

**CITY OF POUGHKEEPSIE, NEW YORK**

**FINANCIAL STATEMENTS**

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

**CITY OF POUGHKEEPSIE, NEW YORK**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Mayor  
and Members of the Common Council  
City of Poughkeepsie  
Poughkeepsie, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Poughkeepsie, New York as of and for the year ended December 31, 2009, which collectively comprise the City of Poughkeepsie, New York's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the City of Poughkeepsie, New York's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Poughkeepsie Housing Authority, a component unit of the City of Poughkeepsie, which represents 100% of the assets, net assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Poughkeepsie Housing Authority, is based on the report of those other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to examine the underlying documentation pertaining to the retroactive reporting of infrastructure assets because such documentation was not readily available. We were also unable to satisfy ourselves through alternative procedures.

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In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City of Poughkeepsie, New York as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Poughkeepsie, New York, as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Exhibit I, and Other Post-Employment Benefits Schedule of Funding Progress, Exhibit II, 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.

This report is intended solely for the information and use of the Mayor, Members of the City Council and management of the City of Poughkeepsie, New York and for the filing requirements under the S.E.C. Rule No. 240.15 (c) 2-12 requiring issuers of municipal securities to report financial and operational information and notices of material events, to nationally recognized municipal securities information systems. It should not be used for any other purpose.

*Sedore & Company, CPAs*

Poughkeepsie, New York  
December 30, 2010

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Required Supplemental Information For the Year Ended December 31, 2009 (Un-audited)**

Management of the City of Poughkeepsie offers readers of the City's financial statements this narrative overview and analysis of the financial position and activities of the City as of the year ended December 31, 2009.

### Financial Highlights:

- The City's real property tax collection was \$17,553,422. This was \$621,633 more than the 2009 budget of \$16,931,789. The City continues to collect close to or over 100% of its tax levy. A key factor in its successful tax collection is the annual tax lien sale conducted for any unpaid property taxes for the current year. PILOTS (payments in lieu of taxes) continue to grow with the increased completion of development projects. The 2009 PILOT collection was \$605,945 compared to 2008 of \$469,929.
- Our Sales tax revenue as distributed by Dutchess County decreased in the year 2009 compared to 2008 by \$848,339 (receipts 2009 were \$9,938,401 vs. 2008 receipts of \$10,786,740). We continue to receive (by formula) 7.0557% of the county's overall sales tax receipts. Our 2009 actual and 2010 projection will be negatively impacted by the deteriorating economy and the Dutchess County's decision to continue the sales tax exemption on shoes and clothing under \$110.
- The final Supplemental Cities Aid of \$1,200,000 (unbudgeted) was received in December 2007. These monies are earmarked for tax stabilization (mitigate tax increase to our citizenry). In the year 2008, the State Aid for Distressed Cities and the State Per Capita Revenue Sharing has been combined into the Aid and Incentive for Municipalities. The year 2008 saw an increase of \$223,763. Although the City maintained its AIM level in 2009, the State budget deficits will preclude any future increases and potentially include decreases.
- In year 2006 our City completed and implemented a Full Market Value Assessment for the first time in over thirty years. The July 1, 2008 assessment roll (used to produce the 2009 tax rate) reflected the value of \$2,340,693,315 which was a 1.4% decrease from the record valuation of 2007. This successful "Revaluation" ensures tax fairness to all our residents and commercial property owners. This was fully supported by New York State and we are scheduled to continue receiving the state subsidy of over \$120,000 over the remaining three years due to our full compliance. We very cognizant of the softening of the housing market and realize that it will impact the future tax assessment rolls.

- The housing market has started to weaken throughout the County. The City's mortgage tax collection for 2009 was \$465,473 compared to \$600,518 in 2008. The mortgage tax accounts for only 1.2% of the General Fund revenue, which is far less than most municipalities.
- In both July and September 2009 Moody's Investors Service reviewed the City's bond holdings and maintained its *A3* rating.
- In 2008 the City received an additional \$223,763 for committing to the State's multi-year Plan reporting requirements – AIM. In 2009, we maintained the same level of State Aid at \$4,613,607.
- The City responded to the increased challenges of declining sales tax and mortgage tax collection by implementing tighter controls on its expenses. The 2009 General Fund expenditures were cut from \$43,513,818 in 2008 down to \$42,999,787 or savings of \$514,031. The total full time funded employees decreased from the all time high of 417 in 2008 down to 403 in 2009. It is the goal of the City to continue reducing the personnel level through attrition and restructuring.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplemental Information**  
**For the Year Ended December 31, 2009, Cont'd.**  
**(Un-audited)**

**1. Overview of the Financial Statements**

These audited financial statements consist of five parts:

- 1) The Independent Auditor's report on our Financial Statements
- 2) Management's Discussion and Analysis
- 3) Government- Wide Financial statements
- 4) Fund Financial statements
- 5) Notes to the Financial statements

The basic financial statements present two different views of the City through the use of Government-wide statements and Fund financial statements. The Government-wide Financial Statements provide both short and long-term information about our City's financial status. The Fund financial statements focus on the activities of the individual components of the city government. These statements provide more detail than the government-wide statements.

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

**2. Financial Analysis of our City as a whole**

	<b>Assets</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
Non-Capital		\$ 34,530,903	\$ 32,744,197	\$ 1,786,706
Capital		<u>60,916,968</u>	<u>53,276,832</u>	<u>7,640,136</u>
	<b>Total Assets</b>	<b><u>\$ 95,447,871</u></b>	<b><u>\$ 86,021,029</u></b>	<b><u>\$ 9,426,842</u></b>
	<b>Liabilities</b>			
Current		\$ 38,243,520	\$ 34,814,562	\$ 3,428,958
Non-Current		<u>40,306,358</u>	<u>31,230,227</u>	<u>9,076,131</u>
	<b>Total Liabilities</b>	<b>78,549,878</b>	<b>66,044,789</b>	<b>12,505,089</b>
	<b>Net Assets:</b>			
Capital		6,549,084	4,225,808	2,323,276
Unrestricted		<u>10,348,909</u>	<u>15,750,432</u>	<u>(5,401,523)</u>
	<b>Total Net Assets</b>	<b>16,897,993</b>	<b>19,976,240</b>	<b>(3,078,247)</b>
	<b>Total Liabilities and Net Assets</b>	<b><u>\$ 95,447,871</u></b>	<b><u>\$ 86,021,029</u></b>	<b><u>\$ 9,426,842</u></b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Required Supplemental Information For the Year Ended December 31, 2009, Cont'd.

(Un-audited)

Revenues	2009	2008	Change
<b>Program</b>			
Fines, Fees & Charges	\$ 3,821,947	\$ 3,753,750	\$ 68,197
Operating Grants	7,126,801	7,636,296	(509,495)
Capital Grants	6,165,865	8,168,022	(2,002,157)
<b>General Revenues</b>			
Property Taxes	18,779,131	17,457,129	1,322,002
Other Taxes	11,177,349	12,263,545	(1,086,196)
State Aid	4,616,603	4,617,674	(1,071)
Other Revenues	3,476,485	3,028,028	448,457
<b>Total Revenues</b>	<u>55,164,181</u>	<u>56,924,444</u>	<u>(1,760,263)</u>
<b>Expenses</b>			
General Government Support	9,642,917	7,926,395	1,716,522
Public Safety	26,079,042	26,376,477	(297,435)
Transportation	7,246,184	7,220,471	25,713
Economic Assistance	782,587	1,138,004	(355,417)
Culture and Recreation	1,196,363	1,339,394	(143,031)
Home and Community Service	9,642,770	8,724,375	918,395
Other	2,051,365	1,900,661	150,704
<b>Total Expenses</b>	<u>56,641,228</u>	<u>54,625,777</u>	<u>2,015,451</u>
<b>Change in Net Assets</b>	<u>\$ (1,477,047)</u>	<u>\$ 2,298,667</u>	<u>\$ (3,775,714)</u>

### Proprietary Funds:

Assets	2009	2008	Change
Non-Capital	\$ 14,503,724	\$ 16,224,366	\$ (1,720,642)
Capital	52,540,525	53,453,128	(912,603)
<b>Total Assets</b>	<u>\$ 67,044,249</u>	<u>\$ 69,677,494</u>	<u>\$ (2,633,245)</u>
<b>Liabilities</b>			
Current	\$ 4,905,513	\$ 4,422,301	\$ 483,212
Non-Current	18,457,718	19,871,229	(1,413,511)
<b>Total Liabilities</b>	23,363,231	24,293,530	(930,299)
<b>Net Assets:</b>			
Capital	40,028,598	39,574,101	454,497
Unrestricted	3,652,420	5,809,863	(2,157,443)
<b>Total Net Assets</b>	43,681,018	45,383,964	(1,702,946)
<b>Total Liabilities and Net Assets</b>	<u>\$ 67,044,249</u>	<u>\$ 69,677,494</u>	<u>\$ (2,633,245)</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Required Supplemental Information For the Year Ended December 31, 2009, Cont'd. (Un-audited)

Revenues	2009	2008	Change
<b>Program</b>			
Charges For Services	\$ 7,399,885	\$ 7,956,665	\$ (556,780)
<b>General Revenues</b>			
Investment Earnings	<u>34,837</u>	<u>33,646</u>	<u>1,191</u>
<b>Total Revenues</b>	<u>7,434,722</u>	<u>7,990,311</u>	<u>(555,589)</u>
<b>Expenses</b>			
Home and Community Service	7,904,643	8,386,748	(482,105)
Transfers	<u>1,233,025</u>	<u>277,570</u>	<u>955,455</u>
<b>Total Expenses</b>	<u>9,137,668</u>	<u>8,664,318</u>	<u>473,350</u>
<b>Change in Net Assets</b>	<u>\$ (1,702,946)</u>	<u>\$ (674,007)</u>	<u>\$ (1,028,939)</u>

### General Fund

The General Fund is the primary operating fund of our City. The fund balance has been challenged beginning with the years prior to 2009. In 2009 \$960,000 was appropriated to help balance the 2009 budget. Total 2009 revenues were greatly impacted by the economic downturn further affecting the fund balance. Stringent spending controls were placed to help protect the fund balance. The attached tables reflect the City's significant General fund revenues and expenditures (as a percentage).

### City Revenues –General Fund ( %)

Real Property taxes	17,208,700	44.16%
State Aid	5,702,795	14.63%
Real Property Tax Items	778,730	2.00%
Sales & Franchise Taxes	10,736,338	27.55%
Departmental Income	1,248,795	3.20%
Fines and Forfeitures	989,985	2.54%
All Other Revenues	2,302,183	5.91%
	<b>38,967,526</b>	<b>100.00%</b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Required Supplemental Information For the Year Ended December 31, 2009, Cont'd. (Un-audited)

### City Expenditures-General Fund (%)

Public Safety	18,696,842	43.79%
Transportation	2,332,587	5.46%
General Govt Support	6,162,921	14.44%
Culture & Recreation	802,448	1.88%
Employee Benefits	7,786,479	18.24%
Home & Community Services	2,796,429	6.55%
Transfers to Other Funds - net	3,610,435	8.46%
All other expenses	504,319	1.18%
	42,692,460	100.00%

### Water Fund

Our Water Fund reflected the positive impact of our 2006 rate increase from \$2.27 per 100cf. (748 gallons) of water usage as measured through the meter to \$2.42. This rate increase was instrumental in allowing our City to maintain all levels of service in 2008 and continues to provide good quality water to our residents and business's. Our City continues to pursue opportunities to sell water to third-party customers. Anticipated sales to neighboring communities remains a key part of our City's strategy for the long-term health of our city's residents stabilized water rates. Based on signed contracts as negotiated by our Joint Water Board we were able to budget to 2009 rates flat @\$2.42 with no increase required. The City is looking to address upgrades to its water transmission infrastructures. The City will have to increase its water rates in the future. The Water Fund – fund balance continues its improvement towards a positive position.

### Sewer / Joint Sewer Fund

Our Sewer / Joint Sewer Fund also reflected the positive impact of a rate increase in 2007 from \$2.38 per 100cf. of water usage to \$2.59. In 2009 the City's Sewer and Joint Sewer Fund managed to maintain the 2008 level continuing to increase the fund balance. Our City's goal of increasing the Sewer fund balance is on track. In an effort to continue our goal of building the fund balance, the sewer rate was increased in 2008 to \$2.59.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplemental Information**  
**For the Year Ended December 31, 2009, Cont'd.**  
**(Un-audited)**

**Parking Fund**

The unreserved/ undesignated fund balance reflected an increase with revenues exceeding expenditures by \$284,690. The 2009 plans included a continued commitment to parking structure and equipment upgrades. Our 2009 results were directly related to our City's pledge of keeping the decks better maintained, better equipped, and safer. Planning for upgrades on parking structures continues, and a priority of the City is to continue the oversight of these valuable assets accordingly. The fund balance for the Parking Fund continues to be a healthy positive balance.

**Transit Fund**

Our transit system continues to have increased ridership, as well as, increased ridership revenue, while still maintaining the same bus fare rate of \$1.00. We continue to work with our traveling public to reach fair compromises between route efficiencies and use of taxpayer dollars that subsidize our transit system. The higher fuel costs in 2007 and 2008 had a negative impact on operations for both years. 2009 saw lower and more stable fuel prices. In 2007 four hybrid-electric buses were ordered and delivered in November 2008. These new vehicle helped reduce repair and fuel costs. Fuel and repair costs in 2008 were \$238,216 compared to \$131,544 in 2009. Our ongoing goal is to ensure our traveling public gets quality service at the best possible price.

