accurately met in the respective operating fund budgets. The town Comptroller will review the current state of our debt service fund in regard to purpose and necessity.

Finding 7 - (Deficit Fund Balance):

Response: All deficit balances are reviewed on a constant basis. We will be considering these specific deficits in all future town budgets. In 2009 based on a 20% rate increase and reduced expenditures we were able to turn our Sewer fund deficit into a surplus.