

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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2015**

<u><b>DESCRIPTION</b></u>	<u><b>PAGE(S)</b></u>
Independent Auditors' Report .....	1-3
Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	4-5
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance .....	6-7
Independent Auditors' Report on Compliance and Controls Over State Transportation Assistance Expended Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	8-9
Management's Discussion and Analysis (un-audited) For The Year Ended December 31, 2015 .....	10-16
 <b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position - December 31, 2015.....	17-18
Statement of Activities and Changes in Net Position For The Year Ended December 31, 2015 .....	19
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds - December 31, 2015 .....	20
Reconciliation of Governmental Funds Balance Sheet To The Statement of Net Position as of December 31, 2015.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds For the Year Ended December 31, 2015 .....	22

**CITY OF POUGHKEEPSIE, NEW YORK**  
**TABLE OF CONTENTS (CONT'D)**  
**DECEMBER 31, 2015**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities and Changes in Net Position - December 31, 2015 .....	23
Statement of Net Position – Proprietary Funds – December 31, 2015 .....	24-25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds for the Year Ended December 31, 2015.....	26
Statement of Cash Flows – Proprietary Funds for the Year Ended December 31, 2015.....	27
Statement of Net Position – Fiduciary Funds - December 31, 2015 .....	28
Notes to the Financial Statements.....	29-82

**REQUIRED SUPPLEMENTAL INFORMATION SECTION:**

**Exhibit I**

Budgetary Comparison Schedule – General Fund – For the Year Ended December 31, 2015.....	83
--	----

**Exhibit II**

Other Post-employment Benefits Plan Schedule of Funding Progress – December 31, 2015 .....	84
--	----

**Exhibit III**

Schedule of the Proportionate Share of the Net Pension Liability – December 31, 2015 .....	85
--	----

**Exhibit IV**

Schedule of Contributions – December 31, 2015 .....	86
---	----

**CITY OF POUGHKEEPSIE, NEW YORK**  
**TABLE OF CONTENTS (CONT'D)**  
**DECEMBER 31, 2015**

**OTHER SUPPLEMENTAL INFORMATION:**

**Exhibit V**

Schedule of Expenditures of Federal Awards for the year ended December 31, 2015 .....87

Notes to the Schedule of Expenditures of Federal Awards – December 31, 2015 .....88

**Exhibit VI**

Schedule of Expenditures of New York State Transportation Assistance  
For the year ended December 31, 2015 .....89

Notes to the Schedule of Expenditures of New York State  
Transportation Assistance- December 31, 2015 .....90

**Exhibit VII**

Schedule of Findings, Questioned Costs, Recommendations and Responses  
For the year ended December 31, 2015 ..... 91-103



LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Poughkeepsie Housing Authority, a component unit of the City of Poughkeepsie, which represents 99% of the assets, net position and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Poughkeepsie Housing Authority, is based solely on the report of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Unmodified Opinions**

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 governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poughkeepsie, New York, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Change in Accounting Principle*

As described in Note O to the financial statements, in 2015, the City of Poughkeepsie, New York adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amended of GASB Statement No. 27*. Our opinion is modified with respect to this matter.

### **Other Matters**

#### *Merger*

Sedore & Company, CPA's, P.C. merged with Vanacore, DeBenedictus, DiGiovanni & Weddell, LLP effective July 1, 2016. The name of the merged firms is RBT CPAs, LLP.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, other post-employment benefits plan schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poughkeepsie, New York's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Schedule of Expenditures of New York State Transportation Assistance, as listed in the Table of Contents, are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2016, on our consideration of the City of Poughkeepsie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Poughkeepsie's internal control over financial reporting and compliance.

