

**TOWN OF POUGHKEEPSIE, NEW YORK
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

TOWN OF POUGHKEEPSIE, NEW YORK
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DECEMBER 31, 2015

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2015, 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.

Change in Accounting Principle

As described in Note L to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2*. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As further described in Note K, the Town has re-stated beginning net position to reflect the change in depreciation on fixed assets.

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, Other Post Employment Benefit Plan Schedule of Funding Progress, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Merger

Sedore & Company, CPA's, P.C. merged with Vanacore, DeBenedictus, DiGiovanni & Weddell, LLP effective July 1, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, 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.

RBT CPAs, LLP

Poughkeepsie, New York
December 22, 2016



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Poughkeepsie, New York, as of and for the year ended December 31, 2015, 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 December 22, 2016.

Internal Control Over Financial Reporting

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

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.

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 to be significant deficiencies (Findings 1 and 7).

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 we are bringing to the attention of management which are described in the accompanying schedule of findings. (Findings 2 through 5, 8 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. 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 Town of Poughkeepsie's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Poughkeepsie, New York
December 22, 2016

OFFICE OF THE COMPTROLLER

Town of Poughkeepsie

Charles E. Emberger
Comptroller



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ONE OVERROCKER ROAD

POUGHKEEPSIE, NY 12603

**TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(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, 2015. 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 15 and 16) 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 17) tell the reader how Town provided services and programs were financed in 2015, 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, 2015
(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 21), and are prepared using the full accrual basis of accounting.

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2015
(UN-AUDITED)

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements (beginning on page 22) 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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets			
Non-Capital	\$ 29,397,666	\$ 30,271,022	\$ (873,356)
Capital	68,301,219	62,669,023	5,632,196
Deferred Outflow of Resources	606,136	-	606,136
Total Assets and Deferred Outflow of Resources	<u>\$ 98,305,021</u>	<u>\$ 92,940,045</u>	<u>\$ 5,364,976</u>
Liabilities			
Current	\$ 8,770,189	\$ 11,328,802	\$ (2,558,613)
Non-Current	51,643,822	48,599,266	3,044,556
Total Liabilities	<u>60,414,011</u>	<u>59,928,068</u>	<u>485,943</u>
Deferred Inflow of Resources	310,424	215,454	94,970
Total Liabilities and Deferred Inflow of Resources	<u>60,724,435</u>	<u>60,143,522</u>	<u>580,913</u>
Net Position			
Capital	48,946,219	21,003,202	27,943,017
Restricted for:			
Debt Service	788,023	585,179	202,844
Recreation and Other	177,470	-	177,470
Unrestricted	<u>(12,331,126)</u>	<u>11,793,321</u>	<u>(24,124,447)</u>
Total Net Position	<u>37,580,586</u>	<u>32,796,523</u>	<u>3,818,570</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 98,305,021</u>	<u>\$ 92,940,045</u>	<u>\$ 4,399,483</u>

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2015
(UN-AUDITED)

Financial Analysis of The Town as a Whole - Governmental Activities

Statement of Activities and Changes in Net Position – Summary

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues			
Program			
Charges for Service	\$ 7,311,222	\$ 6,026,337	\$ 1,284,885
Operating Grants	40,378	979,409	(939,031)
Capital Grants	1,752,349	664,596	1,087,753
General			
Property Tax	28,996,133	28,634,071	362,062
Mortgage Tax	1,136,818	742,200	394,618
Sales Tax	2,264,249	1,959,922	304,327
Franchise taxes	773,394	760,949	12,445
Fees, Fines and Licenses	1,603,729	1,470,657	133,072
Grants and contributions not restricted to specific programs	252,679	256,711	(4,032)
Other	1,503,407	1,891,851	(388,444)
Total Revenues	<u>\$ 45,634,358</u>	<u>\$ 43,386,703</u>	<u>\$ 2,247,655</u>
Expenses			
General Government Support	4,516,732	4,566,327	(49,595)
Public Safety	17,785,737	17,847,458	(61,721)
Health	36,785	31,819	4,966
Transportation	7,505,935	7,209,851	296,084
Economic Assistance	78,212	75,672	2,540
Culture & Recreation	766,197	1,155,113	(388,916)
Home & Community Service	9,985,495	10,350,417	(364,922)
Interest Long term Debt	1,215,865	1,180,161	35,704
Total Expenses	<u>\$ 41,890,958</u>	<u>\$ 42,416,818</u>	<u>\$ (525,860)</u>
Change in Net Position	3,743,400	969,885	
Net Position, January 1, 2015	32,796,523	30,892,282	
Prior period adjustments	1,040,663	934,356	
Net Position, January 1, 2015, restated	<u>33,837,186</u>	<u>31,826,638</u>	
Net Position, December 31, 2015	<u>\$ 37,580,586</u>	<u>\$ 32,796,523</u>	

Net Position of \$37,580,586 as of year-end reflects a total increase of \$4,784,063. This represents an increase of 14.59%, resulting in a significant annual change, primarily due to the Town investing in infrastructure (roads) and reducing debt (serial bond payments of \$4,050,000) through current revenues.

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2015
(UN-AUDITED)

The Town's Governmental Funds

For the fiscal year ended December 31, 2015, the Town's Governmental Town-wide Funds (General, Highway, Water and Sewer) reported combined ending fund balances of \$10,440,752, an increase from fiscal year 2014 fund balances of \$403,623. Operations in the General and Highway Funds, the Town's major operating funds, resulted in a fund balance increase of \$745,732.

The reserved portion of total fund balances not available for new spending includes: outstanding contract and purchase order commitments of \$128,993 (for the Town's five major funds: A-General, B-General, Highway, Water and Sewer) and reserves of \$549,970.

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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
General government support	\$ 4,610,239	\$ 4,583,265
Public safety	14,962,610	14,385,709
Health	36,785	31,819
Transportation	8,072,041	5,815,205
Economic assistance & opportunity	78,212	75,672
Culture and recreation	711,686	4,372,569
Home and community services	13,946,368	10,096,772
Employee benefits	2,375,225	2,131,616
Debt service	5,680,688	5,297,634
	<u>\$ 50,473,854</u>	<u>\$ 46,790,261</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 \$50,473,854 for current year operations. By comparison, this was \$3,683,593 (on net basis) more than the \$46,790,261 expended in 2014.

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2015
(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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Real property taxes	\$ 27,600,527	\$ 27,236,837
Real property taxes items	1,322,694	1,324,322
Non property taxes items	3,110,555	2,793,783
Departmental income	7,193,702	6,083,489
Intergovernmental charges	1,100,286	843,201
Use of money and property	404,942	530,229
Licenses and permits	890,457	705,740
Fines and forfeitures	723,437	772,952
Sale of property and compensation for loss	290,577	225,111
Miscellaneous local sources	414,084	322,350
State aid	3,166,111	1,809,051
Federal aid	-	833,523
	<u>\$ 46,217,372</u>	<u>\$ 43,480,588</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 \$46,217,372 in revenues to support current year operations. By comparison, this was (on a net basis) \$2,736,784 more than the \$43,480,588 recorded in 2014.

