

**TOWN OF POUGHKEEPSIE, NEW YORK
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

TOWN OF POUGHKEEPSIE, NEW YORK
TABLE OF CONTENTS
DECEMBER 31, 2013

<u>DESCRIPTION:</u>	<u>PAGE(S)</u>
Independent Auditors' Report	1-3
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4-5
Independent Auditors' Report on Compliance With Requirements The Could Have A Direct and Material Effect on Each Major Program And on Internal Control Over Compliance in Accordance with OMB Circular A-133	6-8
Independent Auditors' 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	9-11
Management's Discussion and Analysis (unaudited) For The Year Ended December 31, 2013	12-20
 BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position – December 31, 2013.....	21
Statement of Activities and Changes in Net Position – For the Year Ended December 31, 2013	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds – December 31, 2013.....	23
Reconciliation of Governmental Funds Balance Sheet To the Statement of Net Position – December 31, 2013.....	24

Statement of Revenues, Expenditures and Changes In Fund Balances- Governmental Funds – For the Year Ended December 31, 2013.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – For the Year Ended December 31, 2013.....	26
Statement of Net Position Fiduciary Funds – December 31, 2013.....	27
Notes to Basic Financial Statements.....	28-53

REQUIRED SUPPLEMENTAL INFORMATION SECTION:

Exhibit I Budgetary Comparison Schedule – General, Highway, Water and Sewer Funds – For the Year Ended December 31, 2013.....	54-58
Exhibit II Other Post Employment Benefit Plan Schedule of Funding Progress - December 31, 2013.....	59

OTHER SUPPLEMENTAL INFORMATION SECTION:

Exhibit III Schedule of Expenditures of Federal Awards.....	60
Notes to the Schedule of Expenditures of Federal Award.....	61
Exhibit IV Schedule of Expenditures of New York State Transportation Assistance.....	62
Notes to the Schedule of Expenditures of New York State Transportation Assistance.....	63
Schedule of Findings, Questioned Costs, Recommendations and Town of Poughkeepsie Responses to Audit Findings, Questioned Costs and Recommendations.....	64-75

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Poughkeepsie, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Poughkeepsie Office

2678 South Road | Suite 101 | Poughkeepsie, New York 12601

Tel: (845) 485-5510 | **Fax:** (845) 485-5547 | **Email:** info@sedoreco.com | **Web:** www.sedoreco.com

POUGHKEEPSIE • PORT JERVIS • FISHKILL

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Poughkeepsie, New York, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and Other Post Employment Benefit Plan Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Poughkeepsie, New York's basic financial statements. The Schedule of Expenditures of Federal Awards, Schedule of Expenditures of New York State Transportation Assistance, and Schedule of Findings, Questioned Costs and Recommendations and Town of Poughkeepsie Responses to Audit Findings, Questioned Costs and Recommendations, are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Schedule of Expenditures of New York State Transportation Assistance, and Schedule of Findings, Questioned Costs, Recommendations, and Town of Poughkeepsie Responses to Audit Findings, Questioned Costs and Recommendations, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, Schedule of Expenditures of New York State Transportation Assistance, and Schedule of Findings, Questioned Costs, Recommendations and Town of Poughkeepsie Responses to Audit Findings, Questioned Costs and Recommendations, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of the Town of Poughkeepsie, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Poughkeepsie, New York's internal control over financial reporting and compliance.

Sedare & Company, CPA's

Poughkeepsie, New York
September 30, 2014

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Poughkeepsie, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Poughkeepsie, New York's basic financial statements and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Poughkeepsie, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Poughkeepsie, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Poughkeepsie, New York's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Poughkeepsie Office

2678 South Road | Suite 101 | Poughkeepsie, New York 12601

Tel: (845) 485-5510 | **Fax:** (845) 485-5547 | **Email:** info@sedoreco.com | **Web:** www.sedoreco.com

POUGHKEEPSIE • PORT JERVIS • FISHKILL

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies (Finding 1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Poughkeepsie, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance as reported in the accompanying schedule of findings and questioned costs. We have identified other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs. (Findings 2 through 9).

Town of Poughkeepsie, New York's Response to Findings

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. The Town of Poughkeepsie, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sedall & Company, CPA's

Poughkeepsie, New York
September 30, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR 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

Report on Compliance for Each Major Federal Program

We have audited the Town of Poughkeepsie, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Poughkeepsie, New York's major federal programs for the year ended December 31, 2013. The Town of Poughkeepsie, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Poughkeepsie, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

Poughkeepsie Office

2678 South Road | Suite 101 | Poughkeepsie, New York 12601

Tel: (845) 485-5510 | **Fax:** (845) 485-5547 | **Email:** info@sedoreco.com | **Web:** www.sedoreco.com

POUGHKEEPSIE • PORT JERVIS • FISHKILL

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

Opinion on Each Major Federal Program

In our opinion, the Town of Poughkeepsie, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 10. Our opinion on each major federal program is not modified with respect to these matters.

The Town of Poughkeepsie, New York's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Poughkeepsie, New York's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Town of Poughkeepsie, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Poughkeepsie, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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, New York's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 10 to be a significant deficiency.

The Town of Poughkeepsie, New York's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Poughkeepsie, New York's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sedall & Company, CPA's

Poughkeepsie, New York
September 30, 2014

Navigating Your Success

**INDEPENDENT AUDITORS' 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

Report on Compliance for Each State Program

We have audited the Town of Poughkeepsie, New York's compliance 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 could have a direct and material effect on each of the Town of Poughkeepsie, New York's state transportation assistance programs for the year ended December 31, 2013. The Town of Poughkeepsie, New York's state transportation assistance programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state transportation assistance programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Poughkeepsie, New York's state transportation assistance programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

Poughkeepsie Office

2678 South Road | Suite 101 | Poughkeepsie, New York 12601

Tel: (845) 485-5510 | **Fax:** (845) 485-5547 | **Email:** info@sedoreco.com | **Web:** www.sedoreco.com

POUGHKEEPSIE • PORT JERVIS • FISHKILL

We believe that our audit provides a reasonable basis for our opinion on compliance for each state transportation assistance program. However, our audit does not provide a legal determination of the Town of Poughkeepsie, New York's compliance.

Opinion on Each State Program

In our opinion, the Town of Poughkeepsie, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Town of Poughkeepsie, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Poughkeepsie, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each of its state transportation assistance programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion and to test and report on internal control over compliance in accordance with Draft Part 43 of NYCRR, 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, New York's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation assistance program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state transportation assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Draft Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

Sedall & Company, CPA's

Poughkeepsie, New York
September 30, 2014

OFFICE OF THE COMPTROLLER

Town of Poughkeepsie

JAMES M. WOJTOWICZ, CPA
COMPTROLLER



ONE OVEROCKER ROAD
POUGHKEEPSIE, N.Y.
12603

(845) 485-3610
FAX (845) 485-1130

jwojtowicz@townofpoughkeepsie-ny.gov

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(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, 2013. This discussion and analysis should be read in conjunction with the financial statements and the accompanying notes to the statements that begin on page 21.

The Basic Financial Statements consist of a series of inter-related financial statements. The Statement of Net Position and Statement of Activities (on pages 21 and 22) 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 23) tell the reader how Town provided services and programs were financed in 2013, 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 Position and the Statement of Activities**

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

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2013
(UN-AUDITED)

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

The Fund Financial Statements provide detailed financial information about the most significant funds of the Town, not the Town as a whole. Some funds (most notably the General and Highway funds) are established as required by State law, while other funds are established at the Town's discretion to help it account for and manage money for specific purposes. All of the Town's funds are classified as 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.

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 Position of Governmental Activities provided in the Governmental Funds Balance Sheet, and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Governmental Fund Balances to the Statement of Activities facilitate the comparison between 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 Position (on page 27), and are prepared using the full accrual basis of accounting.

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2013
(UN-AUDITED)

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements (beginning on page 28) provide additional information essential to a clear understanding of the financial information provided in the government-wide and fund financial statements.