*RBT CPAs, LLP*

Poughkeepsie, New York  
November 20, 2016



LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poughkeepsie, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Poughkeepsie's basic financial statements, and have issued our report thereon dated November 20, 2016.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

[rbtcpas.com](http://rbtcpas.com)

11 Racquet Road  
Newburgh, NY 12550  
T: (845) 567-9000  
F: (845) 567-9228

2622 South Avenue  
Wappingers Falls, NY 12590  
T: (845) 905-9000  
F: (845) 905-9904

2678 South Road, Suite 101  
Poughkeepsie, NY 12601  
T: (845) 485-5510  
F: (845) 485-5547

P.O. Box 209  
51 Sullivan Street  
Wurtsboro, NY 12790  
T: (845) 888-5656  
F: (845) 888-2789

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

We did identify deficiencies in internal control, described in the accompanying Schedule of Findings, Questioned Costs, Recommendations and Responses, Findings 2015-01 and 2015-02, that we consider to be a significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Poughkeepsie's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Questioned Costs, Recommendations and Responses, Findings 2015-03 and 2015-04.

We noted certain other matters - management recommendations which we reported to management of the City of Poughkeepsie, New York, and are described in the accompanying Schedule of Findings, Questioned Costs, Recommendations and Responses as Findings 2015-05 through 2015-09.

City of Poughkeepsie, New York's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Questioned Costs, Recommendations and Responses. We did not audit the City of Poughkeepsie, New York's responses and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*RBT CPAs, LLP*

Poughkeepsie, New York

November 20, 2016



LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Poughkeepsie, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Poughkeepsie's major federal programs for the year ended December 31, 2015. The City of Poughkeepsie's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Poughkeepsie, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Poughkeepsie, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

[rbtcpas.com](http://rbtcpas.com)

11 Racquet Road  
Newburgh, NY 12550  
T: (845) 567-9000  
F: (845) 567-9228

2622 South Avenue  
Wappingers Falls, NY 12590  
T: (845) 905-9000  
F: (845) 905-9904

2678 South Road, Suite 101  
Poughkeepsie, NY 12601  
T: (845) 485-5510  
F: (845) 485-5547

P.O. Box 209  
51 Sullivan Street  
Wurtsboro, NY 12790  
T: (845) 888-5656  
F: (845) 888-2789

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

### **Opinion on Each Major Federal Program**

In our opinion, the City of Poughkeepsie, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Poughkeepsie, New York is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Poughkeepsie, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Poughkeepsie, New York's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*RBT CPAs, LLP*

Poughkeepsie, New York  
November 20, 2016



LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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

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

**Report on Compliance for Each State Transportation Assistance Program**

We have audited the City of Poughkeepsie, New York's compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations ("NYCRR") that are applicable to each state transportation assistance program tested for the year ended December 31, 2015. The programs tested are identified in Exhibit VI, Schedule of Expenditures of New York State Transportation Assistance.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the City of Poughkeepsie, New York's state transportation assistance programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on state transportation assistance programs occurred. An audit includes examining, on a test basis, evidence about the City of Poughkeepsie, New York's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### **Opinion on Each State Transportation Assistance Program**

In our opinion, the City of Poughkeepsie, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs for the year ended December 31, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Poughkeepsie, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Poughkeepsie, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each state transportation assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state transportation assistance program and to test and report on internal control over compliance in accordance with Draft Part 43 of NYCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Poughkeepsie, New York's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*RBT CPAs, LLP*

Poughkeepsie, New York  
November 20, 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Required Supplemental Information For the Year Ended December 31, 2015 (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, 2015. These management comments, written as of November 20, 2016, also provide the benefit of perspective on certain key developments occurring after December 31, 2015 which, while they occurred subsequent to the close of the fiscal year, are nevertheless relevant to the reader's understanding of the City's current financial situation.

### **Financial Perspective:**

In 2015 the City of Poughkeepsie was able to bring expenditures in under budget for the second consecutive year. Once again, however, revenues did not meet budgeted expectations and the city finished the year with a significant deficit.

Property tax collections were under-budget by \$740,353 which followed the 2011, 2012, 2013 and 2014 property tax deficits of \$365,638, \$432,032, \$371,947 and \$33,330, respectively. It should be noted, that the adopted budgets for these years failed to account for even the standard rate of tax delinquency. In other words, the annual budget called for one hundred percent of taxes billed to be paid in the current year. This basic budgeting deficiency virtually assures a year-end deficit.