General Fund A and B. The General Fund, a major fund, is the primary operating fund of the Town, including the operations of the Police, Parks and Recreation, and Public Works Departments, General Administration, the Town Court, and that portion of the Highway Department not required to be accounted for in the Highway Fund. Results of operations in the General Fund resulted in a positive \$457,511 (A) and positive \$910,045 (B) net change in fund balance. The fund balance is a positive \$68,724 (A) and a positive \$2,995,969 (B).

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2015
(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 \$621,824 decrease net change in fund balance. The net assigned fund balance is \$840,998.

"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 \$1,284,401 of all governmental activities, operations of all "Non-Major" Special Revenue funds resulted in a \$37,236 negative net change in fund balances. The net assigned fund balance is \$515,581.

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 \$358,292(a strategy change as the capital water tax was reduced and user fee increased), and fund balance, in total, decreased by \$632,370 as planned. The net assigned fund balance is \$3,322,714.

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 \$3,212,347.

TOWN OF POUGHKEEPSIE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2015
(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 \$43,907,465, net of accumulated depreciation.

Debt Administration. At year-end 2015, the Town had \$29,755,000 in Serial Bonds and \$4,813,978 in Bond Anticipation Notes (BAN's) outstanding.

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

At year-end 2015, the Town had \$1,765,839 in accumulated Compensated Absences due to its employees, a net decrease of \$432,415 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, 2015
(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 Charles Emberger, Town Comptroller, at One Overocker Road, Poughkeepsie, New York, 12603.

TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 13,605,891
Restricted cash and investments	965,493
Receivables (net)	14,734,675
Inventory	91,607
Total current assets	<u>29,397,666</u>
Non-current assets	
Capital assets:	
Land	10,702,282
Infrastructure, net of depreciation	21,695,163
Buildings, machinery and equipment, net of depreciation	9,119,017
Construction in progress	2,391,003
Total capital assets	<u>43,907,465</u>
Investment in Joint Water Project	24,393,754
Total assets	<u>606,136</u>
Deferred outflows of resources	606,136
Total assets and deferred outflows of resources	<u>\$ 98,305,021</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 1,190,938
Accrued expenses	1,280,107
Due to related party	795,705
Bond anticipation notes	1,500,000
Current portion of long-term liabilities	
Capital lease payable	13,958
Compensated absence liability	211,000
Landfill remediation liability	8,484
Bonds payable	3,770,000
Total current liabilities	<u>8,770,189</u>
Non-current liabilities	
Capital lease payable	25,467
Compensated absence liability	1,554,839
Landfill remediation liability	285,571
Net share of NYS Employee Retirement System Liability	796,250
Net share of NYS Police & Fire Employee Retirement System Liability	798,506
Bonds payable	25,985,000
Bond anticipation notes	3,313,978
Postemployment benefits obligation	18,884,211
Total non-current liabilities	<u>51,643,822</u>
Total liabilities	<u>60,414,011</u>
Deferred inflows of resources	310,424
Total liabilities and deferred inflow of resources	<u>60,724,435</u>
NET POSITION	
Net Investment in Capital Assets	32,686,443
Net Investment in Joint Water Project	16,259,776
Restricted for:	
Debt service	788,023
Recreation and Other	177,470
Unrestricted	(12,331,126)
Total net position	<u>37,580,586</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 98,305,021</u>

See accompanying notes to the financial statements.

TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN <u>NET POSITION</u>
Governmental Activities:					GOVERNMENTAL ACTIVITIES
General government support	\$ 4,516,732	\$ 7,244	\$ -	\$ -	\$ (4,509,488)
Public safety	17,785,737	187,071	40,378	-	(17,558,288)
Health	36,785	-	-	-	(36,785)
Transportation	7,505,935	240,570	-	1,752,349	(5,513,016)
Economic assistance & opportunity	78,212	-	-	-	(78,212)
Culture and recreation	766,197	106,950	-	-	(659,247)
Home and community services	9,985,495	6,769,387	-	-	(3,216,108)
Interest on long-term debt	1,215,865	-	-	-	(1,215,865)
Total governmental activities	41,890,958	7,311,222	40,378	1,752,349	(32,787,009)

General revenues

Taxes:

Real property taxes	27,600,527
Real property tax-related items	1,395,606
Sales tax distribution	2,264,249
Mortgage tax distribution	1,136,818
Franchise taxes	773,394
Grants and contributions not restricted to specific programs	252,679
Unrestricted investment earnings	404,943
Fees, fines and licenses	1,603,729
Special item-Gain on sale of property and compensation for loss	287,899
Miscellaneous	810,565
Total general revenues and special items	<u>36,530,409</u>
Change in net position	<u>3,743,400</u>
Net position- beginning of year, as originally reported	32,796,523
Prior period adjustments	1,040,663
Net position - beginning of year, restated	<u>33,837,186</u>
Net position - end of year	<u>\$ 37,580,586</u>

TOWN OF POUGHKEEPSIE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<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	\$ 773,767	\$ 4,176,715	\$ 1,759,053	\$ 759,471	\$ 3,313,774	\$ 1,905,393	\$ 441,470	\$ 476,248	\$ 13,605,891
Restricted cash and investments	177,470	-	-	-	372,500	238,615	176,908	-	965,493
Receivables:									
Charges for services	-	-	-	812,593	600,611	-	-	-	1,413,204
Other	159,275	327,498	3,677	-	-	-	-	3,277	493,727
Due from other funds	802,590	40,235	-	2,604,117	36,609	368,258	100	334,834	4,186,743
Due from other governments	-	2,532,015	21,249	-	-	-	9,950,000	-	12,503,264
State and federal aid receivable	213,042	-	111,438	-	-	-	-	-	324,480
Total assets	<u>\$ 2,126,144</u>	<u>\$ 7,076,463</u>	<u>\$ 1,895,417</u>	<u>\$ 4,176,181</u>	<u>\$ 4,323,494</u>	<u>\$ 2,512,266</u>	<u>\$ 10,568,478</u>	<u>\$ 814,359</u>	<u>\$ 33,492,802</u>
LIABILITIES AND FUND EQUITY									
LIABILITIES									
Accounts payable	\$ 167,924	\$ 190,008	\$ 349,021	\$ 45,339	\$ 327,412	\$ 21,582	\$ -	\$ 89,652	\$ 1,190,938
Accrued expenses	102,876	504,578	89,684	53,544	37,865	67,998	-	11,255	867,800
Bond anticipation note	-	-	-	-	-	4,813,978	-	-	4,813,978
Due to other funds	1,483,530	1,011,478	441,047	400,000	543,591	109,226	-	197,871	4,186,743
Due to related party	-	-	-	56,864	-	738,841	-	-	795,705
Due to other governments	289,975	1,902,974	174,667	141,129	196,870	-	-	-	2,705,615
Deferred revenues	13,115	69,370	-	156,591	5,409	2,949	9,950,000	-	10,197,434
Compensated absence obligation	-	402,086	-	-	-	-	-	-	402,086
Total liabilities	<u>2,057,420</u>	<u>4,080,494</u>	<u>1,054,419</u>	<u>853,467</u>	<u>1,111,147</u>	<u>5,754,574</u>	<u>9,950,000</u>	<u>298,778</u>	<u>25,160,299</u>
FUND EQUITY									
Fund balance (deficit):									
Restricted:									
Bonded debt	-	-	-	-	372,500	238,615	176,908	-	788,023
Recreation	108,072	-	-	-	-	-	-	-	108,072
Drainage	69,398	-	-	-	-	-	-	-	69,398
Assigned:									
Encumbrances	43,850	48,349	6,984	-	29,810	-	-	2,216	131,209
Other	-	2,947,620	834,014	3,322,714	2,810,037	-	441,570	513,365	10,869,320
Unassigned	(152,596)	-	-	-	-	(3,480,923)	-	-	(3,633,519)
Total fund equity	<u>68,724</u>	<u>2,995,969</u>	<u>840,998</u>	<u>3,322,714</u>	<u>3,212,347</u>	<u>(3,242,308)</u>	<u>618,478</u>	<u>515,581</u>	<u>8,332,503</u>
Total liabilities and fund equity	<u>\$ 2,126,144</u>	<u>\$ 7,076,463</u>	<u>\$ 1,895,417</u>	<u>\$ 4,176,181</u>	<u>\$ 4,323,494</u>	<u>\$ 2,512,266</u>	<u>\$ 10,568,478</u>	<u>\$ 814,359</u>	<u>\$ 33,492,802</u>

See accompanying notes to the financial statements.