Financial Analysis of The Town as a Whole - Governmental Activities

Statement of Net Position – Summary

	2013	2012	Change
Assets			
Non-Capital	\$ 29,714,977	\$ 26,220,088	\$ 3,494,889
Capital	63,364,876	64,467,656	(1,102,780)
Total Assets	93,079,853	90,687,744	2,392,109
Liabilities			
Current	20,930,150	16,994,105	3,936,045
Non-Current	40,941,094	42,114,278	(1,173,184)
Total Liabilities	61,871,244	59,108,383	2,762,861
Deferred Inflow of Resources	316,327	505,109	(188,782)
Total Liabilities and Deferred Inflow of Resources	62,187,571	59,613,492	2,574,079
Net Position			
Capital	17,800,961	25,355,860	(7,554,899)
Unrestricted	13,091,321	5,718,392	7,372,929
Total Net Position	30,892,282	31,074,252	(181,970)
Total Liabilities and Net Position	\$ 93,079,853	\$ 90,687,744	\$ 2,580,891

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2013
(UN-AUDITED)

Financial Analysis of The Town as a Whole - Governmental Activities

Statement of Activities and Changes in Net Position – Summary

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues			
Program			
Charges for Service	\$ 6,325,004	\$ 5,601,948	\$ 723,056
Operating Grants	661,288	1,017,152	(355,864)
Capital Grants	515,506	1,004,948	(489,442)
General			
Property Tax	27,959,159	29,089,234	(1,130,075)
Mortgage Tax	744,984	950,080	(205,096)
Sales Tax	1,803,693	2,487,162	(683,469)
Franchise taxes	713,338	709,732	3,606
Fees, Fines and Licenses	1,724,194	1,668,726	55,468
Grants and contributions not restricted to specific programs	284,272	1,004,948	(720,676)
Other	1,809,994	2,086,488	(276,494)
Total Revenues	<u>\$ 42,541,432</u>	<u>\$ 45,620,418</u>	<u>\$ (3,078,986)</u>
Expenses			
General Government Support	\$ 4,726,458	\$ 4,921,086	\$ (194,628)
Public Safety & Health	18,133,631	17,674,072	459,559
Health	30,000	31,800	(1,800)
Transportation	7,118,578	7,282,004	(163,426)
Economic Assistance	76,349	76,694	(345)
Culture & Recreation	729,352	1,323,028	(593,676)
Home & Community Service	10,698,796	10,666,951	31,845
Interest Long term Debt	1,210,337	1,835,366	(625,029)
Total Expenses	<u>\$ 42,723,501</u>	<u>\$ 43,811,001</u>	<u>\$ (1,087,500)</u>
Change in Net Position	<u>(182,069)</u>	<u>1,809,417</u>	
Net Position, January 1, 2013	<u>31,074,351</u>	<u>29,264,934</u>	
Net Position, December 31, 2013	<u>\$ 30,892,282</u>	<u>\$ 31,074,351</u>	

Net Position of \$30,892,282 as of year-end reflects a total decrease of \$182,069. This represents a decrease of .55%, resulting in no significant change.

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2013
(UN-AUDITED)

The Town’s Governmental Funds

For the fiscal year ended December 31, 2013, the Town’s Governmental Town-wide Funds (General, Highway and Water) reported combined ending fund balances of \$6,568,629, a decrease from fiscal year 2012 fund balances of \$394,899. Operations in the General and Highway Funds, the Town’s major operating funds, resulted in a fund balance increase of \$261,554.

The reserved portion of total fund balances not available for new spending includes: outstanding contract and purchase order commitments of \$1,169,446 (for the Town’s five major funds: A-General, B-General, Highway, Water and Sewer) and a reserve for Debt Service of \$585,179.

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, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
General government support	\$ 4,719,110	\$ 4,931,237
Public safety	14,413,082	14,324,861
Health	30,000	31,800
Transportation	6,129,789	6,137,314
Economic assistance & opportunity	76,349	76,694
Culture and recreation	918,728	1,240,457
Home and community services	9,418,490	9,454,615
Employee benefits	2,453,264	2,220,647
Debt service	5,422,342	5,121,826
	<u>\$ 43,581,154</u>	<u>\$ 43,539,451</u>

As shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, recast in the chart above, the Town expended \$43,581,154 for current year operations. By comparison, this was \$41,703 (on net basis) more than the \$43,539,451 expended in 2012.

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2013
(UN-AUDITED)

The Town's Governmental Funds (Continued)

Comparative Schedule of Revenues

The following schedule presents a summary of General, Special Revenue (including Highway), Capital Project, and Debt Service Fund revenues for the fiscal years ended December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Real property taxes	\$ 26,603,209	\$ 28,546,751
Real property taxes items	1,317,979	542,483
Non property taxes items	2,555,002	3,196,894
Departmental income	6,192,206	5,424,014
Intergovernmental charges	629,033	597,811
Use of money and property	489,185	879,545
Licenses and permits	861,968	706,786
Fines and forfeitures	870,086	969,350
Sale of property and compensation for loss	175,929	139,719
Miscellaneous local sources	479,551	1,034,948
State aid	1,549,787	1,658,998
Federal aid	915,113	1,758,121
	<u>\$ 42,639,048</u>	<u>\$ 45,455,420</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 \$42,639,048 in revenues to support current year operations. By comparison, this was (on a net basis) \$2,816,372 less than the \$45,455,420 recorded in 2012.

General Fund A and B. The General Fund, a major fund, is the primary operating fund of the Town, including the operations of the Police, Parks and Recreation, and Public Works Departments, General Administration, the Town Court, and that portion of the Highway Department not required to be accounted for in the Highway Fund. Results of operations in the General Fund resulted in an positive \$52,262 (A) and negative \$120,820 (B) net change in fund balance. The net unassigned fund balance is a negative \$837,784 (A) and a positive assigned \$967,524 (B).

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2013
(UN-AUDITED)

The Town's Governmental Funds (Continued)

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 \$330,112 increase net change in fund balance. The net assigned fund balance is \$719,014.

"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 \$1,974,219 of all governmental activities, operations of all "Non-Major" Special Revenue funds resulted in a \$63,503 positive net change in fund balances. The net assigned fund balance is \$325,394.

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 increased by \$657,785(a strategy change as the capital water tax was reduced and user fee increased), and fund balance, in total, decreased by \$656,453 as planned. The net assigned fund balance is \$4,570,526.

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. The Town's decision to transfer the plant to a management contract (United Water took over the operations of the plant on 7/5/11) has resulted in a significant increased savings to our systems' users. 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 net assigned fund balance is \$2,256,267.

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2013
(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 \$43,548,786, net of accumulated depreciation.

Debt Administration. At year-end 2013, the Town had \$27,080,000 in Serial Bonds and \$12,047,978 in Bond Anticipation Notes (BAN's) outstanding.

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

At year-end 2013, the Town had \$2,109,631 in accumulated Compensated Absences due to its employees, a net decrease of \$162,018 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 (Continued)
DECEMBER 31, 2013
(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 POSITION
DECEMBER 31, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 13,805,198
Restricted cash and investments	446,025
Receivables (net)	15,374,868
Inventory	88,886
Total current assets	<u>29,714,977</u>
Non-current assets	
Capital assets:	
Land	10,702,282
Infrastructure, net of depreciation	23,268,135
Buildings, machinery and equipment, net of depreciation	9,523,375
Construction in progress	54,994
Total capital assets	<u>43,548,786</u>
Investment in Joint Water Project	<u>19,816,090</u>
Total assets	<u>\$ 93,079,853</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 1,205,483
Accrued expenses and retainage payable	3,793,088
Due to related party	241,672
Bond anticipation note	12,047,978
Current portion of long-term liabilities	
Capital lease payable	13,203
Compensated absence liability	211,000
Landfill remediation liability	12,726
Bonds payable	3,405,000
Total current liabilities	<u>20,930,150</u>
Non-current liabilities	
Capital lease payable	52,913
Compensated absence liability	1,898,631
Landfill remediation liability	475,734
Bonds payable	23,675,000
Postemployment benefits obligation	14,838,816
Total non-current liabilities	<u>40,941,094</u>
Total liabilities	<u>61,871,244</u>
Deferred inflow of resources	<u>316,327</u>
Total liabilities and deferred inflow of resources	<u>62,187,571</u>
NET POSITION	
Invested in Capital Assets, net of related debt	4,354,692
Invested in Joint Water Project, net of related debt	12,861,090
Restricted for:	
Debt service	585,179
Unrestricted	13,091,321
Total net position	<u>30,892,282</u>
Total liabilities and net position	<u>\$ 93,079,853</u>

See independent auditors' report

TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
Governmental Activities:					GOVERNMENTAL ACTIVITIES
General government support	\$ 4,726,458	\$ 5,699	\$ 1,150	\$ -	\$ (4,719,609)
Public safety	18,133,631	144,352	4,388	-	(17,984,891)
Health	30,000	-	-	-	(30,000)
Transportation	7,118,578	-	-	565,868	(6,552,710)
Economic assistance & opportunity	76,349	-	509,968	-	433,619
Culture and recreation	729,352	313,265	-	-	(416,087)
Home and community services	10,698,796	5,861,688	-	95,420	(4,741,688)
Interest on long-term debt	1,210,337	-	-	-	(1,210,337)
Total governmental activities	42,723,501	6,325,004	515,506	661,288	(35,221,703)