Mayor Robert G. Rolison assumed leadership of the City in January, 2016. The previous Mayor left office after serving eight years. Although the change in administration came too late to impact the 2016 budget, which had been previously adopted by the Common Council, Mayor Rolison has submitted his first budget – for fiscal 2017 – to that body. The Mayor's preliminary 2017 budget accounts for \$600,000 in doubtful tax collections, and makes other adjustments to revenue projections as well. This shift to rational budgeting is central to the new administration's fiscal stabilization plan.

As is the case at a great many municipalities around the country, fiscal problems caused by unfunded mandates, increasing health care and retirement costs continue to place significant pressure on the City. Were property values to be steadily rising, these cost increases might be manageable, but our community continues to deal with a slow recovery from the economic downturn experienced in 2007-2011. There are, however, hopeful signs as the City's assessment values, which had declined by approximately 20% between 2010 and 2015, have leveled-off in 2016. The City is also seeing an uptick in new development, including the recently announced \$500 Million Vassar Brothers Hospital expansion.

The costs of employee benefits continue to increase, and therefore we continue to seek efficiencies across all city-departments, and to work with our collective bargaining groups to identify savings opportunities that clearly must be seized by both management and labor, in order to assure our financial stability. Let's be clear about the challenge: the City's retirement contribution in 2015 was \$4,005,927 – *an increase of 4% in just a single year*. Our health insurance expenses in 2015 were \$5.128 million, which *represents approximately 11.8% of all our general fund expenses*. *Overall, employee benefits account for 25.22% of general fund appropriations.*

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)**  
**Required Supplemental Information**  
**For the Year Ended December 31, 2015**  
**(Un-audited)**

**Financial Highlights of 2015:**

- The City's real property tax collection was \$17,855,099. This was \$740,353 less than the 2015 budget of \$18,633,401. The key factor in the City's high rate of tax collection (96%) was the successful annual tax lien sale conducted for any unpaid property taxes. The previous several years had not been as productive with many liens remaining unsold.
- Our Sales tax revenue as distributed by Dutchess County remains steady in the year 2015 due to the City entering into a countywide ten-year agreement on county sales tax distribution that will guarantee \$9.56 million annually. The City will also participate in the county's growth receipts based on a population formula. The City's share of the 2015 growth receipts amounted to \$204,032.
- After several years of decreases to Aid and Incentives to Municipalities (AIM), the New York State funding has leveled off in 2014 and 2015 at \$4,248,021.
- The City's mortgage tax collection for 2015 was \$341,185 compared to \$230,126 in 2014. The City's mortgage tax revenue has increased \$111,059 or 48%. The mortgage tax accounts for less than 1% of the General Fund revenue. The City is far less reliant on mortgage tax revenue than many suburban municipalities.

**Overview of the Financial Statements**

These audited financial statements consist of six 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
- 6) Supplemental Information

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)**  
**Required Supplemental Information**  
**For the Year Ended December 31, 2015**  
**(Un-audited)**