**Budgetary Highlights for the Year Ended December 31, 2009**

In December 2008 our City adopted the 2009 tax rates of \$6.75 per \$1,000 of FMV assessed valuation (Homestead rate) and \$8.37 per \$1,000 of FMV (Non- Homestead rate). This tax rate does not compare to 2005 as these new rates are properly adjusted for Full market valuation. Our 2009 General Fund levy increased over 2008 by \$759,682 or 4.70%. This budget reflected the enhancement and continuation of all city services. All variances in budgetary revenues and appropriations are identified and compared to actual results for analysis purposes. Our City is committed to and adheres to an adopted purchasing policy. Our purchase order system ensures price quotations as well as budget adherence.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplemental Information**  
**For the Year Ended December 31, 2009, Cont'd.**  
**(Un-audited)**

**3. Activities regarding Capital assets and Long-term debt**

**Capital Assets**

Each year our city prepares a Five-Year Capital Asset Plan that is adopted by our Legislative branch by August 31. The 2009-2013 Capital Plan was adopted in August of 2008 with an original spending plan of under \$10 million. Formal funding decisions are normally made in the spring of the subsequent year (as the adopted capital plan is a non-binding plan). Our Capital Program is funded by budgeted operating funds, grants and bond proceeds. In 2008 our City expended a drastically reduced amount of approximately \$5.0 million on various City Capital projects. In 2009, the City continued to maintain a very conservative approach towards any capital projects and borrowing. An ongoing project is the Waterfront development with the construction phase in full swing in 2009.

**Long-Term Debt**

Total City Long term debt at December 31, 2009 equated to \$52,479,852 (75.8% directly related to the General Fund and the majority of the remaining debt directly related to exempt water and sewer projects). The actual 2009 expenditures for total long term debt principal and interest were \$4,078,553 and \$2,307,209 respectively. In view of the current economic pressures, all future debt decisions are carefully investigated and weighed against budgetary impacts before final recommendations are proposed.

**4. Maintaining the Condition of the City's Infrastructure**

The City of Poughkeepsie maintains 67.39 miles of roads and approximately 47 miles of sidewalks and curbing. Monies are allocated each year in both the operating budget and Capital Plan to allow for said required maintenance and upkeep. In 2009 the City expended over \$1 million (over \$400,000 from CHIPS in the General Funds) on the upkeep and improvement of its roads and sidewalks.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2009**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNIT</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 11,186,449	\$ -	\$ 11,186,449	\$ 1,214,700
Investments	5,922,532	-	5,922,532	306,253
Restricted cash	389,477	-	389,477	239,511
Receivables (net)	10,984,216	2,598,562	13,582,778	136,695
Internal balances	(2,139,889)	2,139,889	-	-
Due from related party	445,251	25,200	470,451	-
Due from other governments	7,615,708	-	7,615,708	-
Inventories - net of allowance	-	-	-	119,723
Prepaid expenses	127,159	2,898	130,057	157,838
<b>Total current assets</b>	<b>34,530,903</b>	<b>4,766,549</b>	<b>39,297,452</b>	<b>2,174,720</b>
<b>Non-current assets:</b>				
Restricted cash & cash equivalents	-	-	-	29,113
Due from related party	-	25,760	25,760	-
Other assets	-	-	-	9,929,476
Investment in Joint Water Project	-	9,711,415	9,711,415	-
<b>Capital assets:</b>				
Land	3,823,617	34,384	3,858,001	337,280
Improvements and Infrastructure net of depreciation	14,510,915	49,006,096	63,517,011	-
Buildings, machinery and equipment, net of depreciation	25,595,847	620,230	26,216,077	5,545,220
Construction in progress	16,986,589	2,879,815	19,866,404	-
<b>Total capital assets</b>	<b>60,916,968</b>	<b>52,540,525</b>	<b>113,457,493</b>	<b>5,882,500</b>
<b>Total assets</b>	<b>\$ 95,447,871</b>	<b>\$ 67,044,249</b>	<b>\$ 162,492,120</b>	<b>\$ 18,015,809</b>

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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF NET ASSETS (Continued)**  
**DECEMBER 31, 2009**

<b>LIABILITIES</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNIT</b>
<b>Current Liabilities:</b>				
Accounts payable	\$ 4,184,739	\$ 394,492	\$ 4,579,231	\$ 395,772
Accrued liabilities and retainage payable	3,765,400	332,640	4,098,040	132,958
Tenant security deposits	-	-	-	131,730
Due to other governments	4,881,917	-	4,881,917	52,818
Deferred revenues and other liabilities	1,177,358	1,866	1,179,224	57,954
Due to related party	295,251	334,391	629,642	445,251
Notes payable	20,887,226	2,417,000	23,304,226	152,519
Current portion of long-term liabilities				
Capital lease	28,243	-	28,243	-
Compensated absence liability	65,000	-	65,000	-
Landfill remediation liability	17,510	-	17,510	-
Bonds payable	2,940,876	1,425,124	4,366,000	-
<b>Total current liabilities</b>	<b>38,243,520</b>	<b>4,905,513</b>	<b>43,149,033</b>	<b>1,369,002</b>
<b>Non-current liabilities:</b>				
Judgments and claims	500,000	-	500,000	-
Capital lease payable	22,975	-	22,975	-
Compensated absence liability	5,509,873	76,500	5,586,373	86,003
Landfill remediation liability	471,384	-	471,384	-
Bonds payable	30,539,782	18,381,218	48,921,000	2,242,278
Other post-employment benefits	3,262,344	-	3,262,344	-
Other long term liabilities	-	-	-	29,113
<b>Total non-current liabilities</b>	<b>40,306,358</b>	<b>18,457,718</b>	<b>58,764,076</b>	<b>2,357,394</b>
<b>Total liabilities</b>	<b>78,549,878</b>	<b>23,363,231</b>	<b>101,913,109</b>	<b>3,726,396</b>
<b>NET ASSETS</b>				
Invested in Capital Assets and Joint Water				
Project net of related debt	6,549,084	40,028,598	46,577,682	5,882,500
Restricted	-	-	-	107,781
Unrestricted	10,348,909	3,652,420	14,001,329	8,299,132
<b>Total net assets</b>	<b>16,897,993</b>	<b>43,681,018</b>	<b>60,579,011</b>	<b>14,289,413</b>
<b>Total liabilities and net assets</b>	<b>\$ 95,447,871</b>	<b>\$ 67,044,249</b>	<b>\$ 162,492,120</b>	<b>\$ 18,015,809</b>

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

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

<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>
<b>Governmental Activities:</b>			
General government support	9,642,917	\$ 505,506	\$ 34,437
Public safety	26,079,042	1,381,656	404,986
Health	59,569	108,101	-
Transportation	7,246,184	1,530,640	495,525
Economic assistance & opportunity	782,587	70,027	129,304
Culture and recreation	1,196,363	52,658	14,523
Home and community services	9,642,770	173,359	6,048,026
Interest on long-term debt	1,991,796	-	-
<b>Total governmental activities</b>	<b>56,641,228</b>	<b>3,821,947</b>	<b>7,126,801</b>
<b>Business-type activities:</b>			
Water Fund	3,298,821	3,140,995	-
Sewer Fund	4,605,822	4,258,890	-
<b>Total business-type activities</b>	<b>7,904,643</b>	<b>7,399,885</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 64,545,871</b>	<b>\$ 11,221,832</b>	<b>\$ 7,126,801</b>
<b>Component Units:</b>			
Poughkeepsie Housing Authority	\$ 5,237,059	\$ 1,611,270	\$ 2,461,850
City of Poughkeepsie IDA	8,638	-	-
<b>Total component units</b>	<b>\$ 5,245,697</b>	<b>\$ 1,611,270</b>	<b>\$ 2,461,850</b>

**General revenues**

Taxes:

- Real property taxes
- Sales taxes
- Mortgage taxes
- Utility taxes
- Franchise taxes

Payments from other governments

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

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

Miscellaneous

Transfers

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning

Prior period adjustments

Adjusted net assets - beginning

Net assets - ending

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

<b>CHANGES IN NET ASSETS PRIMARY GOVERNMENT</b>				
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS- TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNIT</b>
\$ -	\$ (9,102,974)	\$ -	\$ (9,102,974)	\$ -
531,380	(23,761,020)	-	(23,761,020)	-
-	48,532	-	48,532	-
931,995	(4,288,024)	-	(4,288,024)	-
4,702,490	4,119,234	-	4,119,234	-
-	(1,129,182)	-	(1,129,182)	-
-	(3,421,385)	-	(3,421,385)	-
-	(1,991,796)	-	(1,991,796)	-
<u>6,165,865</u>	<u>(39,526,615)</u>	<u>-</u>	<u>(39,526,615)</u>	<u>-</u>
-	-	(157,826)	(157,826)	-
-	-	(346,932)	(346,932)	-
-	-	(504,758)	(504,758)	-
<u>\$ 6,165,865</u>	<u>(39,526,615)</u>	<u>(504,758)</u>	<u>(40,031,373)</u>	<u>-</u>
\$ 597,596	-	-	-	(566,343)
-	-	-	-	(8,638)
<u>\$ 597,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(574,981)</u>
	18,779,131	-	18,779,131	-
	9,938,401	-	9,938,401	-
	441,011	-	441,011	-
	361,198	-	361,198	-
	436,739	-	436,739	-
	693,714	-	693,714	-
	4,616,603	-	4,616,603	-
	353,032	34,837	387,869	21,859
	157,935	-	157,935	-
	1,038,779	-	1,038,779	773,290
	<u>1,233,025</u>	<u>(1,233,025)</u>	<u>-</u>	<u>-</u>
	<u>38,049,568</u>	<u>(1,198,188)</u>	<u>36,851,380</u>	<u>795,149</u>
	(1,477,047)	(1,702,946)	(3,179,993)	220,168
	19,976,240	45,383,964	65,360,204	14,372,377
	<u>(1,601,200)</u>	<u>-</u>	<u>(1,601,200)</u>	<u>(303,132)</u>
	<u>18,375,040</u>	<u>45,383,964</u>	<u>63,759,004</u>	<u>14,069,245</u>
	<u>\$ 16,897,993</u>	<u>\$ 43,681,018</u>	<u>\$ 60,579,011</u>	<u>\$ 14,289,413</u>

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

<b>ASSETS</b>	<b>GENERAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>SPECIAL GRANT FUND</b>	<b>NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
Cash and cash equivalents	\$ -	\$ 4,801,722	\$ 5,789,934	\$ 594,793	\$ 11,186,449
Investments	5,462,747	-	459,785	-	5,922,532
Restricted cash	60,139	329,338	-	-	389,477
Receivables:					
Taxes	6,118,442	-	-	-	6,118,442
Other	358,374	-	2,894	7,282	368,550
Mortgage loans receivable	-	-	468,442	-	468,442
Due from other funds	5,495,509	6,853,090	869,827	132,391	13,350,817
Due from related party	-	-	445,251	-	445,251
Due from other governments	1,519,052	6,049,852	34,967	11,837	7,615,708
State and federal receivable	651,413	1,707,124	459,857	1,210,388	4,028,782
Prepaid expenses	20,970	-	5,067	101,122	127,159
<b>Total assets</b>	<b><u>\$ 19,686,646</u></b>	<b><u>\$ 19,741,126</u></b>	<b><u>\$ 8,536,024</u></b>	<b><u>2,057,813</u></b>	<b><u>\$ 50,021,609</u></b>
 <b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 863,226	\$ 2,787,607	\$ 416,295	\$ 117,611	\$ 4,184,739
Accrued liabilities	2,213,250	-	5,632	86,991	2,305,873
Retainage payable	-	840,509	9,841	-	850,350
Bond anticipation notes payable	-	20,887,226	-	-	20,887,226
Due to related party	-	295,251	-	-	295,251
Due to other funds	9,422,097	4,753,344	225,340	1,089,925	15,490,706
Due to other governments	4,881,917	-	-	-	4,881,917
Deferred revenues	4,406,768	-	833,911	237,726	5,478,405
Other liabilities	89,816	-	12,621	3,283	105,720
<b>Total liabilities</b>	<b><u>21,877,074</u></b>	<b><u>29,563,937</u></b>	<b><u>1,503,640</u></b>	<b><u>1,535,536</u></b>	<b><u>54,480,187</u></b>
 <b>FUND EQUITY</b>					
Fund balance (deficit):					
Reserved for:					
Encumbrances	98,145	-	39,356	58,134	195,635
Unreserved:					
Subsequent year's expenditures	1,111,346	-	-	-	1,111,346
Self-insurance	1,500,000	-	-	135,848	1,635,848
Undesignated	(4,899,919)	(9,822,811)	6,993,028	328,295	(7,401,407)
<b>Total fund equity</b>	<b><u>(2,190,428)</u></b>	<b><u>(9,822,811)</u></b>	<b><u>7,032,384</u></b>	<b><u>522,277</u></b>	<b><u>(4,458,578)</u></b>
 <b>Total liabilities and fund equity</b>	 <b><u>\$ 19,686,646</u></b>	 <b><u>\$ 19,741,126</u></b>	 <b><u>\$ 8,536,024</u></b>	 <b><u>\$ 2,057,813</u></b>	 <b><u>\$ 50,021,609</u></b>