General revenues

Taxes:

Real property taxes	26,641,180
Real property tax-related items	1,317,979
Sales tax distribution	1,803,693
Mortgage tax distribution	744,984
Franchise taxes	713,338
Grants and contributions not restricted to specific programs	284,272
Unrestricted investment earnings	475,303
Fees, fines and licenses	1,724,194
Special item-Gain on sale of property and compensation for loss	168,057
Miscellaneous	1,166,634
Total general revenues and special items	<u>35,039,634</u>

Change in net position (182,069)

Net position- beginning of year, as originally reported	34,189,633
Prior period adjustments	<u>(3,115,282)</u>
Net position- beginning of year, as adjusted	31,074,351

Net position - end of year \$ 30,892,282

TOWN OF POUGHKEEPSIE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>GENERAL FUND A</u>	<u>GENERAL FUND B</u>	<u>HIGHWAY FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS									
Cash and cash equivalents	\$ 995,445	\$ 2,945,643	\$ 1,509,319	\$ 1,601,089	\$ 3,220,023	\$ 2,493,625	\$ 586,095	\$ 453,959	\$ 13,805,198
Restricted cash and investments	-	-	-	-	122,410	323,615	-	-	446,025
Receivables:									
Charges for services	-	-	-	1,036,124	746,516	-	-	-	1,782,640
Other	158,794	233,594	3,734	-	-	-	-	-	396,122
Due from other funds	329,000	-	32,309	2,604,117	40,238	-	16,809	347,587	3,370,060
Due from other governments	-	1,960,814	-	71,495	-	3,694,978	7,055,000	-	12,782,287
State and federal receivable	224,173	-	153,950	-	-	35,696	-	-	413,819
Total assets	<u>\$ 1,707,412</u>	<u>\$ 5,140,051</u>	<u>\$ 1,699,312</u>	<u>\$ 5,312,825</u>	<u>\$ 4,129,187</u>	<u>\$ 6,547,914</u>	<u>\$ 7,657,904</u>	<u>\$ 801,546</u>	<u>\$ 32,996,151</u>
LIABILITIES AND FUND EQUITY									
LIABILITIES									
Accounts payable	\$ 62,358	\$ 180,540	\$ 273,665	\$ 129,149	\$ 298,045	\$ 160,051	\$ -	\$ 101,675	\$ 1,205,483
Accrued expenses	62,154	304,901	65,744	31,036	17,569	-	-	22,397	503,801
Retainage payable	-	-	-	-	3,179	2,459	-	-	5,638
Bond anticipation note	-	-	-	-	-	12,047,978	-	-	12,047,978
Due to other funds	1,667,427	1,015,107	-	-	543,591	16,809	-	127,126	3,370,060
Due to related party	-	-	-	-	-	241,672	-	-	241,672
Due to other governments	348,047	2,069,593	188,159	149,724	167,070	-	-	-	2,922,593
Deferred revenues	13,115	48,225	-	255,196	199,624	-	7,055,000	254,987	7,826,147
Compensated absence obligation	-	402,086	-	-	-	-	-	-	402,086
Total liabilities	<u>2,153,101</u>	<u>4,020,452</u>	<u>527,568</u>	<u>565,105</u>	<u>1,229,078</u>	<u>12,468,969</u>	<u>7,055,000</u>	<u>506,185</u>	<u>28,525,458</u>
FUND EQUITY									
Fund balance (deficit):									
Restricted:									
Bonded debt	-	-	-	-	413,558	-	171,621	-	585,179
Recreation	170,186	-	-	-	-	-	-	-	170,186
Drainage	69,148	-	-	-	-	-	-	-	69,148
Assigned:									
Encumbrances	152,761	152,075	452,730	177,194	230,284	-	-	4,402	1,169,446
Other	-	967,524	719,014	4,570,526	2,256,267	-	431,283	290,959	9,235,573
Unassigned	(837,784)	-	-	-	-	(5,921,055)	-	-	(6,758,839)
Total fund equity	<u>(445,689)</u>	<u>1,119,599</u>	<u>1,171,744</u>	<u>4,747,720</u>	<u>2,900,109</u>	<u>(5,921,055)</u>	<u>602,904</u>	<u>295,361</u>	<u>4,470,693</u>
Total liabilities and fund equity	<u>\$ 1,707,412</u>	<u>\$ 5,140,051</u>	<u>\$ 1,699,312</u>	<u>\$ 5,312,825</u>	<u>\$ 4,129,187</u>	<u>\$ 6,547,914</u>	<u>\$ 7,657,904</u>	<u>\$ 801,546</u>	<u>\$ 32,996,151</u>

TOWN OF POUGHKEEPSIE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Total fund equity for governmental funds	\$ 4,470,693
--	--------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	43,548,786
---	------------

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.	7,509,820
---	-----------

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.	(44,180,937)
---	--------------

Inventory is not reported in the funds	88,886
--	--------

Accrued interest payable is not reported in the funds.	<u>(361,056)</u>
--	------------------

Total net position of governmental activities	<u><u>\$ 30,892,282</u></u>
---	-----------------------------

TOWN OF POUGHKEEPSIE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>GENERAL FUND A</u>	<u>GENERAL FUND B</u>	<u>HIGHWAY FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES									
Real property taxes	\$ 3,372,956	\$ 12,010,169	\$ 6,168,320	\$ 1,330,199	\$ 2,523,717	\$ -	\$ -	\$ 1,197,848	\$ 26,603,209
Real property taxes items	215,230	1,067,485	-	-	-	-	-	35,264	1,317,979
Non property taxes items	-	2,517,031	-	31,923	1,631	-	-	4,417	2,555,002
Departmental income	353,292	140,226	-	3,391,548	2,307,140	-	-	-	6,192,206
Intergovernmental charges	-	57,279	-	-	-	-	571,754	-	629,033
Use of money and property	39,068	250,162	8,396	155,102	11,008	-	9,291	16,158	489,185
Licenses and permits	43,780	808,846	1,482	7,860	-	-	-	-	861,968
Fines and forfeitures	870,086	-	-	-	-	-	-	-	870,086
Sale of property and compensation for loss	79,317	75,055	5,495	564	2,800	-	-	12,698	175,929
Miscellaneous local sources	186,473	167,008	27,934	17,283	(17,390)	92,319	-	5,924	479,551
State aid	756,803	261,216	449,398	-	-	82,370	-	-	1,549,787
Federal aid	19,774	903	-	-	-	124,468	-	769,968	915,113
Total revenues	<u>5,936,779</u>	<u>17,355,380</u>	<u>6,661,025</u>	<u>4,934,479</u>	<u>4,828,906</u>	<u>299,157</u>	<u>581,045</u>	<u>2,042,277</u>	<u>42,639,048</u>
EXPENDITURES									
General government support	3,993,070	528,778	50,926	76,183	52,866	17,287	-	-	4,719,110
Public safety	-	14,413,082	-	-	-	-	-	-	14,413,082
Health	-	-	-	-	-	-	-	30,000	30,000
Transportation	363,609	-	4,326,887	-	-	431,452	-	1,007,841	6,129,789
Economic assistance & opportunity	76,349	-	-	-	-	-	-	-	76,349
Culture and recreation	918,728	-	-	-	-	-	-	-	918,728
Home and community services	97,358	557,288	-	3,532,768	3,933,614	521,108	-	776,354	9,418,490
Employee benefits	226,213	1,645,610	150,109	202,303	229,029	-	-	-	2,453,264
Debt service	584,445	331,442	2,152,991	1,492,448	90,248	-	571,754	199,014	5,422,342
Total expenditures	<u>6,259,772</u>	<u>17,476,200</u>	<u>6,680,913</u>	<u>5,303,702</u>	<u>4,305,757</u>	<u>969,847</u>	<u>571,754</u>	<u>2,013,209</u>	<u>43,581,154</u>
Excess of revenues over expenditures	(322,993)	(120,820)	(19,888)	(369,223)	523,149	(670,690)	9,291	29,068	(942,106)
Other financing sources:									
Proceeds from serial bonds	-	-	-	-	-	-	-	-	-
BAN's redeemed from appropriations	-	-	-	-	-	830,000	-	-	830,000
Operating transfers in	400,000	-	350,000	112,770	-	-	-	-	862,770
Operating transfers out	-	-	-	(400,000)	-	(462,770)	-	-	(862,770)
Total other financing sources	<u>400,000</u>	<u>-</u>	<u>350,000</u>	<u>(287,230)</u>	<u>-</u>	<u>367,230</u>	<u>-</u>	<u>-</u>	<u>830,000</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	77,007	(120,820)	330,112	(656,453)	523,149	(303,460)	9,291	29,068	(112,106)
Fund Balance, December 31, 2012	<u>(522,696)</u>	<u>1,240,419</u>	<u>841,632</u>	<u>5,404,173</u>	<u>2,376,960</u>	<u>(5,617,595)</u>	<u>593,613</u>	<u>266,293</u>	<u>4,582,799</u>
Fund Balance, December 31, 2013	<u>\$ (445,689)</u>	<u>\$ 1,119,599</u>	<u>\$ 1,171,744</u>	<u>\$ 4,747,720</u>	<u>\$ 2,900,109</u>	<u>\$ (5,921,055)</u>	<u>\$ 602,904</u>	<u>\$ 295,361</u>	<u>\$ 4,470,693</u>