TOWN OF POUGHKEEPSIE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total fund equity for governmental funds	\$	8,332,503
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.		43,907,465
Investment in joint venture is not reported in the funds		24,393,754
Revenues are recorded when earned in the net assets of governmental activities.		10,112,000
Long-term liabilities, including bonds payable, compensated absence, capital lease, postemployment benefits, landfill remediation liabilities, and the Town's share of the retirement system liabilities, which are not due and payable in the current period, therefore are not reported in the funds.		(49,361,151)
Deferred outflows related to retirement		606,136
Deferred inflows related to retirement		(224,990)
Inventory is not reported in the funds		91,607
Accrued interest payable is not reported in the funds.		<u>(276,738)</u>
Total net position of governmental activities	\$	<u><u>37,580,586</u></u>

TOWN OF POUGHKEEPSIE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 3,584,576	\$ 12,846,991	\$ 6,214,534	\$ 1,382,132	\$ 2,366,970	\$ -	\$ -	\$ 1,205,324	\$ 27,600,527
Real property tax items	217,453	1,069,977	-	-	-	-	-	35,264	1,322,694
Non property tax items	-	3,037,643	-	66,768	1,728	-	-	4,416	3,110,555
Departmental income	141,834	393,343	-	3,686,501	2,972,024	-	-	-	7,193,702
Intergovernmental charges	-	57,121	240,570	-	-	-	802,595	-	1,100,286
Use of money and property	39,160	221,028	4,870	127,372	6,064	-	5,287	1,161	404,942
Licenses and permits	51,967	824,895	3,430	10,165	-	-	-	-	890,457
Fines and forfeitures	723,437	-	-	-	-	-	-	-	723,437
Sale of property and compensation for loss	50,248	167,965	40,201	21,064	10,099	-	-	1,000	290,577
Miscellaneous local sources	74,430	162,672	23,405	-	24,254	129,323	-	-	414,084
State aid	1,136,818	276,944	278,287	-	-	1,474,062	-	-	3,166,111
Total revenues	<u>6,019,923</u>	<u>19,058,579</u>	<u>6,805,297</u>	<u>5,294,002</u>	<u>5,381,139</u>	<u>1,603,385</u>	<u>807,882</u>	<u>1,247,165</u>	<u>46,217,372</u>
EXPENDITURES									
General government support	3,867,144	551,232	65,395	57,153	69,146	169	-	-	4,610,239
Public safety	-	14,962,610	-	-	-	-	-	-	14,962,610
Health	-	-	-	-	-	-	-	36,785	36,785
Transportation	371,301	-	5,128,446	-	-	1,565,164	-	1,007,130	8,072,041
Economic assistance & opportunity	78,212	-	-	-	-	-	-	-	78,212
Culture and recreation	711,686	-	-	-	-	-	-	-	711,686
Home and community services	169,603	615,214	-	3,701,590	4,748,727	4,665,711	-	45,523	13,946,368
Employee benefits	197,556	1,707,397	138,063	145,556	186,653	-	-	-	2,375,225
Debt service	566,910	312,081	2,204,443	1,513,344	86,352	-	802,595	194,963	5,680,688
Total expenditures	<u>5,962,412</u>	<u>18,148,534</u>	<u>7,536,347</u>	<u>5,417,643</u>	<u>5,090,878</u>	<u>6,231,044</u>	<u>802,595</u>	<u>1,284,401</u>	<u>50,473,854</u>
Excess of revenues over expenditures	<u>57,511</u>	<u>910,045</u>	<u>(731,050)</u>	<u>(123,641)</u>	<u>290,261</u>	<u>(4,627,659)</u>	<u>5,287</u>	<u>(37,236)</u>	<u>(4,256,482)</u>
Other financing sources:									
BAN's redeemed from appropriations	-	-	-	-	-	398,000	-	-	398,000
Operating transfers in	400,000	-	109,226	45,000	-	153,729	-	-	707,955
Operating transfers out	-	-	-	(553,729)	-	(154,226)	-	-	(707,955)
Total other financing sources	<u>400,000</u>	<u>-</u>	<u>109,226</u>	<u>(508,729)</u>	<u>-</u>	<u>397,503</u>	<u>-</u>	<u>-</u>	<u>398,000</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>457,511</u>	<u>910,045</u>	<u>(621,824)</u>	<u>(632,370)</u>	<u>290,261</u>	<u>(4,230,156)</u>	<u>5,287</u>	<u>(37,236)</u>	<u>(3,858,482)</u>
Fund Balance, December 31, 2014	<u>(388,787)</u>	<u>2,085,924</u>	<u>1,462,822</u>	<u>3,955,084</u>	<u>2,922,086</u>	<u>987,848</u>	<u>613,191</u>	<u>552,817</u>	<u>12,190,985</u>
Fund Balance, December 31, 2015	<u>\$ 68,724</u>	<u>\$ 2,995,969</u>	<u>\$ 840,998</u>	<u>\$ 3,322,714</u>	<u>\$ 3,212,347</u>	<u>\$ (3,242,308)</u>	<u>\$ 618,478</u>	<u>\$ 515,581</u>	<u>\$ 8,332,503</u>

See accompanying notes to the financial statements.

TOWN OF POUGHKEEPSIE, NEW YORK
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund equities - total government funds \$ (3,858,482)

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

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 5,023,170

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	(398,000)		
Repayments:			
Bond Anticipation Notes	398,000		
Capital Leases	13,575		
Serial Bonds	<u>4,050,000</u>		
			4,063,575

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This represents the change in the accrual. 16,823

Change in inventory is not reported in governmental funds 72,143

Some expenses reported in the statement of activities, such as compensated absences, retirement and other post-employment benefits, and landfill liabilities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These amounts represent the change in the accruals.

Compensated absences	432,415		
Share of NYS retirement systems's liability	924,802		
Postemployment benefits	(2,408,656)		
Joint landfill	<u>57,946</u>		
			(993,493)

Revenues reported in the governmental funds that are not allocable to the current period are not reported in the statement of activities. (580,336)

Net change in net position of governmental activities \$ 3,743,400

TOWN OF POUGHKEEPSIE, NEW YORK
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2015

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,642,845</u>
Total assets	<u><u>\$ 1,642,845</u></u>
LIABILITIES	
Escrow funds returnable and other liabilities	<u>\$ 1,642,845</u>
Total liabilities	<u>1,642,845</u>
Total net position	<u>-</u>
Total liabilities and net position	<u><u>\$ 1,642,845</u></u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - Summary of Significant Accounting Policies

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

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

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

1. The Reporting Entity

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

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

2. Basic Financial Statements – Government-Wide Statements

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

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

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

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

3. Basic Financial Statements – Fund Financial Statements

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

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015, the Town's bank balance was not exposed to custodial credit risk.