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

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

Total fund equity for governmental funds	\$ (4,458,578)
Total net assets reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	60,916,968
Long-term liabilities, including bonds payable, compensated absences, judgement and claims, post-employment benefits and landfill remediation liabilities and capital leases are not due and payable in the current period and therefore are not reported in the funds.	(43,357,987)
Certain deferred revenues are recorded when billed.	4,406,767
Accrued interest is not reported in the funds.	<u>(609,177)</u>
Total net assets of governmental activities	<u><u>\$ 16,897,993</u></u>

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

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

	<b>GENERAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>SPECIAL GRANT FUND</b>	<b>NON- MAJOR FUNDS</b>	<b>TOTAL FUNDS</b>
<b>REVENUES</b>					
Real property taxes	\$ 17,208,700	\$ -	\$ -	\$ -	\$ 17,208,700
Real property taxes items	778,730	-	-	-	778,730
Non property taxes items	10,736,338	-	-	-	10,736,338
Departmental income	1,248,795	-	70,027	1,282,154	2,600,976
Intergovernmental charges	283,261	-	-	410,453	693,714
Use of money and property	195,708	654	3,589	153,081	353,032
Licenses and permits	340,237	-	-	-	340,237
Fines and forfeitures	989,985	-	-	-	989,985
Sale of property and compensation for loss	152,457	-	-	5,478	157,935
Miscellaneous local sources	228,055	574,166	25,908	3,288	831,417
Interfund revenues	1,102,465	-	-	-	1,102,465
State aid	5,702,795	4,702,490	129,304	778,988	11,313,577
Federal aid	-	-	6,048,026	896,430	6,944,456
<b>Total revenues</b>	<b>38,967,526</b>	<b>5,277,310</b>	<b>6,276,854</b>	<b>3,529,872</b>	<b>54,051,562</b>
<b>EXPENDITURES</b>					
General government support	6,162,921	939,984	41,581	443,372	7,587,858
Public safety	18,696,842	82,611	-	692,767	19,472,220
Health	45,732	-	-	-	45,732
Transportation	2,332,587	1,062,942	-	1,469,051	4,864,580
Economic assistance & opportunity	458,587	9,214,586	-	-	9,673,173
Culture and recreation	802,448	67,470	-	15,240	885,158
Home and community services	2,796,429	559,863	5,984,274	-	9,340,566
Employee benefits	7,786,479	-	81,416	431,166	8,299,061
Debt service	-	-	-	5,935,433	5,935,433
<b>Total expenditures</b>	<b>39,082,025</b>	<b>11,927,456</b>	<b>6,107,271</b>	<b>8,987,029</b>	<b>66,103,781</b>
<b>Excess of revenues over expenditures</b>	<b>(114,499)</b>	<b>(6,650,146)</b>	<b>169,583</b>	<b>(5,457,157)</b>	<b>(12,052,219)</b>
<b>Other financing sources:</b>					
Proceeds of debt	-	8,594,852	-	-	8,594,852
Bans redeemed from appropriations	-	916,863	-	-	916,863
Operating transfers in	1,221,186	-	-	5,472,498	6,693,684
Operating transfers out	(4,831,621)	(569,802)	(518,415)	(171,183)	(6,091,021)
<b>Total other financing sources</b>	<b>(3,610,435)</b>	<b>8,941,913</b>	<b>(518,415)</b>	<b>5,301,315</b>	<b>10,114,378</b>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<b>(3,724,934)</b>	<b>2,291,767</b>	<b>(348,832)</b>	<b>(155,842)</b>	<b>(1,937,841)</b>
<b>Fund Balance, December 31, 2008</b>	<b>1,534,506</b>	<b>(12,114,578)</b>	<b>7,381,216</b>	<b>678,119</b>	<b>(2,520,737)</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restated Fund Balance, December 31, 2008</b>	<b>1,534,506</b>	<b>(12,114,578)</b>	<b>7,381,216</b>	<b>678,119</b>	<b>(2,520,737)</b>
<b>Fund Balance, December 31, 2009</b>	<b>\$ (2,190,428)</b>	<b>\$ (9,822,811)</b>	<b>\$ 7,032,384</b>	<b>\$ 522,277</b>	<b>\$ (4,458,578)</b>

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

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

Net change in fund equities - total government funds \$ (1,937,841)

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

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 7,571,413

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

Debt issued:			
Serial bonds	(8,594,852)		
Capital leases	-		
Repayments:			
Bond principal	2,708,503		
Capital lease payment	31,121		(5,855,228)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 9,898

Some expenses reported in the statement of activities, such as compensated absences and landfill liabilities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (2,056,990)

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds. 791,701

Net change in net assets of governmental activities \$ (1,477,047)

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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**

	<b>PRIMARY GOVERNMENT</b>		<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNIT</b>	<b>TOTAL PROPRIETARY FUNDS</b>
	<b>WATER FUND</b>	<b>SEWER FUND</b>			
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ -	-	\$ -	\$ 1,214,700	\$ 1,214,700
Investments	-	-	-	306,253	306,253
Restricted cash and cash equivalents	-	-	-	239,511	239,511
Receivables:					
Charges for Services	1,190,023	1,260,269	2,450,292	136,695	2,586,987
Other	40,921	107,349	148,270		148,270
Internal balances	(633,851)	2,773,740	2,139,889		2,139,889
Due from related party	25,200	-	25,200		25,200
Due from other governments	-	-	-		-
Inventories - net of allowance	-	-	-	119,723	119,723
Prepaid expenses	2,899	(1)	2,898	157,838	160,736
Total current assets	<u>625,192</u>	<u>4,141,357</u>	<u>4,766,549</u>	<u>2,174,720</u>	<u>6,941,269</u>
<b>Non current assets:</b>					
Restricted cash and cash equivalents	-	-	-	29,113	29,113
Due from related party	25,760	-	25,760		25,760
Other assets	-	-	-	9,929,476	9,929,476
Investment in Joint Water Project	9,711,415	-	9,711,415		9,711,415
<b>Capital assets:</b>					
Land	-	34,384	34,384	337,280	371,664
Buildings, net of depreciation	-	-	-	5,545,220	5,545,220
Improvements and Infrastructure, net of depreciation	31,209,444	17,796,652	49,006,096		49,006,096
Machinery and equipment, net of depreciation	32,684	587,546	620,230		620,230
Construction in progress	459,366	2,420,449	2,879,815	-	2,879,815
Total capital assets	<u>31,701,494</u>	<u>20,839,031</u>	<u>52,540,525</u>	<u>5,882,500</u>	<u>58,423,025</u>
Total non current assets	<u>41,438,669</u>	<u>20,839,031</u>	<u>62,277,700</u>	<u>15,841,089</u>	<u>78,118,789</u>
<b>Total Assets</b>	<u>\$42,063,861</u>	<u>\$ 24,980,388</u>	<u>\$ 67,044,249</u>	<u>\$ 18,015,809</u>	<u>\$ 85,060,058</u>

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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**

	<b>PRIMARY GOVERNMENT</b>		<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNITS</b>	<b>TOTAL PROPRIETARY FUNDS</b>
	<b>WATER FUND</b>	<b>SEWER FUND</b>			
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 3,420	\$ 391,072	\$ 394,492	\$ 395,772	\$ 790,264
Accrued liabilities	162,013	170,627	332,640	132,958	465,598
Tenant security deposits	-	-	-	131,730	131,730
Due to other governments	-	-	-	52,818	52,818
Other liabilities	1,105	761	1,866	-	1,866
Deferred credits and other liabilities	-	-	-	57,954	57,954
Due to related party	334,391	-	334,391	445,251	779,642
Notes payable	672,000	1,745,000	2,417,000	152,519	2,569,519
Current portion of bonds payable	711,785	713,339	1,425,124	-	1,425,124
Total current liabilities	<u>1,884,714</u>	<u>3,020,799</u>	<u>4,905,513</u>	<u>1,369,002</u>	<u>6,274,515</u>
<b>Non-current liabilities:</b>					
Compensated absence liability	62,574	13,926	76,500	86,003	162,503
Bonds, notes, and loans payable	9,104,606	9,276,612	18,381,218	2,242,278	20,623,496
Other long term liabilities	-	-	-	29,113	29,113
Total non-current liabilities	<u>9,167,180</u>	<u>9,290,538</u>	<u>18,457,718</u>	<u>2,357,394</u>	<u>20,815,112</u>
<b>Total liabilities</b>	11,051,894	12,311,337	23,363,231	3,726,396	27,089,627
<b>NET ASSETS</b>					
Invested in Capital Assets and Joint					
Water Project net of related debt	31,596,518	10,849,080	42,445,598	5,882,500	48,328,098
Restricted	-	-	-	107,781	107,781
Unrestricted (deficit)	(584,551)	1,819,971	1,235,420	8,299,132	9,534,552
Total net assets	<u>31,011,967</u>	<u>12,669,051</u>	<u>43,681,018</u>	<u>14,289,413</u>	<u>57,970,431</u>
<b>Total liabilities and net assets</b>	<u>\$42,063,861</u>	<u>\$ 24,980,388</u>	<u>\$ 67,044,249</u>	<u>\$ 18,015,809</u>	<u>\$ 85,060,058</u>

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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>PRIMARY GOVERNMENT</b>		<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNITS</b>	<b>TOTAL PROPRIETARY FUNDS</b>
	<b>WATER FUND</b>	<b>SEWER FUND</b>			
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,140,995	\$ 4,258,890	\$ 7,399,885	\$ 1,611,270	\$ 9,011,155
Program grants and subsidies	-	-	-	2,461,850	2,461,850
Other revenue	-	-	-	773,290	773,290
<b>Total operating revenues</b>	<b>3,140,995</b>	<b>4,258,890</b>	<b>7,399,885</b>	<b>4,846,410</b>	<b>12,246,295</b>
<b>OPERATING EXPENSES</b>					
Personal services	547,454	331,148	878,602	-	878,602
Administrative expense	487,598	354,449	842,047	800,467	1,642,514
Tenant services	-	-	-	31,610	31,610
Utilities	-	-	-	1,083,092	1,083,092
Maintenance, operations and contractual services	478,684	2,378,303	2,856,987	1,287,124	4,144,111
Protective services	-	-	-	48,740	48,740
General	-	-	-	434,467	434,467
Housing assistance payments	-	-	-	536,977	536,977
Employee benefits	277,316	199,509	476,825	-	476,825
Depreciation	1,095,920	824,952	1,920,872	952,379	2,873,251
<b>Total operating expenses</b>	<b>2,886,972</b>	<b>4,088,361</b>	<b>6,975,333</b>	<b>5,174,856</b>	<b>12,150,189</b>
<b>NET OPERATING INCOME</b>	<b>254,023</b>	<b>170,529</b>	<b>424,552</b>	<b>(328,446)</b>	<b>96,106</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	34,649	188	34,837	21,859	56,696
Interest on bonds and notes	(411,849)	(517,461)	(929,310)	(69,680)	(998,990)
Miscellaneous expenses	-	-	-	(1,161)	(1,161)
<b>Total non-operating revenues (expenses)</b>	<b>(377,200)</b>	<b>(517,273)</b>	<b>(894,473)</b>	<b>(48,982)</b>	<b>(943,455)</b>
Transfers	(1,283,230)	50,205	(1,233,025)	-	(1,233,025)
Capital grants	-	-	-	597,596	597,596
<b>NET INCOME (LOSS)</b>	<b>(1,406,407)</b>	<b>(296,539)</b>	<b>(1,702,946)</b>	<b>220,168</b>	<b>(1,482,778)</b>
<b>Net Assets, December 31, 2008</b>	<b>32,418,374</b>	<b>12,965,590</b>	<b>45,383,964</b>	<b>14,372,377</b>	<b>59,756,341</b>
Prior period adjustment	-	-	-	(303,132)	(303,132)
<b>Net Assets, as adjusted, December 31, 2008</b>	<b>32,418,374</b>	<b>12,965,590</b>	<b>45,383,964</b>	<b>14,069,245</b>	<b>59,453,209</b>
<b>Net Assets, December 31, 2009</b>	<b>\$31,011,967</b>	<b>\$ 12,669,051</b>	<b>\$ 43,681,018</b>	<b>\$14,289,413</b>	<b>\$ 57,970,431</b>