See independent auditors' report

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, 2013

Net change in fund equities - total government funds \$ (112,106)

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

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (1,068,266)

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 position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Debt revenue:			
Bond Anticipation Notes redeemed	(830,000)		
Repayments:			
Bond Anticipation Notes	830,000		
Capital Leases	41,872		
Serial Bond note principal	3,330,000		
			3,371,872

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 52,004

Bond issuance costs capitalized and amortized, net (103,974)

Change in inventory is not reported in governmental funds (68,614)

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	162,018		
Postemployment benefits	(2,342,456)		
Joint landfill	17,196		
			(2,163,242)

Revenues reported in the governmental funds that are not allocable to the current period are not reported in the statement of activities. (89,743)

Net change in net position of governmental activities \$ (182,069)

**TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2013**

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,690,072</u>
Total assets	<u><u>\$ 1,690,072</u></u>
LIABILITIES	
Escrow funds returnable and other liabilities	<u>\$ 1,690,072</u>
Total liabilities	<u>1,690,072</u>
Total net position	<u>-</u>
Total liabilities and net position	<u><u>\$ 1,690,072</u></u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE A - Summary of Significant Accounting Policies

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

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

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The 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 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."

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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

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

In the government-wide Statement of Net Position, 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 position is reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

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

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:

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

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

The following fund types are used by the Town:

A. Governmental Funds

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

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

1. **General Fund** is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund and is presented separately.
2. **Highway Fund** is used to record the revenues and expenditures related to the maintenance of Town roadways. The Highway Fund is considered a major fund and is presented separately.
3. **Water Fund** is used to record the revenues and expenditures related to the delivery of water services to the Town's customers. The Water Fund is considered a major fund and is presented separately.
4. **Sewer Fund** is used to record the revenues and expenditures related to the delivery of sewer services to the Town's customers. The Sewer Fund is considered a major fund and is presented separately.
5. **Capital Projects Funds** are used to account for financial resources to be used for the acquisition and construction of major capital facilities. The Capital Projects Fund is considered a major fund and is presented separately. However, no budgetary comparison schedule is presented as required supplemental information, as the Town is not legally required to adopt an annual budget for the Capital Projects Fund.
6. **Debt Service Fund** is used to record revenues and expenditures relating to the Town's debt. The Debt Service Fund is considered a major fund and is presented separately.
7. **Non-major Funds** include those that are used for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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 position, and funds are reported using accounting principles similar to proprietary funds.

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

4. Basis of Accounting

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

A. Accrual

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

B. Modified Accrual

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts

A. Cash and Investments

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

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

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies, as discussed previously in these Notes. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosure*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the Town or its agent in the Town's name. As of December 31, 2013, the Town's bank balance not was exposed to custodial credit risk.

The cash and investments of the Town at December 31, 2013, are as follows:

	<u>GENERAL FUND</u>	<u>HIGHWAY FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE</u>	<u>NON- MAJOR FUND</u>	<u>TOTAL</u>
Non-Interest								
Bearing Accounts	\$ 1,800	\$ -	\$ 100	\$ 75	\$ -	\$ -	\$ 50	\$ 2,025
Interest Bearing								
Accounts	<u>3,939,288</u>	<u>1,509,319</u>	<u>1,600,989</u>	<u>3,219,948</u>	<u>2,493,625</u>	<u>586,095</u>	<u>453,909</u>	<u>13,803,173</u>
Subtotal	<u>3,941,088</u>	<u>1,509,319</u>	<u>1,601,089</u>	<u>3,220,023</u>	<u>2,493,625</u>	<u>586,095</u>	<u>453,959</u>	<u>13,805,198</u>
Restricted								
Debt Service	-	-	-	122,410	-	-	-	122,410
US Treasury Bills	-	-	-	-	323,615	-	-	323,615
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,410</u>	<u>323,615</u>	<u>-</u>	<u>-</u>	<u>446,025</u>
TOTAL	<u>\$ 3,941,088</u>	<u>\$ 1,509,319</u>	<u>\$1,601,089</u>	<u>\$3,342,433</u>	<u>\$ 2,817,240</u>	<u>\$ 586,095</u>	<u>\$ 453,959</u>	<u>\$14,251,223</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

A. Cash and Investments (Continued)

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

B. Inventories

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

C. Capital Assets

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

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

D. Accumulated Compensated Absences

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

D. Accumulated Compensated Absences (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 \$1,707,545 remaining un-funded. In the statement of net assets the liability of \$2,109,631 for accrued sick pay is recognized according to an estimate of payments in the following year and all future years.

Current portion	\$ 211,000
Long-term liability	<u>1,898,631</u>
TOTAL	<u>\$ 2,109,631</u>

E. Fund Balance Classifications

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

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

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

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

E. Fund Balance Classifications (Continued)

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

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

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

E. Fund Balance Classifications (Continued)

The following details the allocations and amounts of fund balance following the implementation of GASB #54 as of December 31, 2013:

General A	
Restricted - Recreation	\$ 170,186
Restricted - Drainage	69,148
Assigned - Encumbrances	152,761
Unassigned	<u>(837,784)</u>
Total General A Fund Classifications	<u>(445,689)</u>
General B	
Assigned - Encumbrances	152,075
Assigned - Other	<u>967,524</u>
Total General B Fund Classifications	<u>1,119,599</u>
Highway	
Assigned - Encumbrances	452,730
Assigned - Other	<u>719,014</u>
Total Highway Fund Classifications	<u>1,171,744</u>
Water	
Assigned - Encumbrances	177,194
Assigned - Other	<u>4,570,526</u>
Total Water Fund Classifications	<u>4,747,720</u>
Sewer	
Restricted - Bonded Debt	413,558
Assigned - Encumbrances	230,284
Assigned - Other	<u>2,256,267</u>
Total Sewer Fund Classifications	<u>2,900,109</u>
Capital Projects	
Unassigned	<u>(5,921,055)</u>
Debt Service	
Restricted - Bonded Debt	171,621
Assigned - Other	<u>431,283</u>
Total Debt Service Fund Classifications	<u>602,904</u>
Non-Major	
Assigned - Encumbrances	4,402
Assigned - Other	<u>290,959</u>
Total Non-Major Fund Classifications	<u>295,361</u>
Total Fund Classifications	<u><u>\$ 4,470,693</u></u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

F. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are 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.

G. Budgets

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

H. Pension Plans

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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

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>
2013	<u>\$ 1,176,266</u>	<u>\$ 2,448,464</u>
2012	<u>\$ 1,064,503</u>	<u>\$ 2,040,954</u>
2011	<u>\$ 1,041,821</u>	<u>\$ 1,869,214</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.