The cash and investments of the Town at December 31, 2015, are as follows:

	GENERAL FUNDS A & B	HIGHWAY FUND	WATER FUND	SEWER FUND	CAPITAL PROJECTS FUND	DEBT SERVICE	NON- MAJOR FUND	TOTAL
Non-Interest Bearing Accounts	\$ 2,213	\$ -	\$ 100	\$ 75	\$ -	\$ -	\$ -	\$ 2,388
Interest Bearing Accounts	4,948,269	1,759,053	759,371	3,313,699	1,905,393	441,470	476,248	13,603,503
Subtotal	<u>4,950,482</u>	<u>1,759,053</u>	<u>759,471</u>	<u>3,313,774</u>	<u>1,905,393</u>	<u>441,470</u>	<u>476,248</u>	<u>13,605,891</u>
Restricted Debt Service	177,470	-	-	372,500	-	176,908	-	726,878
US Treasury Bills	-	-	-	-	238,615	-	-	238,615
Subtotal	<u>177,470</u>	<u>-</u>	<u>-</u>	<u>372,500</u>	<u>238,615</u>	<u>176,908</u>	<u>-</u>	<u>965,493</u>
TOTAL	<u>\$ 5,127,952</u>	<u>\$ 1,759,053</u>	<u>\$ 759,471</u>	<u>\$ 3,686,274</u>	<u>\$ 2,144,008</u>	<u>\$ 618,378</u>	<u>\$ 476,248</u>	<u>\$ 14,571,384</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

A. Cash and Investments (Continued)

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

B. Inventories

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

C. Capital Assets

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

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

D. Accumulated Compensated Absences

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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 \$1,363,753 remaining un-funded. In the statement of net assets the liability of \$1,765,839 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>1,554,839</u>
TOTAL	<u>\$ 1,765,839</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 non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

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

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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, 2015

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, 2015:

General A	
Restricted - Recreation	\$ 108,072
Restricted - Drainage	69,398
Assigned - Encumbrances	43,850
Unassigned	<u>(152,596)</u>
Total General A Fund Classifications	<u>68,724</u>
General B	
Assigned - Encumbrances	48,349
Assigned - Other	<u>2,947,620</u>
Total General B Fund Classifications	<u>2,995,969</u>
Highway	
Assigned - Encumbrances	6,984
Assigned - Other	<u>834,014</u>
Total Highway Fund Classifications	<u>840,998</u>
Water	
Assigned - Other	<u>3,322,714</u>
Total Water Fund Classifications	<u>3,322,714</u>
Sewer	
Restricted - Bonded Debt	372,500
Assigned - Encumbrances	29,810
Assigned - Other	<u>2,810,037</u>
Total Sewer Fund Classifications	<u>3,212,347</u>
Capital Projects	
Restricted - Bonded Debt	\$ 238,615
Unassigned	<u>(3,480,923)</u>
Total Capital Fund Classifications	<u>(3,242,308)</u>
Debt Service	
Restricted - Bonded Debt	176,908
Assigned - Other	<u>441,570</u>
Total Debt Service Fund Classifications	<u>618,478</u>
Non-Major	
Assigned - Encumbrances	2,216
Assigned - Other	<u>513,365</u>
Total Non-Major Fund Classifications	<u>515,581</u>
Total Fund Classifications	<u>\$ 8,332,503</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

New York State and Local Retirement System -Plan Description

The Town of Poughkeepsie participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (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, 2015

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

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

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

Funding Policy

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

The Town is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$1,120,529, \$1,241,364, and \$1,176,266, for ERS, and \$2,350,986, \$2,409,668, and \$2,448,464 for PFRS, respectively. The Town's contributions made to the System were equal to 100% of the contributions required for those years.

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

At December 31, 2015, the Town reported a liability of \$796,250 for its proportionate share of the net pension liability for ERS and \$798,506 for PFRS. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2015, the Town's proportion was .0235699 percent of the Employees' Retirement System liability, and .2900919 percent of the Police and Firemens' Retirement System liability, which is the initial determination as this is the first year implementation of GASB 68, see Note L.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

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

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

For the year ended December 31, 2015, the Town recognized pension expense of \$740,106 for ERS, and \$1,806,610 for PFRS. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,489	\$ -	\$ 96,295	\$ -
Changes of Assumptions	-	-	-	-
Net difference between projected and actual investment earnings on pension plan investments	138,298	-	268,085	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,969	-	-	224,990
Employer contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 241,756</u>	<u>\$ -</u>	<u>\$ 364,380</u>	<u>\$ 224,990</u>

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

Year ended December 31:	<u>ERS</u>	<u>PFRS</u>
2016	\$ 60,439	\$ 41,282
2017	60,439	41,282
2018	60,439	41,282
2019	60,439	41,282
2020	-	(25,740)

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

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

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

Actuarial Assumptions

The total pension liability at March 31, 2015, was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.7%	2.7%
Salary increases	4.9%	6.0%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.5%

Annuitant mortality rates are based on April 1, 2005-March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005-March 31, 2010.

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

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

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

Actuarial Assumptions (cont'd.)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	7.30%
International equity	8.55
Private equity	11.00
Real estate	8.25
Absolute return strategies	6.75
Opportunistic portfolio	8.60
Real assets	8.65
Bonds and mortgages	4.00
Cash	2.25
Inflation-indexed bonds	4.00

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

H. Pension Plans (Continued)

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

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

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net ERS pension liability	\$ 5,307,350	\$ 796,250	\$(3,012,237)
Town's proportionate share of the net PFRS pension liability	\$10,631,683	\$ 798,506	\$(7,442,291)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

	Dollars in Thousands	
	Employees' Retirement System	Police and Fire Retirement System
Employers' total pension liability	\$164,591,504	\$ 28,474,417
Plan net position	(161,213,259)	(28,199,157)
Employers' net pension liability	<u>\$ 3,378,245</u>	<u>\$ 275,260</u>
Ratio of plan net position to the employers' total pension liability	97.9%	99.0%

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

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, 2015 is \$18,884,211.

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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

I. Other Post-Employment Benefits (Continued)

Funding Policy

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

Annual Other Postemployment Benefit Cost

The Town's OPEB cost (net expense) amounted to \$3,728,834 for the year ended December 31, 2015. 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.