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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>PRIMARY GOVERNMENT</b>		<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNIT</b>	<b>TOTAL PROPRIETARY FUNDS</b>
	<b>WATER FUND</b>	<b>SEWER FUND</b>			
<b>Cash Flows From Operating Activities:</b>					
Cash received from users	\$ 3,111,032	\$ 4,560,689	\$ 7,671,721	\$ 2,468,556	\$ 10,140,277
Cash paid to employees	(559,789)	(338,133)	(897,922)	(964,399)	(1,862,321)
Cash paid for employees benefits	(238,273)	(176,961)	(415,234)	(11,970)	(427,204)
Cash paid for operating expenses	(974,389)	(2,581,165)	(3,555,554)	(3,170,096)	(6,725,650)
Cash received from operating grants	-	-	-	2,057,521	2,057,521
<b>Net Cash Provided by Operating Activities</b>	<b>1,338,581</b>	<b>1,464,430</b>	<b>2,803,011</b>	<b>379,612</b>	<b>3,182,623</b>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Payments from (to) related party	295,991	85,000	380,991	-	380,991
Payments from (to) other funds	(229,879)	360,088	130,209	-	130,209
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>66,112</b>	<b>445,088</b>	<b>511,200</b>	<b>-</b>	<b>511,200</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of Fixed Assets	(283,657)	(724,612)	(1,008,269)	(709,172)	(1,717,441)
Federal capital grant	-	-	-	597,596	597,596
Interest payments of bonded indebtedness	(424,900)	(503,958)	(928,858)	(69,680)	(998,538)
Principal payments for bonded indebtedness	(730,785)	(681,136)	(1,411,921)	(152,519)	(1,564,440)
Loans provided net of principal payments received	-	-	-	(281,592)	(281,592)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(1,439,342)</b>	<b>(1,909,706)</b>	<b>(3,349,048)</b>	<b>(615,367)</b>	<b>(3,964,415)</b>
<b>Cash Flows From Investing Activities:</b>					
Transfers to/from investments	-	-	-	93,158	93,158
Interest received	34,649	188	34,837	24,596	59,433
<b>Net Cash Provided by Investing Activities</b>	<b>34,649</b>	<b>188</b>	<b>34,837</b>	<b>117,754</b>	<b>152,591</b>
Net Increase (Decrease) in Cash and Cash Equivalent	-	-	-	(118,001)	(118,001)
<b>Cash and Cash Equivalents at January 1, 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,601,325</b>	<b>1,601,325</b>
<b>Cash and Cash Equivalents at December 31, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,483,324</b>	<b>\$ 1,483,324</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 254,023	\$ 170,529	\$ 424,552	\$ (328,446)	\$ 96,106
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>					
Depreciation	1,095,920	824,952	1,920,872	952,379	2,873,251
<b>Changes in assets and liabilities:</b>					
Decrease (Increase) in accounts receivable	(29,963)	301,799	271,836	36,781	308,617
Decrease (Increase) in inventories	-	-	-	(48)	(48)
Decrease (Increase) in prepaid items	13,949	7,836	21,785	17,653	39,438
Increase (Decrease) in accounts payable	(17,938)	149,297	131,359	74,699	206,058
Increase (Decrease) in deferred revenues	-	-	-	45,304	45,304
Increase (Decrease) in accrued expenses and other liabilities	22,590	10,017	32,607	(418,710)	(386,103)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,338,581</b>	<b>\$ 1,464,430</b>	<b>\$ 2,803,011</b>	<b>\$ 379,612</b>	<b>\$ 3,182,623</b>

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

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

	<u><b>AGENCY FUNDS</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,189,661
Investments	-
Due from related party	23,940
Due from other governments	<u>179,794</u>
<b>Total assets</b>	<u><u>1,393,395</u></u>
<b>LIABILITIES</b>	
Escrow funds returnable and other liabilities	<u>\$ 1,393,395</u>
<b>Total liabilities</b>	<u>1,393,395</u>
<b>NET ASSETS</b>	
	<u>-</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,393,395</u></u>

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

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

**NOTE A - Summary of Accounting Policies**

The City of Poughkeepsie, New York ("the City"), a municipal corporation, was incorporated in 1854, under the provisions of the State of New York. The City operates under a Council-Mayor form of government, which performs legal government functions, within its jurisdiction, including public safety, health and economic assistance and opportunity.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

**1. The Reporting Entity**

The basic financial statements of the City of Poughkeepsie include all funds of the primary government, which is the City, as well as the component unit and other organizational entities determined to be included in the City's financial reporting entity in accordance with GASB Statement No. 14. The decision to include a component unit in the City's reporting entity is based on several criteria set forth in GASB Statement No. 14 including legal standing, fiscal dependency, financial accountability, selection of governing authority and ability to significantly influence operations. Based on the application of these criteria, the following is a brief review of significant entities considered in determining the City's reporting entity. Complete financial statements of the individual entities can be obtained from their respective administrative offices.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**1. The Reporting Entity (Continued)**

The following entities are included in the reporting entity:

*Poughkeepsie Sewer Fund Joint Activity*

The Town and the City of Poughkeepsie are involved in a joint activity for sewage treatment facility operations (Joint Sewer). Each municipality's commitment is based upon its proportionate share of total sewage flow. Each municipality has financed its share separately. The joint activity is operated by U.S. Filter, Inc., an independent contractor hired by the City.

The City has the exclusive right to operate and maintain the joint facility. Beginning in 1993, the Joint Sewer is included as part of the primary government and its operations are presented as a special revenue fund, and its fixed assets are included in the City's general fixed assets account group.

*Poughkeepsie Housing Authority*

The Poughkeepsie Housing Authority (Housing Authority) was established by state statute. The Housing Authority administers federal, state funding and/or other financing for the provision of adequate housing for qualified low-income individuals in the City.

Of the seven members who serve as the governing board, five are appointed by the Mayor, which causes the Housing Authority to meet the criteria for inclusion as a component unit. The Housing Authority's financial information is presented discretely of the City. See Notes A.3.D and J.

*Poughkeepsie Industrial Development Agency*

The City of Poughkeepsie Industrial Development Agency (the Agency) is a public benefit corporation established under Section 856 of the New York State Industrial Development Agency Act of the State of New York and Chapter 73 of the Laws of 1970 of the State. The Agency was established to encourage economic growth within the City of Poughkeepsie, New York.

Entities excluded from the reporting entity are:

The City has determined that the following entities are not component units for the purposes of the financial statements of the City of Poughkeepsie: the Poughkeepsie Joint Water Project, Poughkeepsie City School District and the Greater Poughkeepsie Library District.

The Poughkeepsie Joint Water Project is a joint venture of the City and the Town of Poughkeepsie, and is further described in Note K.1.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**2. Basic Financial Statements – Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, water and sewer services, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are 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 City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City 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 City's functions and business-type 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.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) 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 City as an entity and the change in the City's net assets resulting from the current year's activities.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**3. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the City 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 City or meets the following criteria:

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

The following fund types are used by the City:

**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 City:

1. **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
2. **Special Grant Fund** is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These revenue sources consist primarily of federal and state grants.
3. **Capital Projects Fund** includes funds which are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
3. **Non-Major Governmental Funds** include other funds which are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

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

**B. Proprietary Funds**

Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Enterprise Fund – Enterprise funds, in contrast with internal service funds which provide services to other City operations, are used to account for those operations which provide services to the general public. The City's enterprise funds account for the City's water and sewer services.

**C. 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 City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The City'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

**D. Component Unit**

The Poughkeepsie Housing Authority is not considered to be part of the primary government and is presented as a component unit of the City. The financial information for the component unit in the accompanying basic financial statements is derived from its most recently issued audited annual financial statements as of and for the year ended March 31, 2009, which are available from the Housing Authority's office in Poughkeepsie, New York. The inclusion of this component unit in the City's basic financial statements reflects the City's financial accountability for this entity.

The Housing Authority has an agreement with the City in which they make retroactive payments in lieu of taxes for the years 1987-1996. For the year ended December 31, 2009 the City received \$34,702 towards prior year PILOT payments, leaving a remaining balance due of \$0.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**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**

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

**B. Modified Accrual**

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

**5. Financial Statement Amounts**

**A. Cash, Cash Equivalents and Certificates of Deposit**

Cash includes amounts in demand and interest-bearing deposits. State statutes and the City's own investment policy govern the investment policies of the City.

Demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance, must be collateralized by the banking institutions with investments governed under state statutes.

**CITY OF POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

The cash of the City at December 31, 2009, is as follows:

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>SPECIAL GRANT FUND</u>	<u>NON- MAJOR FUNDS</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
Non-Interest						
Bearing Accounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Bearing						
Accounts	-	4,801,722	5,789,934	594,793	-	11,186,449
Restricted Cash -						
Interest Bearing	<u>60,139</u>	<u>329,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,477</u>
<b>TOTALS</b>	<b><u>\$ 60,139</u></b>	<b><u>\$ 5,131,060</u></b>	<b><u>\$5,789,934</u></b>	<b><u>\$ 594,793</u></b>	<b><u>\$ -</u></b>	<b><u>\$11,575,926</u></b>

All of the above deposits were either covered by Federal Deposit insurance or collateralized with securities held by a third party bank in the City's name.

Restricted cash in the General Fund represents cash reserved for specific purposes.

Restricted cash recorded in the Capital Projects represents unspent funds borrowed from the New York State Environmental Facilities Corporation

**B. Investments**

Short-term investments consist of investments in U.S. Treasury agency securities and repurchase agreements. Market value of the repurchase agreements approximates cost plus accrued interest. The following table presents the carrying amount and market value of investments held at December 31, 2009 by type and categorizes the carrying amounts as follows: **Category 1** are those which are issued or registered, or held by the City or its agent in the City's name. **Category 2** are those which are uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name. **Category 3** includes uninsured and unregistered investments held by the counter party or by its trust department or agent but not in the City's name.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

	<u>CATEGORY</u> <u>1</u>	<u>CATEGORY</u> <u>2</u>	<u>CATEGORY</u> <u>3</u>	<u>MARKET</u> <u>VALUE</u>	<u>TOTAL</u>
Money Market Funds	\$ -	\$ 459,785	\$ -	\$ 459,785	\$ 459,785
U.S. Treasury Notes	-	<u>5,462,747</u>	-	<u>5,462,747</u>	<u>5,462,747</u>
<b>TOTALS</b>	<b><u>\$ -</u></b>	<b><u>\$ 5,922,532</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,922,532</u></b>	<b><u>\$ 5,922,532</u></b>

Disclosures relating to risk and type of investments as presented are indicative of activity and positions held during the year. Carrying value differs from Market value for anticipated transfers for cash flow purposes, amounting to \$141,734.

**C. Allowance for Un-collectible Accounts**

An allowance for un-collectible accounts is reflected in the General Fund for un-collectible property taxes. However, no such provision has been made in the Proprietary Funds since utility billings past due after six months are placed on the property tax rolls.

**D. Mortgage Loans Receivable**

The Community Development Program lends monies received through federal grants to individuals and nonprofit agencies at low interest rates to fund the acquisition and rehabilitation of low-income housing and other community development projects in Poughkeepsie. Loan disbursements are recorded as grant expenditures and loan repayments are recorded as program income. Mortgage loans receivable and the related deferred revenue accounts consist of principal and interest to be collected in future periods. No valuation allowance has been recorded. Revenue is recognized as the principal portion of the loan is collected.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**E. Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 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. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective December 31, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2007. The City elected to take advantage of the extended implementation period, however certain documentation was not readily available to support amounts reported in the financial statements.

**F. Deferred Revenues**

The City reports deferred revenues on its Governmental Funds Balance Sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when loans made by the City are funded by grants. In subsequent periods, when both recognition criteria are met, or when the City receives loan repayments, the liability for deferred revenue is removed and revenue is recognized.

**CITY OF POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

Deferred revenues consisted of the following at December 31, 2009:

	<u>GENERAL FUND</u>	<u>SPECIAL GRANT FUND</u>	<u>NON- MAJOR FUNDS</u>	<u>TOTAL</u>
Property Taxes	\$ 4,406,767	\$ -	\$ -	\$ 4,406,767
Federal and State Aid	-	-	77,448	77,448
Rehabilitation Loans	-	465,102	-	465,102
Fees paid in advance	-	-	160,277	160,277
<b>TOTALS</b>	<b><u>\$ 4,406,767</u></b>	<b><u>\$ 465,102</u></b>	<b><u>\$ 237,725</u></b>	<b><u>\$5,109,594</u></b>

**G. 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 as long-term debt in the statement of net assets.

**H. Property Taxes**

The City approves the budget for the current year on the last working day of the previous year. Property taxes are levied on January 15, and collected from February 1 through December 1. Penalties and interest are assessed after February 15. Unpaid taxes are converted to tax sale certificates for a period of two years and then sold at auction.

Taxes for Dutchess County and Greater Poughkeepsie Library District purposes apportioned to the area within the City are levied together with taxes for the City as a single bill. The City assumes enforcement responsibility for all taxes levied in the City.

Delinquent City school district taxes are turned over to the City for collection. The City collects payments on these unpaid school taxes until the following year's City tax sale. Any unpaid City school district taxes are included with unpaid City and county taxes on the tax sale certificates issued.

The City is permitted by the New York State Constitution - Article VIII - Local Finance, Section 10 to levy real property taxes up to a limit calculated in accordance with law.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

This limit is based upon the most recent five-year average full valuation of taxable real property within the City. The City's maximum taxing power, as provided by the Constitution, is limited to two percent of this average full valuation. However, the City of Poughkeepsie, through its City Charter (Subpart AA), limits the amount to be raised by tax on real estate, in addition to providing for the interest on and the principal of all indebtedness, to an amount not to exceed one and one-half percent of average full valuation. The City's self-imposed tax limit as computed for real property taxes levied by the City during 2009 was \$34,478,100, of which the amount required for the tax levy was \$18,967,097, leaving a margin of \$15,511,003. Therefore, the 2009 City tax levy, which is based on the 2009 assessment roll, utilized approximately 55.01% of its self-imposed tax limit including provisions for debt service.

**I. 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.

**J. Budgets**

Pursuant to Article 6 of the Second Class Cities Law of the State of New York and its own charter, the City legally adopts calendar year budgets for the General, Water, Sewer and certain non-major governmental funds. Certain amendments to the original budget made during the year require the approval of the Common Council. Budgetary comparison schedules are presented as required supplemental information for major funds only. Budgetary controls are established or adopted for the Capital Projects Fund on a project basis. Unused appropriation of the annually budgeted funds lapse at the end of the year.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**K. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

**L. Accumulated Compensated Absences**

Vacation and sick days are accumulated at an individual rate for employees of the City pursuant to contractual agreements. The City accrues a liability for compensated absences, which meet the following criteria:

1. The City's obligations relating to employees' rights to compensation for future absences are attributable to employee's services already rendered;
2. The obligation relates to rights that vest or accumulate;
3. Payment of the compensation is probable;
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation and sick pay, which has been earned and not taken by City employees. For governmental funds, the liability for compensated absences is recorded as a Long-Term Obligation, as it is anticipated that none of these liabilities will be liquidated with expendable available financial resources.