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

**Governmental Funds:**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Assets</b>			
Non-Capital	\$ 39,734,701	\$ 24,595,959	\$ 15,138,742
Capital	63,081,536	64,022,064	(940,528)
<b>Total Assets</b>	<u>102,816,237</u>	<u>88,618,023</u>	<u>14,198,214</u>
<b>Deferred outflows of resources</b>	<u>644,154</u>	<u>-</u>	<u>644,154</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 103,460,391</u>	<u>\$ 88,618,023</u>	<u>\$ 14,842,368</u>
<b>Liabilities</b>			
Current	\$ 33,547,718	\$ 17,407,943	\$ 16,139,775
Non-Current	76,480,160	73,788,749	2,691,411
<b>Total Liabilities</b>	<u>110,027,878</u>	<u>91,196,692</u>	<u>18,831,186</u>
<b>Deferred inflows of resources</b>	<u>7,996,868</u>	<u>8,247,346</u>	<u>(250,478)</u>
<b>Net Position</b>			
Capital	13,908,124	14,629,383	(721,259)
Restricted and Unrestricted	(28,472,479)	(25,455,398)	(3,017,081)
<b>Total Net Position</b>	<u>(14,564,355)</u>	<u>(10,826,015)</u>	<u>(3,738,340)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 103,460,391</u>	<u>\$ 88,618,023</u>	<u>\$ 14,842,368</u>
<b>Revenues</b>			
<b>Program</b>			
Charges for Services	\$ 4,507,371	\$ 4,832,274	\$ (324,903)
Operating Grants	11,834,974	11,231,640	603,334
Capital Grants	1,539,115	1,027,933	511,182
<b>General Revenues</b>			-
Property Taxes	18,950,676	19,502,271	(551,595)
Other Taxes	10,932,383	10,848,951	83,432
State Aid	688,918	700,952	(12,034)
Other Revenues	3,485,512	4,200,362	(714,850)
<b>Total Revenues</b>	<u>51,938,949</u>	<u>52,344,383</u>	<u>(405,434)</u>
<b>Expenses</b>			
General Government Support	9,199,069	9,234,235	(35,166)
Public Safety	30,538,512	31,696,378	(1,157,866)
Transportation	6,599,223	6,392,407	206,816
Economic Assistance	7,657	7,652	5
Culture and Recreation	857,649	3,743,248	(2,885,599)
Home and Community Service	7,390,674	6,644,681	745,993
Other	2,223,903	1,778,317	445,586
<b>Total Expenses</b>	<u>56,816,687</u>	<u>59,496,918</u>	<u>(2,680,231)</u>
<b>Change in Net Position</b>	<u>(4,877,738)</u>	<u>(7,152,535)</u>	<u>2,274,797</u>
<b>Net Position, January 1</b>	<u>(10,826,015)</u>	<u>(3,673,480)</u>	<u>(7,152,535)</u>
<b>Prior Period Adjustments</b>	<u>1,139,398</u>	<u>-</u>	<u>1,139,398</u>
<b>Net Position, January 1, as adjusted</b>	<u>(9,686,617)</u>	<u>(3,673,480)</u>	<u>(6,013,137)</u>
<b>Net Position, December 31</b>	<u>\$ (14,564,355)</u>	<u>\$ (10,826,015)</u>	<u>\$ (3,738,340)</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)

## Required Supplemental Information For the Year Ended December 31, 2015 (Un-audited)

### Proprietary Funds:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Assets</b>			
Non-Capital	\$ 20,524,157	\$ 17,213,927	\$ 3,310,230
Capital	44,911,402	47,115,999	(2,204,597)
<b>Total Assets</b>	<u>65,435,559</u>	<u>64,329,926</u>	<u>1,105,633</u>
<b>Deferred outflows of resources</b>	<u>43,893</u>	<u>-</u>	<u>43,893</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 65,479,452</u>	<u>\$ 64,329,926</u>	<u>\$ 1,149,526</u>
<b>Liabilities</b>			
Current	\$ 8,142,923	\$ 9,877,735	\$ (1,734,812)
Non-Current	16,390,688	13,368,867	3,021,821
<b>Total Liabilities</b>	<u>24,533,611</u>	<u>23,246,602</u>	<u>1,287,009</u>
<b>Deferred inflows of resources</b>	<u>9,048</u>	<u>-</u>	<u>9,048</u>
<b>Net Position</b>			
Capital	42,762,055	43,163,110	(401,055)
Unrestricted	(1,825,262)	(2,079,786)	254,524
<b>Total Net Position</b>	<u>40,936,793</u>	<u>41,083,324</u>	<u>(146,531)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 65,479,452</u>	<u>\$ 64,329,926</u>	<u>\$ 1,149,526</u>
<b>Revenues</b>			
<b>Program</b>	<u>2015</u>	<u>2014</u>	<u>Change</u>
Charges For Services	\$ 11,467,183	\$ 11,308,524	\$ 158,659
<b>General Revenues</b>			
Investment Earnings and Other	429,678	110,188	319,490
<b>Total Revenues</b>	<u>11,896,861</u>	<u>11,418,712</u>	<u>478,149</u>
<b>Expenses</b>			
Home and Community Service	10,831,747	10,831,431	316
Transfers	1,170,342	1,847,274	(676,932)
<b>Total Expenses</b>	<u>12,002,089</u>	<u>12,678,705</u>	<u>(676,616)</u>
<b>Change in Net Position</b>	<u>(105,228)</u>	<u>(1,259,993)</u>	<u>1,154,765</u>
<b>Net Position, January 1</b>	41,083,324	42,343,317	(1,259,993)
<b>Prior Period Adjustments</b>	<u>(41,303)</u>	<u>-</u>	<u>(41,303)</u>
<b>Net Position, January 1, as adjusted</b>	<u>41,042,021</u>	<u>42,343,317</u>	<u>(1,301,296)</u>
<b>Net Position, December 31</b>	<u>\$ 40,936,793</u>	<u>\$ 41,083,324</u>	<u>\$ (146,531)</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)