Level Dollar Amortization

Actuarial Accrued Liability (AAL)	
All eligible employees	\$ 45,664,123
Unfunded actuarial accrued liability (UAAL)	\$ 45,664,123

Benefit Obligation Accrued to Date

Net OPEB Obligation, beginning of year	\$ 16,475,555
Annual Required Contribution (ARC)	3,976,814
Interest on Net OPEB Obligation	823,778
Adjustment to Annual Required Contribution	(1,071,758)
Annual OPEB Cost	3,728,834
Actual Employer Contributions*	(1,320,178)
Increase in Net OPEB Obligation	2,408,656
Net OPEB Obligation, end of year	\$ 18,884,211

The percentage of Annual OPEB cost contributed is 35.40%

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

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

I. Other Post-Employment Benefits (Continued)

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2014 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:

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

I. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

	Pre-65 Medical	Post-65 Medical	Prescription Drug*
Healthcare cost trend rate assumed for next fiscal year	7.75%	6.00%	11.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.89%	3.89%	3.89%
Fiscal year that the rate reaches the ultimate trend rate	2075	2075	2075

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

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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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

5. Financial Statement Amounts (Continued)

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 a governmental fund. The remaining portion of such obligations is reported in the Long-Term Liabilities.

M. Use of Estimates

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

N. Subsequent Events

Management has evaluated subsequent events through December 22, 2016, the date the financial statements were available to be issued.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

Note B – Other Receivables

Other Receivables at December 31, 2015 consist of the following:

	GENERAL FUNDS A&B	HIGHWAY FUND	WATER FUND	SEWER FUND	NON MAJOR FUNDS	TOTAL
Accounts Receivable	\$ 486,773	\$ 3,677	\$ -	\$ -	\$ 3,277	\$ 493,727
Water Rents Receivable	-	-	812,593	-	-	812,593
Sewer Rents Receivable	-	-	-	600,611	-	600,611
Totals	<u>\$ 486,773</u>	<u>\$ 3,677</u>	<u>\$ 812,593</u>	<u>\$ 600,611</u>	<u>\$ 3,277</u>	<u>\$ 1,906,931</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, 2015. 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.

FUND	RECEIVABLE	PAYABLE
General	\$ 842,825	\$ 2,495,008
Highway	-	441,047
Water	2,604,117	400,000
Sewer	36,609	543,591
Debt Service	100	-
Capital Projects	368,258	109,226
Non-Major	334,834	197,871
Total	<u>\$ 4,186,743</u>	<u>\$ 4,186,743</u>

FUND	TRANSFERS IN	TRANSFERS OUT
General	\$ 400,000	\$ -
Water	45,000	553,729
Capital Projects	153,729	154,226
Highway	109,226	-
Total	<u>\$ 707,955</u>	<u>\$ 707,955</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

Note D – Capital Assets

The following is a summary of changes and adjustments in the Capital Assets, for the year ended December 31, 2015:

	BALANCE JANUARY 1, 2015	ADDITIONS	(DISPOSALS AND ADJUSTMENTS)	BALANCE DECEMBER 31, 2015
Governmental activities:				
Land	\$ 10,702,282	\$ -	\$ -	\$ 10,702,282
Buildings	15,263,405	55,658	-	15,319,063
Town Roads and Other Infrastructure	91,096,386	434,548	-	91,530,934
Improvements other than buildings	2,087,124	34,195	-	2,121,319
Machinery & equipment	11,999,800	949,586	(112,663)	12,836,723
Construction in Progress	136,402	2,391,003	(136,402)	2,391,003
Total	<u>131,285,399</u>	<u>3,864,990</u>	<u>(249,065)</u>	<u>134,901,324</u>
Less accumulated depreciation				
Buildings	(9,063,275)	(360,541)		(9,423,816)
Town Roads and Other Infrastructure	(68,344,612)	(1,491,159)	-	(69,835,771)
Improvements	(1,852,703)	(30,879)	-	(1,883,582)
Machinery & equipment	(9,855,265)	(714,435)	719,010 *	(9,850,690)
Total accumulated depreciation	<u>(89,115,855)</u>	<u>(2,597,014)</u>	<u>719,010</u>	<u>(90,993,859)</u>
Governmental activities capital assets, net	<u>\$ 45,880,001</u>	<u>\$ 1,267,976</u>	<u>\$ 469,945</u>	<u>\$ 43,907,465</u>

Depreciation was charged to governmental activities as follows:

General government support	\$ 154,820
Public Safety	519,752
Transportation	1,712,329
Home & community	176,937
Culture & recreation	33,176
Total depreciation expense	<u>\$ 2,597,014</u>

* - Amount represents the disposal of assets of \$109,984, plus prior period adjustment for depreciation of \$609,026, further outlined at Note K.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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, 2015</u>	<u>NEW ISSUES</u>	<u>PAYMENTS</u>	<u>CONVERTED TO NEW BAN</u>	<u>BALANCE DECEMBER 31, 2015</u>
Short-term					
Various Purposes	\$ 2,488,000	\$ 3,590,000	\$ (988,000)	\$ (3,590,000)	\$ 1,500,000
Long-term					
Joint Water Plant	-	3,313,978	-	-	3,313,978
Total	<u>\$ 2,488,000</u>	<u>\$ 6,903,978</u>	<u>\$ (988,000)</u>	<u>\$ (3,590,000)</u>	<u>\$ 4,813,978</u>

NOTE F - Long Term Debt

1. Serial Bonds Outstanding

The Serial Bonds Payable, as of December 31, 2015, 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, 2015</u>
Public Improvements					
Police/Court Facility	2/15/1998	8/15/2017	6.74%	\$ 1,400,000	\$ 140,000
Public Improvements					
Water Improvements	2/14/2002	10/15/2023	1.51%	4,610,000	3,265,000
Various Purpose	6/1/2003	6/1/2018	2.98%	6,445,000	1,155,000
Public Improvements	9/15/2004	3/15/2019	3.529%	5,555,000	1,420,000
Public Improvements					
Refunding	9/15/2004	12/15/2016	Various	3,025,000	200,000
Public Improvements					
Refunding	9/15/2004	12/15/2016	Various	6,415,000	505,000
Water Improvements	7/15/2006	7/15/2016	4.600%	901,057	560,000
Public Improvements					
Refunding	4/15/2008	4/15/2017	Various	4,100,000	780,000
Library	12/1/2008	12/1/2031	Various	8,465,148	6,505,000
Landfill- Refunding	6/24/2010	10/1/2023	0.29%	3,315,000	1,950,000
Water Improvements					
Refunding	6/24/2010	4/15/2019	Various	2,250,000	1,050,000
Public Improvements	3/16/2011	3/1/2022	Various	3,890,000	2,655,000
Landfill	3/13/2014	3/1/2027	Various	6,575,000	6,125,000
Library	3/13/2014	12/15/2037	Various	3,694,978	3,445,000
TOTALS				<u>\$ 60,641,183</u>	<u>\$ 29,755,000</u>

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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, 2015, are summarized as follows:

	BALANCE JANUARY 1, 2015	INCREASE	(DECREASE)	BALANCE DECEMBER 31, 2015	AMOUNTS DUE WITHIN ONE YEAR
Serial Bonds	\$ 33,805,000	\$ -	\$ (4,050,000)	\$ 29,755,000	\$ 3,770,000
Capital Lease	53,000	-	(13,575)	39,425	13,958
Landfill Closure and Post Closure Compensated	352,001	-	(57,946)	294,055	8,484
Absences	2,198,254	-	(432,415)	1,765,839	211,000
Long-Term BAN	-	3,313,978	-	3,313,978	-
Other Post-Employment Benefit Plan	16,475,555	2,408,656	-	18,884,211	-
Net Employee Retirement System	-	796,250	-	796,250	-
Net Police and Fire Retirement System	-	798,506	-	798,506	-
TOTAL	\$ 52,883,810	\$ 7,317,390	\$ (4,553,936)	\$ 55,647,264	\$ 4,003,442