**M. Pension Plans**

**Plan Description**

The City 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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

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, New York 12236.

**Funding Policy**

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

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

	<i><b>ERS</b></i>	<i><b>PFRS</b></i>
2009	\$ <u>756,596</u>	\$ <u>1,912,075</u>
2008	\$ <u>927,506</u>	\$ <u>2,063,726</u>
2007	\$ <u>1,061,574</u>	\$ <u>2,078,624</u>

The City's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

**N. Post Employment Benefits**

The City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. The City has recognized the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. contribute approximately 50% of the premiums.

**CITY OF POUGHKEEPSIE, NEW YORK  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued)**

**N. Post Employment Benefits (Continued)**

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*, for the year ended December 31, 2008 on a prospective basis, the City 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 City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years. The City had an actuarial valuation performed as of January 1, 2009.

**Plan Description**

The City 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 City. This plan is a single employer plan, established by authority of the City Council and administered by the City. 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 City Hall. A summary of benefits is as follows:

Contracts	% Paid by City	
	Retiree	Spouse
CSEA -		
Retirees hired prior to 1989	100%	100%
Retirees hired post 1989	100%	0%
IAFF -		
Retirees hired prior to 1995	100%	100%
Retirees hired post 1995	100%	0%
PBA -		
Retirees hired prior to 1993	100%	100%
Retirees hired post 1993	75%	75%

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued):**

**N. Post Employment Benefits (Continued)**

**Funding Policy**

The City provides funding on the pay-as-you-go method by payment of current insurance premiums. Currently, New York's General Municipal Laws do not permit funding of the OPEB obligation, therefore there are no plan assets.

**Annual Other Postemployment Benefit Cost**

The City's OPEB cost (expense) amounted to \$1,661,144 for the year ended December 31, 2009. The City's OPEB cost was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 less the amount that the City paid in the current year for retirees. 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.

**Net Other Postemployment Benefit Obligation**

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 trend of health care costs. Amounts determined regarding the funding status of the plan and the required contributions of the City 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.

**CITY OF POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**5. Financial Statement Amounts (Continued):**

**N. Post Employment Benefits (Continued)**

Actuarial Accrued Liability (AAL)	
All eligible employees	\$ 23,139,400
Total Actuarial Accrued Liability	<u>\$ 23,139,400</u>
Annual Required Contribution (ARC)	<u>\$ 2,263,100</u>
Net OPEB Obligation - beginning of the year	\$ 1,601,200
Annual Required Contribution (ARC)	2,263,100
Interest on Net OPEB obligation	64,000
Adjustment to Annual Required Contribution	62,400
Annual OPEB cost	2,264,700
Actual Employer Contributions*	603,556
Increase in Net OPEB Obligation	1,661,144
Net OPEB Obligation - end of the year	<u>\$ 3,262,344</u>
Percent of annual OPEB cost contributed	26.65%

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

**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.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**4. Financial Statement Amounts (Continued)**

**N. Post Employment Benefits (Continued)**

In the January 1, 2009, actuarial valuation, the liabilities were computed using the projected unit credit cost method and level dollar amortization. The actuarial assumptions utilized a 4% baseline discount rate. The valuation assumes the following rates of increase in health care costs:

<u>Fiscal</u> <u>Year</u>	<u>Pre-65</u> <u>Medical</u>	<u>Post-65</u> <u>Medical</u>	<u>Prescription</u> <u>Drug*</u>
2009	8.70%	8.70%	-
2010	8.20%	8.20%	-
2011	7.80%	7.80%	-
2012	6.00%	6.00%	-
2013	6.00%	6.00%	-
2014	5.90%	5.90%	-
2015	5.90%	5.90%	-
2016	5.90%	5.90%	-

\*Information unavailable

	<u>Pre-65</u> <u>Medical</u>	<u>Post-65</u> <u>Medical</u>	<u>Prescription</u> <u>Drug*</u>
Healthcare cost trend rate assumed for next fiscal year	8.70%	8.70%	-
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%	-
Fiscal year that the rate reaches the ultimate trend rate	2016	2016	-

\*Information unavailable

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE A - Summary of Accounting Policies (Continued)**

**3. Financial Statement Amounts (Continued)**

**O. Insurance**

The City of Poughkeepsie assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are generally covered by the purchase of commercial insurance for losses in excess of specified limits. The City is self-insured for risks below those limits.

Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated and which is not covered by the commercial insurance coverage described above. The City has prepared an estimate of losses based on the above criteria and recorded that liability in the statement of net assets, and described in Note D.1.b.

The self-funded reserve amounts as of December 31, 2009 are reported as Reserves of Fund Balance for Self-Insurance and for Employee Benefits in the General and Non-Major Funds, totaling \$1,500,000 and \$135,848.

**P. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE B - Interfund Receivables, Payables and Transfers**

The following is a summary of amounts due from and due to other funds and transfers as of December 31, 2009. These inter-fund balances have been eliminated as part of the aggregation of balances in the statement of net assets. Such balances arise through the use of a pooled cash disbursement account and the temporary funding of capital projects. Transfers are recorded for the reimbursement of expenses and the permanent funding of capital projects.

<b><u>FUND</u></b>	<b><u>RECEIVABLE</u></b>	<b><u>PAYABLE</u></b>
General	\$ 5,495,509	\$ 9,422,097
Capital Projects	6,853,090	4,753,344
Special Grant	869,827	225,340
Non-Major	<u>132,391</u>	<u>1,089,925</u>
subtotal Governmental funds	13,350,817	15,490,706
Proprietary funds:		
Water	-	633,851
Sewer	<u>2,773,740</u>	<u>-</u>
subtotal Proprietary funds	<u>2,773,740</u>	<u>633,851</u>
<b>TOTALS</b>	<b><u>\$ 16,124,557</u></b>	<b><u>\$ 16,124,557</u></b>
	<b><u>TRANSFERS IN</u></b>	<b><u>TRANSFERS OUT</u></b>
General	\$ 1,221,186	\$ 4,831,621
Capital Projects	-	569,802
Special Grant	-	518,415
Non-Major	<u>5,472,498</u>	<u>171,183</u>
subtotal Governmental funds	6,693,684	6,091,021
Proprietary funds:		
Water	-	652,868
Sewer	<u>50,205</u>	<u>-</u>
subtotal Proprietary funds	<u>50,205</u>	<u>652,868</u>
<b>TOTALS</b>	<b><u>\$ 6,743,889</u></b>	<b><u>\$ 6,743,889</u></b>

\* Proprietary Funds are shown net. Administrative and debt service costs are included in these amounts.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE C – Capital Assets**

	<b>BALANCE</b>			<b>BALANCE</b>
	<b>JANUARY 1,</b>			<b>DECEMBER 31,</b>
	<b><u>2009</u></b>	<b><u>ADDITIONS</u></b>	<b><u>(DISPOSALS)</u></b>	<b><u>2009</u></b>
<b>Governmental activities:</b>				
Land	\$ 3,823,617	\$ -	\$ -	\$ 3,823,617
Buildings	36,403,735	295,663	-	36,699,398
Infrastructure & Improvements	28,848,940	1,042,929	-	29,891,869
Machinery & equipment	22,985,605	1,220,466	-	24,206,071
Construction in Progress	<u>7,167,484</u>	<u>9,819,105</u>	-	<u>16,986,589</u>
<b>Totals at historical cost</b>	<u>99,229,381</u>	<u>12,378,163</u>	-	<u>111,607,544</u>
Less accumulated depreciation				
Buildings	(16,179,631)	(951,852)	-	(17,131,483)
Infrastructure & Improvements	(13,847,718)	(1,533,236)	-	(15,380,954)
Machinery & equipment	<u>(15,925,200)</u>	<u>(2,252,939)</u>	-	<u>(18,178,139)</u>
<b>Total accumulated depreciation</b>	<u>(45,952,549)</u>	<u>(4,738,027)</u>	-	<u>(50,690,576)</u>
<b>Governmental activities</b>				
<b>capital assets, net</b>	<u>\$ 53,276,832</u>	<u>\$ 7,640,136</u>	<u>\$ -</u>	<u>\$ 60,916,968</u>

\*Depreciation was charged to governmental activities as follows:

General government support	\$ 328,853
Public safety	1,119,194
Health	2,245
Transportation	2,932,766
Economic assistance & opportunity	8,506
Culture & recreation	120,698
Home & community service	<u>225,765</u>
<b>Total depreciation expense</b>	<u>\$ 4,738,027</u>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE C – Capital Assets (Continued)**

	<b>BALANCE</b>			<b>BALANCE</b>
	<b>JANUARY 1,</b>	<b>ADDITIONS</b>	<b>(DISPOSALS)</b>	<b>DECEMBER 31,</b>
	<b>2009</b>			<b>2009</b>
<b>Business-type activities</b>				
Land	\$ 34,384	\$ -	\$ -	\$ 34,384
Buildings	5,059,339	-	-	5,059,339
Infrastructure & Improvements	71,363,958	657,868	-	72,021,826
Machinery & equipment	5,425,028	-	-	5,425,028
Construction in Progress	2,529,414	1,008,269	(657,868)	2,879,815
<b>Totals at historical cost</b>	<u>84,412,123</u>	<u>1,666,137</u>	<u>(657,868)</u>	<u>85,420,392</u>
Less accumulated depreciation				
Buildings	(5,037,778)	(21,561)	-	(5,059,339)
Infrastructure & Improvements	(21,206,057)	(1,809,673)	-	(23,015,730)
Machinery & equipment	(4,715,160)	(89,638)	-	(4,804,798)
<b>Total accumulated depreciation</b>	<u>(30,958,995)</u>	<u>(1,920,872)</u>	<u>-</u>	<u>(32,879,867)</u>
<b>Business-type capital assets, net</b>	<u>\$ 53,453,128</u>	<u>\$ (254,735)</u>	<u>\$ (657,868)</u>	<u>\$ 52,540,525</u>

\*Depreciation was charged to business-type activities as follows:

Home & community service

**Total depreciation expense**      \$ 1,920,872

**NOTE D - Long-Term Liabilities**

**1. Types**

**a. Serial Bonds and Installment Purchase Debt**

The City borrows money in order to acquire or construct buildings and public improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the City. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. Current principal and interest payments are included in the expenditures of the Debt Service Fund. The City has utilized 55% of its constitutional debt limit as of December 31, 2009 before adjustments for water and sewer debt.

**CITY OF POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE D - Long-Term Liabilities (Continued)**

**b. Judgments and Claims**

As described in Note A.5.O, the City has prepared an estimate of future loss liabilities based on historical trends and other factors.

**c. Compensated Absence and Vacation Pay Obligations**

The City has prepared an estimate of the value of earned but unused leave time which is payable from future resources.

**2. Changes**

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

	<b>BALANCE JANUARY 1, 2009</b>	<b>INCREASE</b>	<b>(DECREASE)</b>	<b>BALANCE DECEMBER 31, 2009</b>	<b>AMOUNTS DUE WITHIN ONE YEAR</b>
<b>Long Term Liabilities:</b>					
Serial Bonds	\$ 48,747,751	8,594,852	(4,055,603)	53,287,000	\$ 4,366,000
Installment Purchase Debt	13,616	68,723	(31,121)	51,218	28,243
Judgments and Claims	500,000	-	-	500,000	-
Landfill Costs	508,246	-	(19,352)	488,894	17,510
Compensated Absences	<u>5,224,562</u>	<u>426,811</u>	<u>-</u>	<u>5,651,373</u>	<u>65,000</u>
<b>Totals</b>	<b><u>\$ 54,994,175</u></b>	<b><u>\$ 9,090,386</u></b>	<b><u>\$ (4,106,076)</u></b>	<b><u>\$ 59,978,485</u></b>	<b><u>\$ 4,476,753</u></b>

Compensated absences and vacation pay are shown net, since it is impracticable to determine the changes separately.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE D - Long-Term Liabilities (Continued)**

**3. Description**

**a. Serial Bonds**

The City borrows money in order to acquire or construct buildings and public improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the City, are recorded in the long-term liabilities. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of long-term liabilities.