I. Other 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 Other Postemployment Benefits Liability as of December 31, 2013 is \$14,838,816.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

I. Other Post Employment Benefits (Continued)

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 postemployment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for the life of the retiree based on the retiree's years of service at retirement. A copy of the report on these benefits can be requested at Town Hall. A summary of benefits is as follows:

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

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

Funding Policy

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

Annual Other Postemployment Benefit Cost

The Town's OPEB cost (net expense) amounted to \$3,570,101 for the year ended December 31, 2013. The Town's OPEB cost was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 described below, less premiums paid for retirees in the current year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs plus a past service cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

I. Other Post Employment Benefits (Continued)

Annual Other Postemployment Benefit Cost (Continued)

Level Dollar Amortization

Actuarial Accrued Liability (AAL)	
All eligible employees	\$ 41,993,790
Unfunded actuarial accrued liability (UAAL)	<u>\$ 41,993,790</u>

Benefit Obligation Accrued to Date

Net OPEB Obligation, beginning of year	<u>\$ 12,496,359</u>
Annual Required Contribution (ARC)	3,758,189
Interest on Net OPEB Obligation	624,818
Adjustment to Annual Required Contribution	<u>(812,906)</u>
Annual OPEB Cost	3,570,101
Actual Employer Contributions*	<u>(1,227,644)</u>
Increase in Net OPEB Obligation	<u>2,342,457</u>
Net OPEB Obligation, end of year	<u>\$ 14,838,816</u>

The percentage of Annual OPEB cost contributed is 34.39%

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

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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

I. Other Post Employment Benefits (Continued)

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 December 31, 2013, actuarial valuation, the liabilities were computed using the projected unit credit cost method and level percent amortization. The actuarial assumptions utilized a 5% baseline discount rate. The valuation assumes the following information:

	Pre-65 Medical	Post-65 Medical	Prescription Drug*
Healthcare cost trend rate assumed for next fiscal year	7.75%	6.75%	7.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%	5.00%
Fiscal year that the rate reaches the ultimate trend rat	2021	2021	2021

The following is additional information regarding post retirement benefits:

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

J. Property Taxes

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

K. Risk Management

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

L. Long-Term Liabilities

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

M. Use of Estimates

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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

5. Financial Statement Amounts (Continued)

N. Subsequent Events

Management has evaluated subsequent events through September 30, 2014, the date the financial statements were available to be issued.

Note B – Other Receivables

Other Receivables at December 31, 2013 consist of the following:

	<u>GENERAL FUND</u>	<u>HIGHWAY FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NON MAJOR FUNDS</u>	<u>TOTAL</u>
Accounts Receivable	\$ 392,388	\$ 3,734	\$ -	\$ -	\$ -	\$ -	\$ 396,122
Water Rents Receivable	-	-	1,036,124	-	-	-	1,036,124
Sewer Rents Receivable	-	-	-	746,516	-	-	746,516
Totals	<u>\$ 392,388</u>	<u>\$ 3,734</u>	<u>\$ 1,036,124</u>	<u>\$ 746,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,178,762</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, 2013. 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	\$ 329,000	\$ 2,682,534
Highway	32,309	-
Water	2,604,117	-
Sewer	40,238	543,591
Debt Service	16,809	-
Capital Projects	-	16,809
Non-Major	347,587	127,126
Total	<u>\$ 3,370,060</u>	<u>\$ 3,370,060</u>

<u>FUND</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General	\$ 750,000	\$ -
Water	112,770	400,000
Capital Projects	-	462,770
Total	<u>\$ 862,770</u>	<u>\$ 862,770</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

Note D – Capital Assets

The following is a summary of changes and adjustments in the Capital Assets, for the year ended December 31, 2013:

	BALANCE			BALANCE
	JANUARY 1,	ADDITIONS	(DISPOSALS)	DECEMBER 31,
Governmental activities:	2013			2013
Land	\$10,702,282	\$ -	\$ -	\$ 10,702,282
Buildings	15,259,455	3,950	-	15,263,405
Town Roads and Other Infrastructure	87,691,017	2,376,224	-	90,067,241
Improvements other than buildings	2,024,549	42,980	-	2,067,529
Machinery & equipment	11,238,808	687,602	(227,604)	11,698,806
Construction in Progress	1,333,019	202,650	(1,480,675)	54,994
Total	<u>128,249,130</u>	<u>3,313,406</u>	<u>(1,708,279)</u>	<u>129,854,257</u>
Less accumulated depreciation				
Buildings	(8,324,361)	(369,891)	-	(8,694,252)
Town Roads and Other Infrastructure	(65,342,142)	(1,456,963)	-	(66,799,105)
Improvements	(1,773,965)	(42,144)	-	(1,816,109)
Machinery & equipment	(8,260,971)	(954,766)	219,732	(8,996,005)
Total accumulated depreciation	<u>(83,701,439)</u>	<u>(2,823,764)</u>	<u>219,732</u>	<u>(86,305,471)</u>
Governmental activities capital assets, net	<u>\$45,880,001</u>	<u>\$ 489,642</u>	<u>\$ (1,488,547)</u>	<u>\$ 43,548,786</u>

*Depreciation was charged to governmental activities as follows:

General government support	\$ 191,352
Public Safety	642,397
Transportation	1,730,323
Home & community	218,688
Culture & recreation	41,004
Total depreciation expense	<u>\$ 2,823,764</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

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, 2013</u>	<u>NEW ISSUES</u>	<u>PAYMENTS</u>	<u>BALANCE DECEMBER 31, 2013</u>
Various Purposes	\$ 9,183,000	\$3,694,978	\$ (830,000)	\$ 12,047,978
Total	<u>\$ 9,183,000</u>	<u>\$3,694,978</u>	<u>\$ (830,000)</u>	<u>\$ 12,047,978</u>

NOTE F - Long Term Debt

1. Serial Bonds Outstanding

The Serial Bonds Payable, as of December 31, 2013, 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, 2013</u>
Public Improvements					
Police/Court Facility	2/15/1998	8/15/2017	6.74%	\$ 1,400,000	\$ 300,000
Public Improvements					
Water Improvements	2/14/2002	10/15/2023	1.51%	7,194,417	3,955,000
Various Purpose	6/1/2003	6/1/2018	2.98%	6,445,000	1,885,000
Public Improvements	9/15/2004	3/15/2019	3.529%	5,555,000	2,285,000
Public Improvements					
Refunding	9/15/2004	12/15/2016	Various	3,025,000	605,000
Public Improvements					
Refunding	9/15/2004	12/15/2016	Various	6,415,000	1,455,000
Water Improvements	7/15/2006	7/15/2016	4.600%	901,057	640,000
Public Improvements					
Refunding	4/15/2008	4/15/017	Various	4,100,000	1,630,000
Library	12/1/2008	12/1/2031	Various	8,465,148	7,055,000
Landfill- Refunding	6/24/2010	10/1/2023	0.29%	3,315,000	2,415,000
Water Improvements					
Refunding	6/24/2010	4/15/2019	Various	2,250,000	1,545,000
Public Improvements	3/16/2011	3/1/2022	Various	3,890,000	3,310,000
TOTALS				<u>\$ 52,955,622</u>	<u>\$ 27,080,000</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

NOTE F - Long Term Debt, (Continued)

2. Changes in Long Term Debt:

The changes in the Town's indebtedness during the year ended December 31, 2013, are summarized as follows:

	BALANCE JANUARY 1, 2013	INCREASE	(DECREASE)	BALANCE DECEMBER 31, 2013	AMOUNTS DUE WITHIN ONE YEAR
Serial Bonds	\$30,410,000	\$ -	\$ (3,330,000)	\$ 27,080,000	\$ 3,405,000
Capital Lease	38,627	69,360	(41,871)	66,116	13,203
Landfill Closure and Post Closure	505,656	-	(17,196)	488,460	12,726
Compensated Absences	2,271,649	-	(162,018)	2,109,631	211,000
TOTAL	<u>\$33,225,932</u>	<u>\$ 69,360</u>	<u>\$ (3,551,085)</u>	<u>\$ 29,744,207</u>	<u>\$ 3,641,929</u>

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

3. Amortization of Bonded Debt

The annual requirements to amortize bonded debt, as of December 31, 2013, are as follows:

YEAR ENDING DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2014	\$ 3,405,000	\$ 1,017,489	\$ 4,422,489
2015	3,490,000	898,382	4,388,382
2016	3,575,000	769,326	4,344,326
2017	2,830,000	635,755	3,465,755
2018	2,485,000	532,757	3,017,757
2019-2023	7,335,000	1,662,115	8,997,115
2024-2028	2,390,000	630,739	3,020,739
2029-2031	1,570,000	136,182	1,706,182
Total	<u>\$ 27,080,000</u>	<u>\$ 6,282,744</u>	<u>\$33,362,744</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

NOTE F - Long Term Debt, (Continued)

4. Capital Lease Program

The Town has entered into capital leases for certain police and highway vehicles with a total asset cost of \$2,020,680 with accumulated amortization of \$1,957,680. Amortization expense of capital lease assets is included in depreciation expense. These leases are considered to be capital leases for accounting purposes, wherein, at the end of the lease the Town may purchase the asset for a nominal amount. Payments for 2013 amounted to \$42,712 including interest of \$927. At December 31, 2013, the annual capital lease payments are as follows:

YEAR ENDING DECEMBER 31,	PAYMENTS
2014	\$ 13,203
2015	13,575
2016	13,958
2017	14,351
2018	11,029
Total minimum lease payments	\$ 66,116

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, 2013, the Town incurred a cost of approximately \$192,530 for its share of operation and maintenance costs.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

Note G - Joint Ventures (Continued)

1. Tri-Municipal Sewer Commission (Continued)

The following is a summary of unaudited financial information at December 31, 2013, included in the financial statements issued for this joint venture. A copy of the Commission's financial statements can be obtained from the Tri-Municipal Sewer Commission.