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, 2015, are as follows:

YEAR ENDING DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2016	\$ 4,135,000	\$ 1,085,070	\$ 5,220,070
2017	3,400,000	934,624	4,334,624
2018	3,065,000	812,051	3,877,051
2019	2,295,000	711,207	3,006,207
2020	2,040,000	626,269	2,666,269
2021-2025	8,430,000	1,980,980	10,410,980
2026-2030	4,440,000	825,436	5,265,436
2031-2035	1,510,000	226,774	1,736,774
2036-2037	440,000	26,600	466,600
Total	\$ 29,755,000	\$ 7,229,011	\$ 36,984,011

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

NOTE F - Long Term Debt, (Continued)

4. Capital Lease Program

The Town has entered into capital leases for certain police and highway vehicles and phone system with a total asset cost of \$2,020,680 with accumulated amortization of \$1,985,424. 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 2015 amounted to \$14,910 including interest of \$1,578. At December 31, 2015, the annual capital lease principal payments are as follows:

YEAR ENDING DECEMBER 31,	PAYMENTS
2016	\$ 13,958
2017	14,351
2018	11,116
Total minimum lease payments	\$ 39,425

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, 2015, the Town incurred a cost of approximately \$202,588 for its share of operation and maintenance costs.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

Note G - Joint Ventures (Continued)

1. Tri-Municipal Sewer Commission (Continued)

The following is a summary of unaudited financial information at December 31, 2015, 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, 2015, are as follows:

Total Assets (excluding fixed assets)	<u>\$ 1,782,008</u>
Total Liabilities	<u>\$ 1,629,266</u>
Joint Venture Equity	<u>\$ 152,742</u>
Total Revenues	<u>\$ 1,877,240</u>
Total Expenditures	<u>\$ 2,024,985</u>
Total Fixed Assets	<u>\$ 41,627,770</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. The balance outstanding at December 31, 2015 is \$505,000.

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.

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

Note G - Joint Ventures (Continued)

2. Poughkeepsie Joint Water Project (Continued)

Audited balances as of December 31, 2015, are as follows:

Total Assets	\$ 3,241,181
Total Liabilities	\$ 14,020,601
Joint Venture Equity	\$ 13,219,304
Total Revenues	\$ 4,025,221
Total Expenditures	\$ 4,547,594
Total Fixed Assets	\$ 23,998,724

The Town's net share of operating expenditures amounted to \$1,663,136 which is recorded in the Water Fund - Home and Community Service. Included in Due to Related Party is \$56,864 representing the balance due the Joint Water Project for 2015 operating costs of \$209,136 less disputed amounts of \$152,272, which have arisen as a result of differences in interpretations of the Memorandum of Agreement between the Town and the City of Poughkeepsie. A negotiated settlement is anticipated.

As part of the Joint Project agreement described above, the Town has committed to financing studies and a portion of construction costs related to the expansion of the Joint Water treatment facility. The Town estimated total construction costs to approximate \$19,363,000 with \$11,232,000 being financed by the Town and \$8,131,000 being financed by the City of Poughkeepsie. The Town issued serial bonds and bond anticipation notes to fund this commitment. As of December 31, 2015, the outstanding balances total \$8,133,978.

The Town has presented its investment in the Joint Venture in the Statement of Net Assets as \$24,393,754, representing the Town's capital expenditures to date and the amount of net assets invested in the Joint Venture, net of outstanding debt as \$16,259,776.

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, 2015

Note G - Joint Ventures (Continued)

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

The following is a summary of unaudited financial information at December 31, 2015, 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, 2015, are as follows:

Total Assets	\$ 40,176
Total Liabilities	\$ -
Total Venture Equity	\$ 34,051
Total Revenues	\$ 21,361
Total Expenditures	\$ 15,236

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 \$294,055.

Note H - Legal Compliance

1. 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 B			
Home and Community Service	\$ 597,666	\$ 615,214	\$ (17,548)
Employee Benefits	\$ 1,653,302	\$ 1,707,397	\$ (54,095)
Highway Fund			
Transportation	\$ 4,928,863	\$ 5,455,180	\$ (206,567)
Debt Service	\$ 1,836,205	\$ 2,204,443	\$ (368,238)
Water Fund			
Debt Service	\$ 1,507,386	\$ 1,558,344	\$ (5,958)

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

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, the ultimate resolution of these proceedings will not have a material effect on the Town's financial position, although they could have a material effect on operating results when finally resolved in a future period.

2. Grants

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

3. Authorized Debt

In 2015, the Town closed on two short term loans with the New York State Environmental Facilities Authority (EFC) including \$11,817,781 for the Arlington Sewer, which is expected to receive an interest rate subsidy at long term financing, which has not yet been drawn upon.

As of December 31, 2015, the Town Board had legal authority to issue debt of \$7.1 million, which is to be utilized for road improvements.

Note K – Prior Period Adjustments

In 2015, the following prior period adjustments were recorded to properly state fund balance and net position as of December 31, 2015:

Location	Amount	Reason	Effect
Government Wide	\$ 609,026	To decrease accumulated depreciation	Increase machinery & equipment Increase net position

TOWN OF POUGHKEEPSIE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS, (CONTINUED)
DECEMBER 31, 2015

NOTE L – Implementation of GASB 68

In June 2012, GASB issued Statement 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2. This Statement requires the recording of the Town's proportional share of the collective net pension liability of the New York State & Local Retirement System. The Town implemented this standard for the year ending December 31, 2015, the first year proportional share information was available. The substantive effects are summarized in the table below:

<u>Account Description</u>	<u>Changes Due to GASB 68 Implementation - Government Funds</u>
Net Position, January 1 - Increase/(Decrease)	\$ 431,637
Net Employee Retirement System Liability - Increase/(Decrease)	1,594,756
Net Accrued Liability Increase/(Decrease)	(2,570,046)
Employee Retirement Benefits Expense - Increase/(Decrease)	(924,799)
Deferred Outflows - Employee Retirement System - Increase	606,136
Deferred Inflows - Employee Retirement System - Increase	224,990

Note M – New Reporting Standards

In June 2015, GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. When implemented, this Statement will require the recording of the Town's net OPEB liability. The Town is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is expected to have a substantive effect on the Town's net position.