<b><u>PURPOSE</u></b>	<b><u>ORIGINAL ISSUE DATE</u></b>	<b><u>FINAL MATURITY DATE</u></b>	<b><u>INTEREST RATE</u></b>	<b><u>ORIGINAL AMOUNT OF ISSUE</u></b>	<b><u>AMOUNT OUTSTANDING AT DECEMBER 31, 2009</u></b>
Public Improvement	8/90	2010	7.12%	6,400,000	400,000
Public Improvement	12/91	2012	6.20%	3,557,100	67,000
Public Improvement	7/93	2013	4.88%	5,045,000	400,000
Public Improvement	5/94	2014	5.75%	2,000,000	85,000
Pine St. Refunding Bonds	3/96	2014	3.9-5.2%	1,450,000	520,000
Public Improvement	12/96	2011	4.55-5.0%	2,906,000	200,000
Various Purposes	12/97	2012	4.40%	1,965,000	195,000
Water Treatment Plant Water Distribution Improvement	6/99	2019	3.48-5.43%	3,188,667	1,870,000
Various Purposes	11/99	2011	4.16-5.2%	594,000	127,040
Various Purposes	11/99	2011	4.16-5.2%	3,973,000	847,960
Various Purposes	3/01	2013	3.48-5.13%	545,451	315,000
Water Waste Water Treatment Plant	3/02	2023	2.95%	5,116,460	3,770,000
Waste Water Treatment Plant	3/03	2025	2.58%	2,485,000	1,860,000
Plant	3/03	2028	2.95%	670,000	550,000
Sewer	7/03	2030	.79-4.612%	1,200,044	990,000
Various Purposes	3/04	2019	3.56%	10,565,000	7,850,000
Water Treatment Plant	7/05	2025	2.505-4.015%	164,476	145,000
Public Improvement	9/05	2024	3.25-5.50%	4,630,000	3,930,000
Public Improvement	7/06	2024	4.00%	8,535,000	7,575,000

**CITY OF POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE D - Long-Term Liabilities (Continued)**

**3. Description (Continued)**

**a. Serial Bonds (Continued)**

<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 AT DECEMBER 31, 2009</u>
Public Improvement	9/06	2016	5.50%	2,319,610	1,775,000
Drinking Water	7/06	2026	3.607-4.775%	854,751	755,000
Various Purposes	7/07	2023	4.00-5.00%	5,907,930	5,470,000
Various Purposes	7/08	2030	3.00%	5,350,000	5,250,000
Library	4/09	2030	2.00-5.00%	6,049,852	5,795,000
Public Improvement	4/09	2030	2.00-5.00%	2,545,000	2,545,000
<b>TOTAL SERIAL BONDS</b>				<u>\$ 88,017,341</u>	<u>\$ 53,287,000</u>

**b. 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 City has entered into a Bond Anticipation financing Agreement with the New York State Environmental Facilities Corporation the proceeds of which are being used to fund sewer improvements. These agreements provide for loans at not interest whose proceeds are distributed upon presentation of qualifying expenditures. The City intends to permanently finance this debt upon maturity with long-term serial bonds.

The Bond Anticipation Notes Payable as of December 31, 2009 are as follows:

<u>PURPOSE</u>	<u>ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>ORIGINAL AMOUNT OF ISSUE</u>	<u>AMOUNT OUTSTANDING AT DECEMBER 31, 2009</u>
Various	4/09	4/10	3.00%	\$ 8,922,226	\$ 8,922,226
Various	7/09	7/10	2.50%	5,865,863	5,249,000
Various	7/09	7/10	2.50%	9,133,000	9,133,000
Total Bond Anticipation Notes				<u>\$ 23,921,089</u>	<u>\$ 23,304,226</u>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE D - Long-Term Debt (Continued)**

**b. Bond Anticipation Notes Payable (Continued)**

Changes in Bond Anticipation Notes Payable for the year ended December 31, 2009 are as follows:

Changes in Bond Anticipation Notes are as follows:

	<b>BALANCE</b>			<b>BALANCE</b>	<b>AMOUNTS</b>
	<b>JANUARY 1,</b>	<b>NEW</b>	<b>REFINANCED/</b>	<b>DECEMBER 31,</b>	<b>DUE</b>
	<b><u>2009</u></b>	<b><u>ISSUES</u></b>	<b><u>PAYMENTS</u></b>	<b><u>2009</u></b>	<b><u>WITHIN</u></b>
					<b><u>ONE YEAR</u></b>
Bond Anticipation					
Notes Payable:					
Capital Projects	\$ 21,456,715	\$ 8,922,226	\$ (9,491,715)	\$ 20,887,226	\$ 20,887,226
Sewer Fund	1,746,000		(1,000)	1,745,000	1,745,000
Water Fund	691,000	-	(19,000)	672,000	672,000
	<u>\$ 23,893,715</u>	<u>\$ 8,922,226</u>	<u>\$ (9,511,715)</u>	<u>\$ 23,304,226</u>	<u>\$ 23,304,226</u>

**c. Amortization**

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

<b><u>YEAR ENDING</u></b>	<b><u>PRINCIPAL</u></b>	<b><u>INTEREST</u></b>	<b><u>TOTAL</u></b>
<b><u>DECEMBER 31,</u></b>			
2010	4,366,000	2,124,092	6,490,092
2011	3,786,000	1,943,620	5,729,620
2012	3,300,000	1,808,327	5,108,327
2013	3,305,000	1,683,063	4,988,063
2014	3,385,000	1,552,903	4,937,903
2015-2019	17,635,000	5,544,454	23,179,454
2020-2024	13,060,000	2,367,547	15,427,547
2025-2029	3,985,000	546,881	4,531,881
2030	465,000	20,992	485,992
<b>TOTALS</b>	<b><u>\$ 53,287,000</u></b>	<b><u>\$ 17,591,879</u></b>	<b><u>\$ 70,878,879</u></b>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE E - Defeasement of Debt**

**1. Defeasement of Water Fund Debt**

In February 1996, the City received the proceeds of the sale of an interest in the City Water Treatment facility. Since the City had debt outstanding which funded a portion of the assets sold, but which was not callable, the City was required to establish a mandatory reserve for the principal amount. The reserve funds were placed in an irrevocable trust with an escrow agent which will be used to pay the debt when due. Accordingly, the bonds are considered to be defeased and the liability for those bonds has been removed from Long Term Liabilities.

The total debt defeased amounted to \$3,535,000. At December 31, 2009 the amount of debt defeased amounted to \$873,000.

**2. Advance Refunding of Sewer Fund Debt**

As of February 1, 1996, the City issued \$4,772,800 in General Obligation Bonds with an average interest rate of 4.77% through the New York State Environmental Facilities Corporation. The proceeds were used to fund improvements to the wastewater treatment plant, \$3,322,000, and refinance (advance refund) a portion of the 1994 Series bonds, \$1,450,000, with an average interest rate of 5.77%. The net proceeds of the refunding portion, \$1,377,914, after payment of \$72,085 in underwriting and other issuance costs were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of 1994 Series bonds being refunded. Consequently, that portion of the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's accounts. At year-end the balance defeased amounted to \$615,000.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE F - Leases**

**1. Operating Leases**

The City is committed under various leases for office and communication equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended December 31, 2009 amounted to \$328,038. These leases run for a maximum term of up to seven years with renewal or purchase options available to the City.

At December 31, 2009, the approximate future annual operating lease commitments, subject to appropriation of funds, were as follows:

<b><u>YEAR ENDING</u></b> <b><u>DECEMBER 31,</u></b>	<b><u>OPERATING</u></b> <b><u>LEASES</u></b>
2010	119,358
2011	76,136
2012	44,031
2013	<u>42,749</u>
<b>Total minimum lease commitments</b>	<b><u>\$ 282,274</u></b>

**2. Capital Leases**

The City currently has three capital leases; two for fire communications equipment and one for the City's server. The two fire equipment leases consists of a monthly payment inclusive of principal and interest of \$426 and \$600, ending in January 2009 and October 2010, respectively.

At December 31, 2009, the approximate future annual capital lease commitments, subject to appropriation of funds, were as follows:

<b><u>YEAR ENDING</u></b> <b><u>DECEMBER 31,</u></b>	<b><u>CAPITAL</u></b> <b><u>LEASES</u></b>
2010	\$ 28,243
2011	<u>22,975</u>
<b>Total minimum lease commitments</b>	<b><u>\$ 51,218</u></b>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE G - Related Party Transactions - Due to Other Governments**

**1. Poughkeepsie City School District**

The City of Poughkeepsie acts as the tax enforcement agent for the collection of delinquent city school taxes. At December 31, 2009, the City had included \$2,255,504 in Due to Other Governments for delinquent school taxes due to the school district representing the current and prior two year unpaid taxes.

The current year liability is paid to the school monthly, as taxes are collected by the City. Final settlement is made in the January following the end of two years.

**2. Dutchess County**

The City acts as the tax enforcement agent for the collection of delinquent County taxes for properties located within the City limits. At December 31, 2009, the City owed \$1,738,218 for property taxes.

**NOTE H - Commitments and Contingencies**

**1. Litigation**

There are various lawsuits, tax certiorari cases and claims pending against the City. However, in general, in the opinion of the City's Counsel, the resolution of these proceedings will not have a material effect on the City's financial position, although they could have a material effect on operating results of a given year when resolved in a future period.

The ultimate resolution of these matters cannot therefore presently be determined and the potential liability, if any, for these claims cannot be reasonably estimated on an individual basis. The City has made a provision for such matters in the aggregate, however. Such provision is included in the Judgment and Claims liability.

**2. Grant Programs**

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE H - Commitments and Contingencies (Continued)**

**3. Authorized Debt**

The City's authorized but unissued debt as of December 31, 2009 is as follows:

<u>DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
April-99	Water Treatment Plant Upgrade	333
November-99	City Hall	13,000
May-00	Storm Sewers	696
May-00	Academy Street lots and curbs	28,000
May-00	Whitter Blvd. Storm separation	300,000
May-00	Academy and South Ave Sewers	75,000
October-00	Sewer Treatment Plant Upgrades	30,550
May-01	Sewer Improvements	300,000
May-01	College Hill Reservoir	9,000
August-01	DPW Compound Bridge	99,000
October-01	Wastewater Treatment Plant	92,234
November-01	FPD Reconstruction phase 4	73,000
February-02	Reconstruction of Sewers	100,000
April-03	Wastewater Treatment Plant	381,890
September-03	Dutchess Ave. Pump Station	12,000
April-04	Water Volume Enhancement	700,000
August-04	Sanitary Sewers	50,000
January-05	Equipment Improvements WWTP	8,000
February-05	Sewer Treatment Plant Generator	495,524
March-05	Purchase of Equipment	21,620
June-05	Structural Assessment DPW Bldg.	100,000
June-05	Firebox System Upgrade	230,000
November-05	Sanitary Sewers Grand Avenue	68,000
November-05	Flushing Design & Water Program	5,249
June-06	Rinaldi Boulevard	2,000,000
May-07	Pine St. & Lincoln Ave Sewer	878,000
May-07	Sidewalks	650,000

**CITY OF POUGHKEEPSIE, NEW YORK  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE H - Commitments and Contingencies (Continued)**

**3. Authorized Debt (Continued)**

May-07	Street Paving	275,000
May-07	Technology (GIS)	50,000
May-07	Parking Improvements	425,000
May-07	Sanitary Sewer & TV condition assessment	460,000
August-07	Tunnel Liner	440,000
September-07	Recycling Trucks	300,000
May-08	Pine Street Repair	431,250
May-08	Sidewalks	604
<b>Total</b>		<b>\$ 9,102,950</b>

**4. Capital Projects**

Annually, the City revises its five year capital program which, updated through September 2010, included a total of \$79,537,000 in capital expenditures through the year 2014. This plan covers equipment purchases, and infrastructure improvements, including park renovations, water distribution and sanitary sewer improvements, as well as major repairs to city-owned properties.

In particular, the planned expenditures for years 2010 through 2014 amount to \$4,688,000 for equipment and \$74,849,000 for infrastructure improvements for a total of \$79,537,000.

The City intends to fund these improvements through a combination of budgetary appropriations, bonding, state and federal aid.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE I - Conduit Debt Obligations**

From time to time, the City of Poughkeepsie Industrial Development Agency has issued Industrial Development Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2009, there were two series of Industrial Development Bonds outstanding, with an aggregate principal amount payable of \$19,837,701.

**NOTE J - Component Units**

**Poughkeepsie Housing Authority**

**1. Description of Organization and Summary of Significant Accounting Policies**

**a. Organization**

The Poughkeepsie Housing Authority (the Housing Authority) was organized pursuant to the Housing Statutes of the State of New York. The Housing Authority's purpose is to provide low rent housing to qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development, other Federal agencies, and the New York State Division of Housing and Community Renewal.

**b. Reporting Entity**

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14. of the Governmental Accounting Standards Board, The Financial Reporting Entity. These criteria include manifestation of oversight responsibility: including financial accountability; appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**1. Description of Organization and Summary of Significant Accounting Policies (Continued)**

Based upon the application of these criteria, the reporting entity is composed of the following programs which include all component units:

**POUGHKEEPSIE HOUSING AUTHORITY**

The financial statements of the Poughkeepsie Housing Authority include Low-Rent Public Housing under Annual Contributions Contract NY-540, Housing Choice Voucher (NY-062), New York State Housing, Public Housing Capital Fund Program, and Neighborhood Economic & Cultural Activity Program, Inc. (Note 20-Component Unit).

**Blended Component Unit**

Included in the reporting entity is Neighborhood Economic & Cultural Activity Program, Inc. (NECAP) (Note 20). NECAP was formed to generate monies to be used to support public housing activities not sufficiently funded elsewhere. Due to the composition of the Board of Directors being the same as the Board of Commissioners of Poughkeepsie Housing Authority this entity is being presented as a blended component unit.

The Authority's policy for defining operating activities in the statement of revenues, expenses, and changes in net assets are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include net investment income and interest expense.

GASB Statement No. 34 requires that resources be classified for accounting and financial reporting purposes into the following four net asset categories:

**Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

**Restricted – nonexpendable:** Net assets subject to externally imposed conditions that the Authority must maintain them in perpetuity.

**Restricted – expendable:** Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Authority or by the passage of time.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**1. Description of Organization and Summary of Significant Accounting Policies (Continued)**

Unrestricted: All other categories of net assets. Included in unrestricted net assets are amounts not available for other purposes.

The Authority has adopted a policy of generally utilizing restricted-expendable funds, when available, prior to unrestricted funds.

**c. Basis of Accounting**

Under GAAP methodology, operations of the Authority are recorded in the Proprietary Fund type. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operation. Specifically, all FASB's issued after November 30, 1989, have been reflected in these financial statements.