The un-audited balances as of December 31, 2013, are as follows:

Total Assets (excluding fixed assets)	<u>\$ 1,601,608</u>
Total Liabilities	<u>\$ 891,371</u>
Joint Venture Equity	<u>\$ 710,237</u>
Total Revenues	<u>\$ 2,456,169</u>
Total Expenditures	<u>\$ 2,112,234</u>
Total Fixed Assets	<u>\$ 41,044,574</u>

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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

Note G - Joint Ventures (Continued)

2. Poughkeepsie Joint Water Project (Continued)

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

Balances as of December 31, 2013, are as follows:

Total Assets	<u>\$ 16,128,585</u>
Total Liabilities	<u>\$ 1,576,955</u>
Joint Venture Equity	<u>\$ 14,551,630</u>
Total Revenues	<u>\$ 3,439,331</u>
Total Expenditures	<u>\$ 4,229,685</u>

The Town's net share of operating expenditures amounted to \$1,522,866 which is recorded in the Water Fund - Home and Community Service. Included in Due from Related Party is \$71,465 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, 2013, the outstanding balance is \$6,955,000.

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 \$12,861,090.

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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

Note G - Joint Ventures (Continued)

3. Poughkeepsie-Wappingers-LaGrange Joint Landfill (Continued)

The following is a summary of unaudited financial information at December 31, 2013, which is included in the separate financial statements available from the Joint Landfill Board of Governors c/o Town of Poughkeepsie, Poughkeepsie, New York, 12603.

Balances at December 31, 2013, are as follows:

Total Assets	<u>\$ 51,196</u>
Total Liabilities	<u>\$ -</u>
Total Venture Equity	<u>\$ 51,196</u>
Total Revenues	<u>\$ 24</u>
Total Expenditures	<u>\$ 30,707</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, which commenced in 2009 and continue for 30 years, are estimated to amount to \$1,163,000 with the Town's share being \$488,460.

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.

	<u>Fund</u>
	<u>Balance</u>
	<u>(Deficit)</u>
General Fund A	<u>\$ (445,689)</u>
Capital Projects Fund	<u>\$ (5,921,055)</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

Note H - Legal Compliance (Continued)

2. Overdrawn Appropriations

Expenditures in the following fund/categories materially exceeded appropriations:

<u>FUND/CATEGORY</u>	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>VARIANCE</u> <u>(UNFAVORABLE)</u>
General Fund A			
Culture and Recreation	\$ 699,586	\$ 918,728	\$ (219,142)
Employee Benefits	\$ 214,810	\$ 226,213	\$ (11,403)
Debt Service	\$ 575,998	\$ 584,445	\$ (8,447)
General Fund B			
Public Safety	\$ 14,292,212	\$ 14,413,082	\$ (120,870)
Employee Benefits	\$ 1,369,000	\$ 1,645,610	\$ (276,610)
Water Fund			
Employee Benefits	\$ 155,160	\$ 202,303	\$ (47,143)
Debt Service	\$ 1,395,265	\$ 1,492,448	\$ (97,183)
Sewer Fund			
Employee Benefits	\$ 165,580	\$ 229,029	\$ (63,449)
Debt Service	\$ 88,248	\$ 90,248	\$ (2,000)

Note I - Economic Dependency

The Town receives approximately 14% of its real property taxes from ten corporate taxpayers. A significant reduction in these corporate taxpayer's 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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

Note J - Commitments and Contingent Liabilities (Continued)

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, 2013, the Town Board had authorized debt which was not issued:

PURPOSE	AUTHORIZED
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
TOTAL	\$ 27,709,529

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

Note K – Subsequent Events

In March 2014, the Town issued \$6,575,000 in public improvement serial bonds. The proceeds of the bonds, together with other funds of \$505,000, were used to redeem \$7,080,000 of the \$12,047,978 Bond Anticipation Notes, 2013 Series A, which matured in March 2014.

In March 2014, the Town also issued \$3,694,978 in library bonds to redeem \$3,694,978 of the \$12,047,978 Bond Anticipation Notes, 2013 Series A, which matured in March 2014.

In March 2014, the Town also issued \$988,000 in Bond Anticipation Notes, 2014 (Renewal) Series A, at .72% for various public improvements. The proceeds of the notes, together with other funds of \$285,000, were used to redeem \$1,273,000 of the \$12,047,978 Bond Anticipation Notes, 2013 Series A, which matured in March 2014.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2013

Note L – Prior Period Adjustments

In 2013, the following prior period adjustments were recorded to properly state fund balance and net position as of December 31, 2013:

<u>Location</u>	<u>Amount</u>	<u>Reason</u>	<u>Effect</u>
Government Wide	\$2,042,156	To record additional depreciation on fixed assets and adjust accumulated depreciation to actual.	Increase accumulated depreciation Decrease net position
Government Wide	\$1,073,226	To record additional OPEB expense and adjust the OPEB liability to actual.	Increase postemployment benefits obligation Decrease net position

Note M – New Reporting Standards

In June 2012, GASB issued Statement 68, *Accounting and Financial Reporting for Pensions, and Amendment of GASB Statement 2*. When implemented, this Statement will require the recording of the Town's proportional share of the collective net pension liability of the NYS Local Government Employees' Retirement System. The Town is required to implement this standard for the year ending December 31, 2015. The implementation of this standard is expected to have a substantive effect on the Town's net position.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement required the re-consideration of reporting of assets and liabilities. The Town implemented this standard for the year ending December 31, 2013. The implementation of GASB Statement No. 65 did not have a substantive effect on the Town's net position.

GASB has also issued Statements 69 through 71, none of which are expected to have any substantive effects on the Town's net position.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWN OF POUGHKEEPSIE, NEW YORK
BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2013**

GENERAL FUND A				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real property taxes	\$ 3,411,436	\$ 3,372,956	\$ 3,372,956	\$ -
Real property tax items	200,700	200,700	215,230	14,530
Non property tax items			-	-
Departmental income	154,955	154,955	353,292	198,337
Intergovernmental charges			-	-
Use of money and property	30,000	30,000	39,068	9,068
Licenses and permits	40,900	40,900	43,780	2,880
Fines and forfeitures	985,000	985,000	870,086	(114,914)
Sale of property and compensation for loss	37,000	37,000	79,317	42,317
Miscellaneous local sources	97,100	97,100	186,473	89,373
Interfund revenues			-	-
State aid	905,635	905,635	756,803	(148,832)
Federal aid			19,774	19,774
Total revenues	5,862,726	5,824,246	5,936,779	112,533
Appropriation of prior's year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	5,862,726	5,824,246	5,936,779	112,533
EXPENDITURES AND ENCUMBRANCES				
General Government Support	4,197,919	4,174,439	4,145,831	28,608
Public safety	-	-	-	-
Transportation	389,083	384,083	363,609	20,474
Economic assistance & opportunity	76,865	76,865	76,349	516
Culture and recreation	689,586	699,586	918,728	(219,142)
Home and community service	118,465	98,465	97,358	1,107
Employee benefits	214,810	214,810	226,213	(11,403)
Debt service	575,998	575,998	584,445	(8,447)
Total expenditures and encumbrances	6,262,726	6,224,246	6,412,533	(188,287)
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	(400,000)	(400,000)	(475,754)	(75,754)
Other financing sources (uses):				
Operating transfers in	400,000	400,000	400,000	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	400,000	400,000	400,000	-
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances and other uses	\$ -	\$ -	\$ (75,754)	\$ (75,754)
Explanation of Differences Between Budgetary and GAAP Basis:				
Excess of revenues over (under) expenditures - budgetary basis			\$ (75,754)	
Expenditures do not include encumbrances			152,761	
Excess (deficiency) of revenues over expenditures - GAAP Basis			\$ 77,007	