GASB has also issued Statements 69-74 and 76-82, of which only GASB Statement 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, is expected to have a substantive effect on the Town.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWN OF POUGHKEEPSIE, NEW YORK
BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2015**

	GENERAL FUND A			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real property taxes	\$ 3,584,107	\$ 3,584,107	\$ 3,584,576	\$ 469
Real property tax items	228,000	228,000	217,453	(10,547)
Non property tax items			-	-
Departmental income	131,227	131,227	141,834	10,607
Intergovernmental charges			-	-
Use of money and property	30,000	30,000	39,160	9,160
Licenses and permits	79,250	79,250	51,967	(27,283)
Fines and forfeitures	900,000	900,000	723,437	(176,563)
Sale of property and compensation for loss	47,000	48,318	50,248	1,930
Miscellaneous local sources	99,100	99,100	74,430	(24,670)
Interfund revenues			-	-
State aid	750,000	750,000	1,136,818	386,818
Federal aid	-	-	-	-
Total revenues	5,848,684	5,850,002	6,019,923	169,921
Appropriation of prior's year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	5,848,684	5,850,002	6,019,923	169,921
EXPENDITURES AND ENCUMBRANCES				
General Government Support	4,126,821	4,134,166	3,910,994	223,172
Public safety	-	-	-	-
Transportation	397,426	398,008	371,301	26,707
Economic assistance & opportunity	80,500	80,500	78,212	2,288
Culture and recreation	706,814	724,029	711,686	12,343
Home and community service	169,692	173,572	169,603	3,969
Employee benefits	205,975	205,975	197,556	8,419
Debt service	561,456	561,456	566,910	(5,454)
Total expenditures and encumbrances	6,248,684	6,277,706	6,006,262	271,444
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	(400,000)	(427,704)	13,661	441,365
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	\$ -	\$ (27,704)	\$ 413,661	\$ 441,365
Explanation of Differences Between Budgetary and GAAP Basis:				
Excess of revenues over (under) expenditures - budgetary basis			\$ 413,661	
Expenditures do not include encumbrances			43,850	
Excess (deficiency) of revenues over expenditures - GAAP Basis			\$ 457,511	

EXHIBIT I

GENERAL FUND B			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 12,829,156	\$ 12,829,156	\$ 12,846,991	\$ 17,835
1,075,000	1,075,000	1,069,977	(5,023)
2,705,933	2,761,318	3,037,643	276,325
237,400	275,451	393,343	117,892
-	-	57,121	57,121
240,000	240,000	221,028	(18,972)
612,020	612,019	824,895	212,876
36,000	36,000	-	(36,000)
1,000	11,998	167,965	155,967
86,100	116,224	162,672	46,448
-	-	-	-
287,679	300,144	276,944	(23,200)
6,000	6,000	-	(6,000)
<u>18,116,288</u>	<u>18,263,310</u>	<u>19,058,579</u>	<u>795,269</u>
<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
<u>18,316,288</u>	<u>18,463,310</u>	<u>19,058,579</u>	<u>595,269</u>
704,852	759,487	599,581	159,906
15,048,476	15,207,785	14,962,610	245,175
-	-	-	-
-	-	-	-
-	-	-	-
597,666	597,666	615,214	(17,548)
1,653,302	1,653,302	1,707,397	(54,095)
311,992	311,992	312,081	(89)
<u>18,316,288</u>	<u>18,530,232</u>	<u>18,196,883</u>	<u>333,349</u>
<u>-</u>	<u>(66,922)</u>	<u>861,696</u>	<u>928,618</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ (66,922)</u>	<u>\$ 861,696</u>	<u>\$ 928,618</u>
		<u>\$ 861,696</u>	
		<u>48,349</u>	
		<u>\$ 910,045</u>	

EXHIBIT I

HIGHWAY FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 6,214,534	\$ 6,214,534	\$ 6,214,534	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	240,570	240,570
7,500	7,500	4,870	(2,630)
-	-	3,430	3,430
-	-	-	-
5,000	5,000	40,201	35,201
-	-	23,405	23,405
30,000	30,000	-	(30,000)
331,193	352,796	278,287	(74,509)
-	-	-	-
6,588,227	6,609,830	6,805,297	195,467
-	-	-	-
6,588,227	6,609,830	6,805,297	195,467
94,500	94,500	65,395	29,105
-	-	-	-
4,499,107	4,928,863	5,135,430	(206,567)
-	-	-	-
-	-	-	-
-	-	-	-
158,415	158,415	138,063	20,352
1,836,205	1,836,205	2,204,443	(368,238)
6,588,227	7,017,983	7,543,331	(525,348)
-	(408,153)	(738,034)	(329,881)
-	-	109,226	109,226
-	-	-	-
-	-	109,226	109,226
<u>\$ -</u>	<u>\$ (408,153)</u>	<u>\$ (628,808)</u>	<u>\$ (220,655)</u>
		\$ (628,808)	
		6,984	
		<u>\$ (621,824)</u>	

EXHIBIT I

WATER FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 1,382,132	\$ 1,382,132	\$ 1,382,132	\$ -
66,866	66,866	-	(66,866)
-	-	66,768	66,768
3,939,318	3,939,318	3,686,501	(252,817)
-	-	-	-
60,000	60,000	127,372	67,372
6,900	6,900	10,165	3,265
-	-	-	-
-	-	21,064	21,064
23,000	29,409	-	(29,409)
-	-	-	-
-	-	-	-
-	-	-	-
5,478,216	5,484,625	5,294,002	(190,623)
458,388	458,388	-	(458,388)
<u>5,936,604</u>	<u>5,943,013</u>	<u>5,294,002</u>	<u>(649,011)</u>
133,637	133,637	57,153	76,484
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,748,861	3,755,270	3,701,590	53,680
146,720	146,720	145,556	1,164
<u>1,507,386</u>	<u>1,507,386</u>	<u>1,513,344</u>	<u>(5,958)</u>
<u>5,536,604</u>	<u>5,543,013</u>	<u>5,417,643</u>	<u>125,370</u>
400,000	400,000	(123,641)	(523,641)
-	-	45,000	45,000
<u>(400,000)</u>	<u>(400,000)</u>	<u>(553,729)</u>	<u>(153,729)</u>
<u>(400,000)</u>	<u>(400,000)</u>	<u>(508,729)</u>	<u>(108,729)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (632,370)</u>	<u>\$ (632,370)</u>
		\$ (632,370)	
		<u>-</u>	
		<u>\$ (632,370)</u>	

EXHIBIT I

<u>SEWER FUND</u>			
<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$ 2,189,550	\$ 2,189,550	\$ 2,366,970	\$ 177,420
1,631	1,631	-	(1,631)
-	-	1,728	1,728
2,486,520	2,486,520	2,972,024	485,504
-	-	-	-
6,065	6,065	6,064	(1)
-	-	-	-
-	-	-	-
5,060	10,672	10,099	(573)
15,000	15,000	24,254	9,254
-	-	-	-
-	-	-	-
-	-	-	-
<u>4,703,826</u>	<u>4,709,438</u>	<u>5,381,139</u>	<u>671,701</u>
<u>92,672</u>	<u>92,672</u>	<u>-</u>	<u>(92,672)</u>
<u>4,796,498</u>	<u>4,802,110</u>	<u>5,381,139</u>	<u>579,029</u>
218,499	208,214	69,146	139,068
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,547,487	4,893,475	4,778,537	114,938
200,412	200,412	186,653	13,759
<u>175,105</u>	<u>185,390</u>	<u>86,352</u>	<u>99,038</u>
<u>5,141,503</u>	<u>5,487,491</u>	<u>5,120,688</u>	<u>366,803</u>
<u>(345,005)</u>	<u>(685,381)</u>	<u>260,451</u>	<u>945,832</u>
4,190,956	4,190,956	-	(4,190,956)
<u>(3,845,951)</u>	<u>(3,845,951)</u>	<u>-</u>	<u>3,845,951</u>
<u>345,005</u>	<u>345,005</u>	<u>-</u>	<u>(345,005)</u>
<u>\$ -</u>	<u>\$ (340,376)</u>	<u>\$ 260,451</u>	<u>\$ 600,827</u>
		\$ 260,451	
		<u>29,810</u>	
		<u>\$ 290,261</u>	