The authority has adopted GASB 33 and, as such, grant revenues for both hard and soft costs accounted for in the comprehensive grant programs and capital fund programs are treated as operating revenues and flow through the income statement.

The Authority's Proprietary Fund Type consists of the Enterprise fund. This fund is used to account for those operations that are financed and operated in a manner similar to private business, or where the board had decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

1. Schedule of Expenditures of Federal Awards – The accompanying schedule of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**1. Description of Organization and Summary of Significant Accounting Policies (Continued)**

**d. Budgets**

Budgets are prepared on an annual basis for each major program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor legally required for financial statements presentation.

**e. Inventory**

Inventory of supplies is recorded at the lower of cost (determined by using the "first-in-first-out" method) or market. All inventory on hand is expected to be consumed in the coming year(s).

**f. Property and Equipment**

Property and equipment are recorded at cost or estimated cost or, in the case of gifts, at market value at the date of the gift, and depreciated on the straight-line basis over the estimated useful lives of the respective assets. The Housing Authority's policy is to capitalize all expenditures over \$500 with an estimated useful life exceeding 1 year, buildings and improvements are being depreciated over 15-40 years and furniture, fixtures and equipment are being depreciated over 3-7 years.

**g. Tenant Accounts Receivable**

Tenant accounts receivable are reflected at the amount management deems to be collectible. An allowance for doubtful accounts has been provided for those amounts deemed uncollectible.

**h. Use of Estimates**

Management of the Housing Authority has made estimates and assumptions relating to the reporting of the assets and liabilities and the disclosure of contingencies to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

**i. Cash/Cash Equivalents**

On the basic financial statements, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**CITY OF POUGHKEEPSIE, NEW YORK  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**1. Description of Organization and Summary of Significant Accounting Policies (Continued)**

**j. Investments**

The authority is required to invest in Department of Housing and Urban Development approved investments. Those investments include certificates of deposits and savings accounts. Investments are reported at market value.

**k. Revenue Recognition**

Revenues are recognized in the accounting period when earned. State and local appropriations are recognized when they are legally available for expenditure. Revenues and expenses arising from non-exchange transactions are recognized when all eligibility requirements, including time requirements, are met.

**l. Interfund Transfers**

During the course of operations the Authority had numerous transactions between funds. This interfund activity had no effect on the basic financial statements as a whole and, therefore, was eliminated from the entity wide financial statements.

**2. Accounts Receivable**

Accounts receivable at March 31, 2009, represents the following:

Accounts receivable - HUD	\$ 7,178
Accounts receivable - other governments	24,521
Tenant accounts receivable	62,055
Other receivables	74,190
Notes and mortgages receivable - current	2,208
Allowance for doubtful accounts	(36,028)
Accrued Interest receivable	<u>2,571</u>
	<u>\$ 136,695</u>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**2. Property and Equipment**

**3. Property and equipment and the related depreciation as of March 31, 2009, are summarized as follows:**

	Low Rent	Housing Choice Vouchers	CFP	Accumulated Depreciation	Net Book Value
Land	\$ 337,280	\$ -	\$ -	\$ -	\$ 337,280
Buildings	28,562,576	-	268,289	24,550,885	4,279,980
Furniture, equipment & machinery - dwellings	440,212	-	6,764	362,024	84,952
Furniture, equipment & machinery - admin	766,712	2,071	51,171	765,428	54,526
Leasehold improvements	2,595,369	-	430,786	1,900,393	1,125,762
	<u>\$ 32,702,149</u>	<u>\$ 2,071</u>	<u>\$ 757,010</u>	<u>\$ 27,578,730</u>	<u>\$5,882,500</u>

Changes in land, buildings, furniture, equipment and machinery, and leasehold improvements are as follows:

<u>Cost</u>	Balance March 31, 2008	Additions	Deletions	Balance March 31, 2009
Land	\$ 337,280	\$ -	\$ -	\$ 337,280
Buildings	28,606,043	224,821	-	28,830,864
Furniture, equipment & machinery - dwellings	404,642	42,334	-	446,976
Furniture, equipment & machinery - admin	832,523	9,366	21,934	819,955
Leasehold improvements	2,593,575	432,580	-	3,026,155
	<u>\$ 32,774,063</u>	<u>\$ 709,101</u>	<u>\$ 21,934</u>	<u>\$ 33,461,230</u>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

<u>Accumulated Depreciation</u>	<u>Adjusted GAAP Balance</u>			<u>Balance</u>
	<u>March 31, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>March 31, 2009</u>
Land	\$ -	\$ -	\$ -	\$ -
Buildings	23,806,927	743,958	-	24,550,885
Furniture, equipment & machinery - dwellings	340,496	21,528	-	362,024
Furniture, equipment & machinery - admin	721,361	44,067	-	765,428
Leasehold improvements	1,778,340	142,826	20,773	1,900,393
	<u>\$ 26,647,124</u>	<u>\$ 952,379</u>	<u>\$ 20,773</u>	<u>\$ 27,578,730</u>

**4. Prepaid Expenses and Other Assets**

Prepaid expenses at March 31, 2009 consisted of the following:

Prepaid Insurance \$157,838

**5. Pension and Other Retirement Benefits**

**a. General Information**

The Housing Authority participated in the New York State and Local Employees' Retirement System (ERS). This is cost-sharing, multiple employer, public employee retirement system. This system offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**b. Plan Description**

The New York State and Local Employees' Retirement System provides 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 System. The Comptroller shall adopt, and may amend the rules and regulations for the administration and transaction of the business of the System, and for the custody and control of its funds. The System issues 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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

Local Retirement System; Gov. Alfred E. Smith State Office Building; Albany, New York 12244.

**c. Funding Policies**

The System is noncontributory except for employees who joined the New York State and Local Employees Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employer's contributions.

Contributions made to the System were equal to 100 percent of the contributions required for each year.

The Authority is required to contribute at an actuarially determined rate. The required contribution for the current year and previous two years are as follows:

2009	\$76,222
2008	73,670
2007	84,402

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on March 31, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added.

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- 1) Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- 2) Changes in the cycle of annual billing such that the contribution of a given fiscal year will be based on the value of the pension fund on the prior April 1 (e.g., billings due February 2009 would be based on the pension values as of March 31, 2008).

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**5. Pension and Other Retirement Benefits (Cont'd)**

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- 1) For State fiscal year (SFY) 2004-5, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of these pension costs not due until the fiscal year succeeding the fiscal year in which the bonding/amortization was instituted.
- 2) For SFY 2005-6, the amount in excess of 9.5% of employees' covered pensionable salaries.
- 3) For SFY 2007-8, the amount in excess of 10.5% of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005, through 2009. The total unpaid liability at the end of the fiscal year was \$0.

**d. Health Insurance**

The Housing Authority provides health insurance coverage to its employees after retirement.

All employees must formally retire under the New York Retirement System and have provided a total of at least 25 years of service as an employee of the Authority. The retiree must be at least 55 years old and not be covered by any other health plan. For the year ending March 31, 2009, 1 retiree was eligible at an annual cost of \$4,288.

**6. Income Taxes**

The Housing Authority is a non-profit entity which is subsidized by the Federal government and the State of New York. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal or State income tax returns.

**CITY OF POUGHKEEPSIE, NEW YORK  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**7. Cash and Cash Equivalents – Custodial Credit, Concentration of Credit, Interest Rate, and Foreign Currency Risks**

Cash Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority deposits may not be returned to it.

As of March 31, 2009, \$0 of the Authorities bank balance of \$1,684,263 was exposed to custodial risk as follows:

Uncollateralized	\$ <u>          -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Authority's name	\$ <u>          -</u>

**8. Intergovernmental Payables**

Intergovernmental payables at March 31, 2009, consisted of the following:

Pilot payable	\$ <u>52,818</u>
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**9. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

**10. Contingencies and Commitments**

As of March 31, 2009, the Authority had the following obligated but unexpended funds in open CFP projects:

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**11. Accrued Liabilities**

Accrued liabilities consisted of the following as of March 31, 2009:

Accrued compensated absences	\$	4,526
Accrued interests		11,241
Accrued payroll and taxes		32,463
Accrued other liabilities		84,728
		\$ 132,958

**12. Mortgages Receivable**

**Public Housing**

The balance consisted of 1 mortgage on single family homes sold to former tenants at varying interest rates and terms at April 1, 2008. The total of the remaining mortgage is \$14,240 with an interest rate of 5.375% maturing November 2014. The following is a summary of required principal repayments:

2010	\$	2,208
2011		2,330
2012		2,458
2013		2,737
2014		2,920
2015-2018		1,587
		\$ 14,240

The \$2,208 current portion of this balance is included in receivables – net on the Statement of Net Assets, and disclosed in Note 2 of this report. The \$12,032 non-current portion is included in the non-current assets account on the Statement of Net Assets and disclosed in Note 13 below.

		<u>Obligated but</u>
<u>CFP</u>		<u>Unexpended</u>
2008	\$	82,490
2007		56,540
2006		4,805

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**13. Non Current Assets**

**State Housing**

The balance in this account of \$7,500,000 at March 31, 2009, consists of 2 mortgages for the sale of the Eastman and Bixby projects to Eastman & Bixby Redevelopment Company. The first mortgage is for \$4,000,000 for 40 years with 6.22% interest which is due August 16, 2040. Interest accrues on the mortgage note from August 17, 2000 (date of sale) until the maturity date, unless prepaid earlier. Interest to the extent of one (1 %) percent per annum (the "Current Portion of Interest Payable") shall be due within 90 days of the last day of each calendar year, with the remainder accrued and payable upon maturing of the mortgage. The second mortgage is for \$3,500,000 for 40 years with an interest rate of 1.00% which is due August 16, 2040. Interest accrues on the mortgage note from August 17, 2000 until maturity date, unless prepaid earlier. Interest of one (1 %) percent per annum shall be due within 90 days after the last day of the each calendar year, with the remainder accrued and payable upon maturing of the mortgage. Summary of other non current assets is as follows:

Home buyers mortgages - non current	\$ 12,032
Mortgages receivable - state program	7,500,000
Accrued interest on mortgages receivable	<u>2,417,444</u>
	<u><u>\$9,929,476</u></u>

**14. Investments**

Investments at March 31, 2009, consisted of the following:

		Category
Savings account yielding .31%	\$ 94,692	1
Money market yielding .79%	50,561	1
Certificate of Deposits yielding 2.80% - 5.00%, maturing 4/8/09 - 7/16/09	<u>161,000</u>	1
	<u><u>\$ 306,253</u></u>	

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

Investments held at a financial institution can be categorized according to three levels of risk. These three levels are:

- 1) Category 1 - Insured, registered, or securities held by the Authority or its agent in the Authority's name.
- 2) Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department, or agent in the Authority's name.
- 3) Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Authority's name.

Investments in securities are stated at fair value. The fair value of securities is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation or depreciation is included in investment income in the combined statement of revenues, expenditures, and changes in net assets. Certain investments may not be federally insured which may subject the Authority to a concentration of credit risk. Although certain financial instruments may be at risk, no loss due to credit risk is anticipated as management does not expect nonperformance by the financial institution.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**15. Long-Term Liabilities**

Long term liability activity for the year ended March 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year	Amount Due Greater Than One Year
Notes Payable:						
State of New York	<u>\$ 2,547,316</u>	<u>\$ -</u>	<u>\$ (152,519)</u>	<u>\$ 2,394,797</u>	<u>\$ 152,519</u>	<u>\$ 2,242,278</u>
Other Liabilities:						
Compensated absences	94,806	9,052	(13,329)	90,529	4,526	86,003
Pilot payable	128,659	52,818	(181,477)	-	-	-
Escrow payable	<u>30,212</u>	<u>-</u>	<u>(1,099)</u>	<u>29,113</u>	<u>-</u>	<u>29,113</u>
Total Other Liabilities	<u>253,677</u>	<u>61,870</u>	<u>(195,905)</u>	<u>119,642</u>	<u>4,526</u>	<u>115,116</u>
Long Term Liabilities	<u>\$ 2,800,993</u>	<u>\$ 61,870</u>	<u>\$ (348,424)</u>	<u>\$ 2,514,439</u>	<u>\$ 157,045</u>	<u>\$ 2,357,394</u>

**CITY OF POUGHKEEPSIE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**15. Long-Term Liabilities (continued)**

**a. Debt Maturity**

Debt service requirements at March 31, 2009, were as follows:

<u>Year ended March 31</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 152,519	\$ 64,682
2011	152,519	59,593
2012	152,519	54,494
2013	152,519	50,416
2014	152,519	46,328
2015-2019	762,595	170,323
2020-2024	<u>869,607</u>	<u>69,486</u>
	<u>\$ 2,394,797</u>	<u>\$ 515,322</u>

**b. State Housing**

Due to State of New York, 2 notes due July 15, 2024 and October 1, 2023 at rates of 2.5% and 3%, respectively. Semi-annual principal and interest payments are required through maturity. Original amount of the notes were \$8,500,000. Payments on the debt are made with funds provided by the State of New York through a Loan and Subsidy Contract with the State of New York Division of Housing and Community Renewal.

**16. Economic Dependency**

For the year ended March 31, 2009, the Authority's revenues were primarily received from federal awards which are subject to availability of funds.

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**16. Long-Term Liabilities (continued)**

mandated by HUD. Such changes by occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total Financial support by HUD was \$3,059,446 for the year ending March 31, 2009.