## Required Supplemental Information For the Year Ended December 31, 2015 (Un-audited)

### General Fund

#### City Revenues –General Fund (%)

Real Property taxes	\$ 17,893,048	44.00%
State Aid	5,030,739	12.37%
Real Property Tax Items	881,803	2.17%
Sales & Franchise Taxes	10,591,198	26.04%
Departmental Income	2,888,940	7.10%
Fines and Forfeitures	990,569	2.44%
All Other Revenues	2,388,766	5.87%
Total	\$ 40,665,063	100.00%

#### City Expenditures-General Fund (%)

Public Safety	\$ 18,187,177	42.68%
Transportation	2,468,781	5.79%
General Govt Support	6,348,274	14.90%
Culture & Recreation	528,658	1.24%
Employee Benefits	10,748,770	25.22%
Home & Community Services	243,323	0.57%
Transfers to Other Funds - net	4,035,598	9.47%
All other expenses	52,107	0.12%
Total	\$ 42,612,688	100.00%

### Water Fund

Our Water Fund continues to see the positive impact of 2013 & 2014 rate increases from \$2.59 per 100cf. (748 gallons) of water usage as measured through the meter to \$3.45. This rate increase has allowed the city to maintain superior service and quality in 2015. Total revenue for 2015 was \$4,472,589. All unpaid utility bills are rolled over to the tax bills. We continue to pursue opportunities to sell water to third-party customers. Anticipated sales to neighboring communities remain a key part of our City's strategy for the long-term good water quality for our City's residents as well as stabilized water rates. Combined with the City's share of third party water revenue, the City contributed \$1,671,222 to the Joint Water Project in 2015. The City is looking to address upgrades to its water transmission infrastructure. To help address the infrastructure needs such as the reservoir and old pipe replacements, water rates in 2016 were increased.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)**

## **Required Supplemental Information For the Year Ended December 31, 2015 (Un-audited)**

### **Sewer / Joint Sewer Fund**

Our Sewer / Joint Sewer Funds continue to reflect the positive impact of a rate increase from \$2.59 to \$3.00 per 100cf. of usage, which occurred in 2013. Increasing fund balance is crucial to addressing the challenges of aging pump stations and sewer transmission infrastructures. Improvements in funding levels are expected to continue. The Mayor's preliminary 2017 budget does not seek to increase water or sewer costs and management believes these funds to be well-positioned for the near-to-medium term.

### **Transit Fund**

Our transit system continues to struggle with its ridership revenues. The 2015 ridership revenues of \$357,245 is a decrease of \$25,423 from the 2014 revenue. The 2015 adult bus fare rate remains at \$1.75. Management believes that general fund subsidies of city transit are not sustainable. In 2016 discussions are underway with our partners in County government for a transit reorganization which, with help we are seeking from the State of New York, could improve service to our community by merging the City and the County systems and expanding service to include Sundays and extended weekday service into the evening hours.