EXHIBIT I

GENERAL FUND B			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 12,017,560	\$ 12,001,560	\$ 12,010,169	\$ 8,609
1,075,838	1,075,838	1,067,485	(8,353)
2,888,701	2,888,701	2,517,031	(371,670)
195,076	195,076	140,226	(54,850)
-	-	57,279	57,279
204,500	204,500	250,162	45,662
670,800	670,800	808,846	138,046
3,000	3,000	-	(3,000)
1,000	1,000	75,055	74,055
112,550	112,550	167,008	54,458
-	-	-	-
305,348	305,348	261,216	(44,132)
-	-	903	903
17,474,373	17,458,373	17,355,380	(102,993)
-	-	-	-
17,474,373	17,458,373	17,355,380	(102,993)
863,107	847,107	680,853	166,254
14,292,212	14,292,212	14,413,082	(120,870)
-	-	-	-
-	-	-	-
-	-	-	-
618,612	618,612	557,288	61,324
1,369,000	1,369,000	1,645,610	(276,610)
331,442	331,442	331,442	-
17,474,373	17,458,373	17,628,275	(169,902)
-	-	(272,895)	(272,895)
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ (272,895)	\$ (272,895)
		\$ (272,895)	
		152,075	
		\$ (120,820)	

EXHIBIT I

HIGHWAY FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 6,170,320	\$ 6,168,320	\$ 6,168,320	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
7,500	7,500	8,396	896
-	-	1,482	1,482
-	-	-	-
5,000	5,000	5,495	495
47,000	47,000	27,934	(19,066)
-	-	-	-
687,267	687,267	449,398	(237,869)
-	-	-	-
6,917,087	6,915,087	6,661,025	(254,062)
-	-	-	-
6,917,087	6,915,087	6,661,025	(254,062)
87,000	85,000	50,926	34,074
-	-	-	-
4,787,162	4,787,162	4,779,617	7,545
-	-	-	-
-	-	-	-
222,620	222,620	150,109	72,511
1,820,305	1,820,305	2,152,991	(332,686)
6,917,087	6,915,087	7,133,643	(218,556)
-	-	(472,618)	(472,618)
-	-	350,000	350,000
-	-	-	-
-	-	350,000	350,000
\$ -	\$ -	\$ (122,618)	\$ (122,618)
		\$ (122,618)	
		452,730	
		\$ 330,112	

EXHIBIT I

<u>WATER FUND</u>			
<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$ 1,395,265	\$ 1,395,265	\$ 1,330,199	\$ (65,066)
-	-	-	-
-	-	31,923	31,923
3,801,860	3,801,860	3,391,548	(410,312)
-	-	-	-
40,000	40,000	155,102	115,102
6,900	6,900	7,860	960
-	-	-	-
-	-	564	564
33,050	33,050	17,283	(15,767)
-	-	-	-
-	-	-	-
-	-	-	-
<u>5,277,075</u>	<u>5,277,075</u>	<u>4,934,479</u>	<u>(342,596)</u>
<u>700,000</u>	<u>700,000</u>	<u>-</u>	<u>(700,000)</u>
<u>5,977,075</u>	<u>5,977,075</u>	<u>4,934,479</u>	<u>(1,042,596)</u>
127,730	125,230	76,183	49,047
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,898,920	3,901,420	3,709,962	191,458
155,160	155,160	202,303	(47,143)
<u>1,395,265</u>	<u>1,395,265</u>	<u>1,492,448</u>	<u>(97,183)</u>
<u>5,577,075</u>	<u>5,577,075</u>	<u>5,480,896</u>	<u>96,179</u>
<u>400,000</u>	<u>400,000</u>	<u>(546,417)</u>	<u>(946,417)</u>
-	-	112,770	112,770
<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
<u>(400,000)</u>	<u>(400,000)</u>	<u>(287,230)</u>	<u>112,770</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (833,647)</u>	<u>\$ (833,647)</u>
		\$ (833,647)	
		<u>177,194</u>	
		<u>\$ (656,453)</u>	

EXHIBIT I

SEWER FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 2,525,543	\$ 2,526,979	\$ 2,523,717	\$ (3,262)
-	-	-	-
-	-	1,631	1,631
2,276,972	2,276,972	2,307,140	30,168
-	-	-	-
5,275	5,275	11,008	5,733
-	-	-	-
-	-	-	-
5,000	5,000	2,800	(2,200)
15,000	15,000	(17,390)	(32,390)
-	-	-	-
-	-	-	-
-	-	-	-
4,827,790	4,829,226	4,828,906	(320)
88,248	88,248	-	(88,248)
4,916,038	4,917,474	4,828,906	(88,568)
284,500	294,500	52,866	241,634
-	-	-	-
-	-	-	-
-	-	-	-
4,377,710	4,369,146	4,163,898	205,248
165,580	165,580	229,029	(63,449)
88,248	88,248	90,248	(2,000)
4,916,038	4,917,474	4,536,041	381,433
-	-	292,865	292,865
4,031,238	4,031,238	-	(4,031,238)
(4,031,238)	(4,031,238)	-	4,031,238
-	-	-	-
\$ -	\$ -	\$ 292,865	\$ 292,865
		\$ 292,865	
		230,284	
		\$ 523,149	

**TOWN OF POUGHKEEPSIE, NEW YORK
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2013**

EXHIBIT II

<u>Year Ended,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Accrued</u> <u>Liability</u> <u>(b)</u>	<u>Unfunded</u> <u>Accrued</u> <u>Liability</u> <u>(UAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/2013	12/31/2013	\$ -	\$41,993,790	\$41,993,790	0.0%	\$14,551,726	288.58%
12/31/2012	12/31/2012	\$ -	\$37,312,623	\$37,312,623	0.0%	\$14,551,726	274.25%
12/31/2011	12/31/2011	\$ -	\$38,613,230	\$38,613,230	0.0%	\$15,169,799	254.54%

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF POUGHKEEPSIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

EXHIBIT III

FEDERAL GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass-Through Entity Identifying Numbers	Expenditures - Year Ended December 31, 2013
US Dept of Housing and Urban Development			
Section 8 Housing Choice Voucher:	14.871		\$ 722,182 *
US Dept of Transportation:			
Pass-thru Programs From:			
New York State Department of Transportation (NYSDOT)			
Highway Planning and Construction - American Reinvestment and Recovery Act (ARRA	20.205	D032616	124,468
US Dept of Energy:			
Disaster Grants (FEMA)	81.128		19,774
US Dept of Justice:			
Bullet Proof Vest Partnership Program	16.710		<u>903</u>
TOTAL			<u>\$ 867,327</u>

*Major Program

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013

EXHIBIT IV

FEDERAL GRANTOR/ PROGRAM TITLE	NYS DOT Contract Ref Number	Expenditures - Year Ended December 31, 2013
Consolidated Local Streets & Highway Improvement Program (CHIPS)	820686	\$ 441,400

**TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES
OF NEW YORK STATE TRANSPORTATION ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified:	<u>None Noted</u>
• 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>
• Significant deficiencies identified that are not considered to be material weaknesses:	<u>One Noted</u>
Type of report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133:	<u>One Noted</u>

State Awards

Internal Control over state transportation assistance expended:	
Material weakness identified:	<u>None Noted</u>
• 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>Unmodified</u>
Summary of audit findings listed in Section II and III:	<u>None Noted</u>

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
14.871	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 - 2013

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 certain receivables and payables.

Effect:

Certain of the Town's receivables, mortgage taxes, and liabilities, retirement accruals were misstated.

Cause:

Calculations for certain accruals were revised upon audit review.

Recommendation:

As part of the year-end closing process, accounts should be reviewed to ensure that all year-end accruals and adjustments are appropriate. The Town should consider reviewing its financial statements and 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, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Current Year Findings: (Continued)

Other Matters:

Finding 2– Justice Account Reconciliations – 2013

During our audit, it was noted that one of the Town’s Justice Accounts had not been reconciled at year end, and that neither one of the two reports required to be generated were available for audit purposes. The State of New York requires monthly reports and remittance of pay per the Uniform Court Justice Act § 2021.

Effect:

Fine and bail money remitted to the courts for the Justice in question may not have been remitted to New York State properly, and accurate records of fines and bail have been compromised due to inadequate record keeping.

Cause:

A new court clerk was put in place prior to the year end, and improper or lack of training caused reports to be unavailable to auditors, and caused State intervention.