**17. Prior Year Adjustments**

The total net assets beginning April 1, 2008, have been adjusted as follows:

Total net assets – beginning	\$14,372,377
Prior years expenses	<u>1,174</u>
Total net assets – beginning	<u>\$14,373,551</u>

**18. Risk Management**

The Authority is exposed to various risks of loss related to torts, damage to, and theft or destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the 2009 fiscal year, the Authority contracted with Housing Authority Insurance Group for liability, property and auto coverage. The Authority has had no significant reduction in insurance coverage from prior years. Because this is a public entity risk pool there is potential loss to members of the risk pool.

**19. Related Parties**

The City of Poughkeepsie considers the Authority to be a related party. Payments to The City of Poughkeepsie by the Authority for the fiscal year ended March 31, 2009 consisted of P.I.L.O.T. in the amount of \$52,818 and water costs in the amount of \$98,912 and sewer in the amount of \$105,757.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**20. Blended Component Unit**

Neighborhood Economic & Cultural Activity Program, Inc. (NECAP) is organized as a not for profit corporation. The purpose of the corporation is to generate monies to be used to support public housing activities not sufficiently funded otherwise. NECAP operates on a fiscal year that ends March 31, the same year end as the Housing Authority. The Board of the NECAP is appointed as follows: all members of the board are members by virtue of their position on the Housing Authority Board of Commissioners. In accordance with GASB 14 due to the Board of Directors of NECAP and the Authority being the same this entity is being reported as a blended entity.

Complete financial statements of NECAP can be obtained from the administrative offices:

Neighborhood Economic & Cultural Activity Program, Inc.  
4 Howard Street  
Poughkeepsie, NY 10601

**21. Asset Management**

Based on the number of units the Authority has, they are eligible to opt out of asset management reporting. The Board of Commissioners voted to exercise this right and the Authority will not be reporting based on asset management requirements.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**Poughkeepsie Industrial Development Agency**

**22. Organization and Summary of Significant Accounting Policies**

**Organization and Purpose:**

The City of Poughkeepsie Industrial Development Agency (the Agency) is a public benefit corporation established under Section 856 of the New York State Industrial Development Agency Act of the State of New York and Chapter 73 of the Laws of 1970 of the State. The Agency was established to encourage economic growth within the City of Poughkeepsie, New York.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, some of which are as follows:

**The Reporting Entity**

The Agency is considered a component unit of the financial reporting entity known as the City of Poughkeepsie, New York. Inclusion in the financial reporting entity, the City of Poughkeepsie, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". The City of Poughkeepsie Common Council appoints all of the Agency's Board Members. This level of control meets the criteria for financial accountability as defined by GASB statement No. 14.

**Proprietary Fund Accounting**

**Basis of Accounting and Measurement Focus**

The Agency helps to facilitate economic development in the City of Poughkeepsie, primarily by issuing tax-exempt debt. Its operations are financed primarily by the City of Poughkeepsie by providing use of City staff and facilities. Under standards set by the GASB, the Agency is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects on an enterprise of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources. This basis differs from that used by governmental funds in that the effects of transactions in government funds are recorded when revenues are measurable and available and when expenditures are incurred. The measurement focus is the flow of current transactions.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**22. Organization and Summary of Significant Accounting Policies (Cont'd.)**

The Agency's policy is to apply, first, (a) all GASB pronouncements, and then (b) Financial Accounting Standards Board Statements and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

In June 1999, the GASB approved Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant policies in the Statement, which affect the financial statements of the IDA include the following:

The financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the IDA's overall financial position and results of operations. The IDA's basis of accounting has not changed, but financial statement titles have changed to focus on "Net Assets."

**Income Taxes**

The Agency is exempt from federal, state and local income taxes.

**Cash, Cash Equivalents and Investments**

State statutes govern the Agency's investment policies. Agency monies must be deposited in Federal Deposit Insurance Corporation insured commercial banks or trust companies located within the State of New York. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State and its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. The Agency's cash was covered in full by a combination of FDIC insurance and collateral pledged by a third party custodian.

For purposes of the Statement of Cash Flows, the Agency considers all demand deposits, time and savings accounts, and certificates of deposit with an original maturity of three months or less to be cash equivalents.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**NOTE J - Component Units (Continued)**

**Risk Management**

Risk management activities are limited to being listed as an additional insured on properties covered by payment in lieu of tax (PILOT) agreements. The Agency's management believes it has limited exposure for loss as its sole asset is cash and it has no employees. Tax assessment disputes are litigated by the taxing authorities with no financial effect on the Agency.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**23. Industrial Revenue Bonds**

Bonds authorized by the IDA and issued through various lending institutions are designated as special obligations of the IDA and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances the IDA is the holder of legal title to properties acquired with industrial revenue bond financing until such point in time as the construction of property improvements has been completed or satisfaction of the obligation has been effected in full, the IDA does not act as a guarantor in the event of default. Accordingly, recourse on the part of the lending institution against the IDA is limited to collateralization properties and revenues as specified in the body of the applicable financing agreement. Additionally, in each of these financings, the IDA has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the industrial revenue bonds. As a consequence, the IDA does not reflect such bonds or related properties on its financial statements. Industrial revenue bonds authorized by the IDA and outstanding at December 31, 2009, total \$19,837,701. See Other Supplemental Information on page 11 of this report for more on Industrial Revenue Bonds.

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

**NOTE K - Joint Ventures**

**24. Poughkeepsie Water Treatment Facility**

In August 1995, the City entered into an inter-municipal agreement with the Town 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 amended and superseded an agreement dated October 11, 1991 covering a joint water project. Under the terms of the 1995 agreement, the Town obtained a one-half interest in the City's Water treatment plant; the Town will finance studies for and upgrades and/or expansions to the plant to increase capacity; the Town will pay 50% of the cost to design and build an alum sludge treatment plant; and the Town will pay for administrative costs related to obtaining approvals to enable the project to proceed. The agreement also provides for the creation of a joint board to administer planning, design, construction, as well as operations and maintenance of the facility. It is made up of three members from each municipality. Water rates for each municipality are also described in the agreement. Operations as a joint venture began in 1996. The following is a summary of financial information included in the audited financial statements issued for the joint venture for the year ended December 31, 2009. These financial statements are issued separately and can be obtained from the Joint Water Project at 62 Civic Center Plaza, Poughkeepsie, NY 12601.

	<b>Balances at</b> <b><u>December 31, 2009</u></b>
Total Assets	<u>\$ 18,611,756</u>
Total Liabilities	<u>\$ 1,052,160</u>
Joint Venture Net Assets	<u>\$ 17,595,596</u>
Total Revenues – 2009	<u>\$ 3,485,703</u>
Total Expenses - 2009	<u>\$ 4,231,466</u>

The City's net share of expenses amounted to \$201,916, which is included in Home and Community Service expenditures of the Water Fund in 2009. The City owed \$73,812 for operations, \$115,076 for overpayment of capital costs and \$50,960 for bonded debt, all of which is reported as Due from/to Related Party as of December 31, 2009.

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

**NOTE K - Joint Ventures (Continued)**

As part of the Joint Project agreement described above, the City financed a share of plant improvements and expansion. The Joint Venture reported total project costs of \$20,680,853 with \$9,090,350 being financed by the City and \$11,590,503 being financed by the Town of Poughkeepsie. The City issued serial bonds in the amount of \$8,305,127 to partially fund its share of improvements. As of December 31, 2009 the outstanding balance is \$5,785,000.

**25. Poughkeepsie-Wappingers-LaGrange Joint Landfill**

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

The following is a summary of unaudited financial information at December 31, 2009, which is included in the separate financial statements available from the Joint Landfill Board of Governors, Town of Poughkeepsie, One Overocker Road, Poughkeepsie, New York, 12603.

**Unaudited  
Balances at  
December 31, 2009**

Total Assets	<u>\$ 148,413</u>
Total Liabilities	<u>\$ 0</u>
Total Venture Equity	<u>\$ 148,413</u>
Total Revenues	<u>\$ 60,249</u>
Total Expenditures	<u>\$ 52,252</u>

During 2003, an Order of Consent was issued through the New York State Department of Environmental Conservation to remediate Environmental Conservation Law and New York Codes Rule and Regulations violations. To comply with this order the municipalities need to perform final closure of the landfill under current regulations by December 31, 2007 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 City of Poughkeepsie's share being 30.1898% or \$3,018,980. Post closure and monitoring costs commenced in 2009 and continue for 30 years, are estimated to amount to \$1,683,500, with the City's share being \$508,245. The City has recorded a short-term liability amounting to \$17,510 and a long-term liability amounting to \$471,384 for a total liability of \$488,894 to account for the closure and monitoring liability.

**CITY OF POUGHKEEPSIE, NEW YORK  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2009**

**NOTE K - Joint Ventures (Continued)**

**25. Poughkeepsie-Wappingers-LaGrange Joint Landfill, continued**

To finance this project the municipalities have applied for a grant through the NYSDEC's LCSAP program to the extent of \$2,000,000. Additional funding will come from the issuance of debt by each municipality

**NOTE L – Legal Compliance**

**1. Capital Projects Fund - Deficit Fund Balances**

The Capital Projects Fund has a deficit fund balance in the amount of (\$12,114,578) caused by expending proceeds of bond anticipation notes. As payments are made on the debt and/or when permanent financing is obtained for the projects, revenue will be recorded eliminating the deficit.

**NOTE M - Subsequent Events**

1. The City has issued the following debt:

<u>TYPE</u>	<u>ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>Rate</u>	<u>PURPOSE</u>	<u>AMOUNT</u>	
Bond Anticipation						
Note	04/22/10	04/22/11	3.00%	Hoffman St. Bridge	\$ 3,000,000	2010A
Bond Anticipation						
Note	04/22/10	04/22/11	3.00%	Various	\$ 8,922,226 *	2010B
Bond Anticipation						
Note	07/15/10	07/15/11	3.00%	Various	\$ 14,382,000	2010C

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2009**

**Note N – Prior Period Adjustments**

The financial statements include a prior period adjustment for the recognition of the 2008 portion of the Town's postemployment benefits obligation. This obligation was not recognized on the December 31, 2008 financial statements. This adjustment reduces beginning net assets on the government-wide financial statements by \$1,601,200 for the year ending December 31, 2009, and would increase expenses by \$1,601,200 for the year ended December 31, 2008.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF POUGHKEEPSIE, NEW YORK  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Real property taxes	\$ 16,172,107	\$ 16,172,107	\$ 17,208,700	\$ 1,036,593
Real property tax items	915,500	915,500	778,730	(136,770)
Non property tax items	12,310,000	12,310,000	10,736,338	(1,573,662)
Departmental income	1,341,317	1,341,317	1,248,795	(92,522)
Intergovernmental charges	132,625	132,625	283,261	150,636
Use of money and property	284,201	284,201	195,708	(88,493)
Licenses and permits	271,950	271,950	340,237	68,287
Fines and forfeitures	862,500	862,500	989,985	127,485
Sale of property and compensation for loss	1,181,825	1,181,825	152,457	(1,029,368)
Miscellaneous local sources	139,100	139,100	228,053	88,953
Interfund revenues	950,360	950,360	1,102,465	152,105
State aid	6,081,196	6,081,196	5,702,795	(378,401)
Federal aid	10,000	10,000	-	(10,000)
<b>Total revenues</b>	<b>40,652,681</b>	<b>40,652,681</b>	<b>38,967,524</b>	<b>(1,685,157)</b>
Appropriation of prior's year's fund balance	2,500,000	2,869,211	2,869,211	-
<b>Total revenues and appropriation of prior year's fund balance</b>	<b>43,152,681</b>	<b>43,521,892</b>	<b>41,836,735</b>	<b>(1,685,157)</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General Government Support	5,608,341	5,684,353	6,205,031	(520,678)
Public safety	17,774,606	17,827,440	18,748,220	(920,780)
Health	42,922	42,922	45,732	(2,810)
Transportation	2,098,206	2,253,486	2,332,587	(79,101)
Economic assistance & opportunity	508,952	630,520	463,242	167,278
Culture and recreation	933,456	974,772	802,448	172,324
Home and community service	3,025,352	2,946,378	2,796,429	149,949
Employee benefits	9,741,477	9,742,652	7,786,479	1,956,173
Debt service	3,900,000	-	-	-
<b>Total expenditures and encumbrances</b>	<b>43,633,312</b>	<b>40,102,523</b>	<b>39,180,168</b>	<b>922,355</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances</b>	<b>(480,631)</b>	<b>3,419,369</b>	<b>2,656,567</b>	<b>(762,802)</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	791,165	791,165	1,221,186	430,021
Operating transfers out	(310,534)	(4,210,534)	(4,831,621)	(621,087)
<b>Total other financing sources</b>	<b>480,631</b>	<b>(3,419,369)</b>	<b>(3,610,435)</b>	<b>(191,066)</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (953,868)</b>	<b>\$ (953,868)</b>
<b>Explanation of Differences between Budgetary and GAAP Basis:</b>				
Excess of revenues over/(under) expenditures - Budgetary basis			\$ (953,868)	
Revenues do not include appropriations of fund balance			(2,869,211)	
Expenditures do not include encumbrances			98,145	
<b>Excess of revenue under expenditures - GAAP Basis</b>			<b>\$ (3,724,934)</b>	

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

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

<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>
12/31/2008	1/1/2008	\$ -	\$ 36,501,000	\$ 36,501,000	0.0%	\$9,022,042	404.58%
12/31/2009	1/1/2009	\$ -	\$ 40,894,479	\$ 40,894,479	0.0%	\$9,205,234	444.25%