**TOWN OF POUGHKEEPSIE, NEW YORK
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2015**

EXHIBIT II

<u>Year Ended,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Accrued Liability (UAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2015	1/1/2014	\$ -	\$ 45,664,123	\$ 45,664,123	0.0%	\$ 14,164,435	322.39%
12/31/2014	1/1/2014	\$ -	\$ 42,008,268	\$ 42,008,268	0.0%	\$ 13,806,150	304.27%
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%
12/31/2010	1/1/2010	\$ -	\$ 35,400,367	\$ 35,400,367	0.0%	\$ 15,707,355	225.37%
12/31/2009	1/1/2008	\$ -	\$ 37,498,841	\$ 37,312,623	0.0%	\$ 16,162,931	232.01%
12/31/2008	1/1/2008	\$ -	\$ 35,107,841	\$ 35,107,841	0.0%	\$ 15,391,670	228.10%

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF PROPORTIONAL SHARE
OF NET PENSION LIABILITY
DECEMBER 31, 2015**

NYSLRS Pension Plan
Last 10 Fiscal Years*

March 31, 2015

	<u>ERS</u>	<u>PFRS</u>
Town's proportion of the net pension liability (asset)	0.02356990%	0.29009190%
Town's proportionate share of the net pension liability (asset)	\$ 796,250	\$ 798,506
Town's covered-employee payroll	\$ 6,174,030	\$ 8,571,940
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.90%	9.32%
The plan fiduciary net position as a percentage of the total pension liability	97.90%	97.90%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

EXHIBIT IV

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2015**

NYSLRS Pension Plan
Last 10 Fiscal Years*

March 31, 2015

	<u>ERS</u>	<u>PFRS</u>
Contractually required contribution	\$ 1,250,705	\$ 2,355,174
Contributions in relation to the contractually required contribution	<u>1,250,705</u>	<u>2,355,174</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 6,174,030	\$ 8,571,940
Contributions as a percentage of covered-employee payroll	20.26%	27.48%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

SECTION I - FINANCIAL STATEMENT FINDINGS

Continuing Findings:

Significant Deficiency:

Finding 1: Financial Statement Adjustments - 2015

Under 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:

Calculations for certain accruals were revised upon audit review.

Cause:

The Town's receivables, mortgage taxes, and liabilities were misstated.

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.

Continuing Findings:

Other Matters Being Brought to Management's Attention:

Finding 2 – 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 paid 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.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

SECTION I - FINANCIAL STATEMENT FINDINGS (Continued)

Continuing Findings: (Continued)

Other Matters Being Brought to Management’s Attention: (Continued)

Finding 3 - Fraud Risk Assessment

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

Effect:

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

Cause:

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

Recommendation:

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

Finding 4 - 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.

The following appropriations were over-expended:

<u>FUND/CATEGORY</u>	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>VARIANCE (UNFAVORABLE)</u>
General Fund B			
Home and Community Service	\$ 597,666	\$ 615,214	\$ (17,548)
Employee Benefits	\$ 1,653,302	\$ 1,707,397	\$ (54,095)
Highway Fund			
Transportation	\$ 4,928,863	\$ 5,455,180	\$ (206,567)
Debt Service	\$ 1,836,205	\$ 2,204,443	\$ (368,238)
Water Fund			
Debt Service	\$ 1,507,386	\$ 1,558,344	\$ (5,958)

Cause:

The Town has failed to monitor actual performance as compared to the adopted budget.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

SECTION I - FINANCIAL STATEMENT FINDINGS (Continued)

Continuing Findings: (Continued)

Other Matters Being Brought to Management's Attention: (Continued)

Finding 4 - Over-Expended Appropriations (Continued)

Recommendation:

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

Finding 5- 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.

CURRENT YEAR FINDINGS:

Significant Deficiency:

Finding 7: Annual Update Document (AUD) Reconciliation

The AUD which the Town prepared for the 2015 Fiscal Year required extensive reconciliation between the Town's AUD and their General Ledger detail.

Effect:

There were several material differences in account balances between the AUD and the General Ledger, which required several adjustments to reconcile.

Cause:

In order to prepare the AUD, the Town's new Comptroller was required to summarize information from the predecessor which proved difficult to reconcile, due in part to prior year audit adjustments not being posted timely.

Recommendation:

The Town should take the steps necessary to post the audit adjustments, in order to be able to timely reconcile the AUD to the General Ledger.

**TOWN OF POUGHKEEPSIE, NEW YORK
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

CURRENT YEAR FINDINGS (CONTINUED):

Other Matters Being Brought to Management's Attention:

Finding 8: Maintenance of Capital Asset Information

The client has provided information pertaining to Capital Assets for the schedule which is updated each audit. This schedule has proved cumbersome, with several formulas which can cause material errors if not updated properly.

Effect:

Material errors can be hard to detect, and questions on accuracy of information can arise.

Cause:

Errors in formulas have necessitated significant adjustments in prior audits, as well as current due to the nature of these schedules.

Recommendation:

The Town should attempt to have an inventory of fixed assets performed in order to accurately reflect the Town's inventory of Capital Assets. Looking into using the Town's financial software to assist in this matter should also be explored.

Finding 9: Court Bail Report Reconciliation

It was noted in the current year audit that the one of the Town Justice Bail reports was not able to be reconciled to the bank statement.

Effect:

The Town Court may not be properly reconciling the bail reports to the bank statement, which may result in the Town not remitting proper amounts to New York State.

Cause:

Request for this reconciliation was not responded to, preventing reconciling of report to statement from being performed.

Recommendation:

Bail reports should be reconciled to the appropriate bank statements timely to prevent any future issues.

STATUS OF PRIOR YEAR FINDINGS:

Prior year Finding 6 is considered to be resolved.

TOWN OF POUGHKEEPSIE

Charles E. Emberger,
Comptroller



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ONE OVEROCKER ROAD

POUGHKEEPSIE, NY 12603

Item 1) There is a whole new team in the finance department. The Comptroller has retired, the Senior Accountant retired, Payroll clerk is also gone. We come in with a different style of management, and a proactive mentality. The Board already passed a resolution giving the Comptroller authority to make sure all accounts are in balance and come back to the Board with a proper year end budget.

Item 2) Do to and Due from: Will be a priority in 2017, unfortunately we are at the end of 2016 so this item like most others will be repeated in the 2016 audit.

Item 3) Internal Controls: Now that we have a year under our belts we have seen areas where we do need to implement better internal controls. As we came together this year 2016, we feel there will be changes and be more proactive in all aspects of the finance department.

Item 4) Negative account balances: As in finding 1, the Board has given the Comptroller, authority to make sure this does not happen.

Item 5) Debt Service: As a new management team, we will look at the Debt Service Fund and make a decision whether to continue its use or dissolve the fund.

Item 6) AUD reconciliation: This was a problem for us, in reality the AUD should match your financial statement. The past AUD's did not match the financial statements and the AUD was never updated to reflect audit adjustments to the financials. After this audit all journal entries and updates will be reflected in the AUD and this should not a problem in the future.

Item 7) Capital Asset Information: This will not be corrected until 2017 we must look into this and put the proper procedures in place to properly record Capital Assets.

Item 8) Court Bail Reconciliation: This has been addressed with Court personnel and has been resolved.