Recommendation:

We recommend that the Town take the time to properly train the new clerk in the duties of record keeping, as set forth in the “Handbook for Town and Village Justices and Court Clerks”, published by the New York State Office of the Comptroller. We also recommend that the Town Comptroller takes a more active role in the review of the Justice Accounts with regard to a minimum, the annual review of the court records.

Finding 3 – Town Clerk Bank Reconciliations

During our audit, it was noted that one bank account under the care, custody and control of the Town Clerk was not reconciled. Any account under the care of the Clerk should be reconciled monthly, as to ensure proper reporting of town activity.

Effect:

Town records are not reconciled to the activity indicated in Clerk generated reports, making it impossible to determine the accuracy of the reports.

Cause:

The Clerk responsible for the 2013 records retired effective December 31, 2013, and had not reconciled account activity for the account in question since August of 2013. Without any guidance, the successor Clerk has been unable to reconcile this account in the interim.

Recommendation:

The new Clerk should be trained in how to prepare any and all reconciliations for which they are responsible for. Additionally, the Town Comptroller should be available to assist the Clerk as needed.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Continuing Findings:

Other Matters:

Finding 4 – Due To & Due From’s

The Town has significant interfund borrowings on their books at year end. 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, including borrowing from Special Revenue Funds.

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.

Finding 5 - 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, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Continuing Findings: (Continued)

Other Matters: (Continued)

Finding 6 – 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 7 - 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.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Continuing Findings: (Continued)

Other Matters: (Continued)

Cause:

The following appropriations were over-expended:

<u>FUND/CATEGORY</u>	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>VARIANCE (UNFAVORABLE)</u>
General Fund A			
Culture and Recreation	\$ 699,586	\$ 918,728	\$ (219,142)
Employee Benefits	\$ 214,810	\$ 226,213	\$ (11,403)
Debt Service	\$ 575,998	\$ 584,445	\$ (8,447)
General Fund B			
Public Safety	\$ 14,292,212	\$ 14,413,082	\$ (120,870)
Employee Benefits	\$ 1,369,000	\$ 1,645,610	\$ (276,610)
Water Fund			
Employee Benefits	\$ 155,160	\$ 202,303	\$ (47,143)
Debt Service	\$ 1,395,265	\$ 1,492,448	\$ (97,183)
Sewer Fund			
Employee Benefits	\$ 165,580	\$ 229,029	\$ (63,449)
Debt Service	\$ 88,248	\$ 90,248	\$ (2,000)

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, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Continuing Findings: (Continued)

Other Matters: (Continued)

Finding 8- 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 9 - Deficit Fund Balance

Several funds have incurred or increased a deficit fund balance during 2013.

Effect:

Future rate payers will be funding past expenditures.

Cause:

Deficit fund balances have occurred as follows:

	Fund Balance (Deficit)
General Fund A	<u>\$ (445,689)</u>
Capital Projects Fund	<u>\$ (5,921,055)</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, 2013**

SECTION III – FEDERAL AWARDS FINDINGS

Current Year Findings:

Significant Deficiency:

Finding 10: Section 8 Program Special Tests and Provisions

It was noted during the compliance procedures performed, that two instances of Section 8 tenants were improperly classified as a “Unit-to-Unit” resident, when the tenants left on housing complex to move to another. Tenants need to re-certify when they leave one apartment, and move to another complex, to ensure compliance with the regulations for Section 8 set forth by HUD.

Effect:

These instances cause non-compliance with regulations set forth by HUD, and constitute material weaknesses in the program.

Cause:

The proper procedures were not followed when tenants moved between different housing complexes.

Recommendation:

The entity must follow proper procedures when tenants move between different housing complexes. “Unit-to-Unit” classifications may only be used for tenants that remain in the same housing complex while switching units. Entity should be more cognizant of the regulations set forth by HUD as to avoid such issues going forward.

STATUS OF PRIOR YEAR FINDINGS:

Satisfied/No longer applicable:

Financial Statement Findings:

Material Deficiency Finding #1; Significant Deficiencies Finding #2, Finding #3 and Finding #10.

OFFICE OF THE COMPTROLLER
Town of Poughkeepsie

JAMES M. WOJTOWICZ, CPA
COMPTROLLER



ONE OVEROCKER ROAD
POUGHKEEPSIE, N.Y. 12603

(845) 485-3610
FAX (845) 485-1130

jwojtowicz@townofpoughkeepsie-ny.gov

Dated 09/30/2014

Responses to 12/31/2013 audit findings

Financial Statement findings

Finding 1- (Financial Statement Adjustments):

Response: All future financial information will be prepared and reviewed by Comptroller prior to audit field work ensuring accuracy and proper communication/disclosure. Improvements continue to be made in this area; as the received audit adjustments that are required for accurate subsequent year opening balances need to be reviewed by staff and auditor at point of delivery. I will ensure that this essential communication between auditor and staff take place when the final 2013 audit adjustments are received. The mortgage tax issue is one where the receipt from Dutchess County is bi- annual October and March and town comptroller must make a j/e in March of the subsequent year before the year end books are closed. The NYS retirement issue is such that the town comptroller has consistently used two years of budgets to timely fund the town's responsibility (as New York State now allows a February 1 payment)

Finding 2- (Justice Account Reconciliations):

Response: As noted a new Court Clerk took over after a retirement of a twenty- five year employee. A new Clerk has since replaced the #1 replacement and she is being trained properly. Please be advised that the Court system here at the Town of Poughkeepsie is independently run by elected officials (both Judges are elected).

Finding 3 – (Town Clerk Bank Reconciliations):

Response: Again, as noted a new Town Clerk has taken over for a retired 20 year veteran. She is currently doing a fine job in all areas of a very robust Clerks office. Town Comptroller will ensure all future reconciliations are completed satisfactorily.

Other Matters:

Finding 4- (Due to & Due From's):

Response: All due to/ due from accounts are in balance. All balances are monitored on a monthly basis to ensure we remain in compliance. Effective with 1/1/2012 no borrowing between funds has been permitted. A long- term plan is currently being formulated that will ensure the repayment of said funds.

Finding 5- (Fraud Risk Assessment):

Response: The Town's Comptroller will review this recommendation with the town's Finance Committee. Good sound procedures are constantly being reviewed and implemented throughout all departments within the Town of Poughkeepsie.

Finding 6- (Encumbrances):

Response: Much work and energy has been expended in this area as our software program continues to fault in this matter. We do however compensate for this (software) shortcoming by ensuring that the year- end Purchase order report reconciles to the General Ledger at year end. A procedure is currently in place where all year- end encumbrances are sent out to all departments to ensure their accuracy going into the subsequent year.

Finding 7- (Over- expended Appropriations):

Response: All departments receive budget to actual reports on a current/ monthly basis for their review. Comptroller ensures that all budgetary levels are met. These unfavorable variances deal largely with the estimated employee benefits and the New York State retirement issue as reported in finding #1 for the New York State Retirement. The significant Water fund – debt service over expenditure is the case of EFC unspent proceeds being reduced no budgetary expenditure category was truly affected (no town cash outlay was required). The Culture & Recreation over expenditure (\$219,142) is function of our constructing a new senior center .The monies were allocated out of our Recreation Trust account (this is a non- budgeted account that received Town Board approval throughout the entire process). The center is now completely functional and deemed a major success.

Finding 8- Debt Service Fund:

Response: All debt service requirements are accurately and timely met through the respective operating fund budgets. The Comptroller is committed to reviewing the viability of said fund in regard to purpose and necessity.

Finding 9- (Deficit Fund Balance):

Response: All deficit fund balances are reviewed on a constant basis. All town budgets will incorporate said deficits during preparation of future plans.

- A) *General Fund A-* 2013 reflects a reduction of this deficit by \$52,264. We continue to plan on bringing this fund into surplus territory.
- B) *Capital Projects Fund-* This deficit comes from funding various projects through Bond Anticipation Notes. Revenue from this type of funding is not recorded until the notes are paid/ or serial bonds are issued. The Town has used this source of funding to maximize financing costs and minimize the size of the final financing.

Finding 10- Section 8 Program Special Tests & Provisions:

Response: Effective 1/1/2014 the management of our towns Section 8 program has been transferred over to the City of Poughkeepsie. HUD informed us that we would not receive the administration funds required to run a successful program. For example our Section 8 program administrator was earning \$52,135 per annum (with 18.5 years experience); HUD informed us that we'd get administration fees that would basically cover 50% of said salary. We are currently entering into an agreement that pays back HUD for overspending our basic program administration expenses (i.e. salary as stated above). HUD auditors had informed us that smaller Section 8 programs as good as they are for the clients are being phased out country wide.