### **Capital Assets**

Each year, our City prepares a Five-Year Capital Asset Plan that is adopted by our Legislative branch by August 31. The 2015-2019 Capital Plan was adopted in August of 2014 with an original spending plan of under \$21.643 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 financing proceeds. The City has maintained a very conservative approach towards any capital projects and has used financing primarily from grants and CDBG.

### **Long-Term Debt**

Total City Long-Term Debt principal on December 31, 2015 equated to \$55,442,540 (55% directly related to the General Fund and the remaining debt directly related to exempt water and sewer projects). The actual 2015 expenditures for total long term serial bond debt principal and interest were \$4,868,369 and \$2,306,269 respectively. All borrowing decisions are made in accordance with New York State and local law and specifically authorized by the Common Council. In November, 2016 Mayor Rolison submitted a request to the Common Council to de-authorize millions of dollars in debt-authorizations, as part of a comprehensive debt management review. The City is continuing to meet all of its debt-service payments in a timely manner.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)**

## **Required Supplemental Information For the Year Ended December 31, 2015 (Un-audited)**

### **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 CDBG infrastructure allocation and Capital Plan to allow for said required maintenance and upkeep. In 2015 the City expended over \$954,000 (\$392,083 from CHIPS in the General Funds) on the upkeep and improvement of its roads and sidewalks.

### **Conclusion**

New management is committed to initiating a series of best-practices in financial management. From accurate and gimmick-free annual budgets, to conservative estimates of future revenue, leadership is taking a new approach to governance when it comes to our fiscal sustainability. At this writing, we are being considered for supplemental help from the State of New York's Financial Restructuring Board and are implementing the recommendations of the 2015-16 Fiscal Sustainability Report. In September the City hired a new Commissioner of Finance, and in October a new City Administrator took office. The deficits experienced in six of the last eight years exhausted our fund balance and caused a precipitous decline in our bond rating. Deferred maintenance and delayed upgrades of critical information technology resources, along with the postponement of critical capital projects have been the highlights of recent years, but they will not be the highlights of future years.

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNITS</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 8,676,703	\$ -	\$ 8,676,703	\$ 2,118,842
Investments	12,899	-	12,899	225,830
Restricted cash	81,493	-	81,493	155,584
Receivables (net)	11,643,608	3,687,574	15,331,182	220,690
Internal balances	11,051,522	872,915	11,924,437	-
Due from related parties	445,251	322,984	768,235	-
Due from other governments	7,684,404	78,675	7,763,079	-
Inventories - net of allowance	-	-	-	70,249
Prepaid expenses	138,821	28,639	167,460	34,384
<b>Total current assets</b>	<b>39,734,701</b>	<b>4,990,787</b>	<b>44,725,488</b>	<b>2,825,579</b>
<b>Non-current assets:</b>				
Other assets	-	-	-	11,620,244
Investment in Joint Water Project	-	15,533,370	15,533,370	-
<b>Capital assets:</b>				
Land	3,823,617	34,384	3,858,001	337,280
Improvements and Infrastructure, net of depreciation	22,386,133	40,185,479	62,571,612	-
Buildings, machinery and equipment, net of depreciation	18,733,249	4,662,556	23,395,805	5,981,687
Construction in progress	18,138,537	28,983	18,167,520	-
<b>Total capital assets</b>	<b>63,081,536</b>	<b>44,911,402</b>	<b>107,992,938</b>	<b>6,318,967</b>
<b>Total assets</b>	<b>102,816,237</b>	<b>65,435,559</b>	<b>168,251,796</b>	<b>20,764,790</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>644,154</b>	<b>43,893</b>	<b>688,047</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 103,460,391</b>	<b>\$ 65,479,452</b>	<b>\$ 168,939,843</b>	<b>\$ 20,764,790</b>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF NET POSITION (Continued)**  
**DECEMBER 31, 2015**

<b>LIABILITIES</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNITS</b>
<b>Current Liabilities:</b>				
Accounts payable	\$ 5,779,544	\$ 363,593	\$ 6,143,137	\$ 51,782
Accrued liabilities	1,575,055	330,144	1,905,199	197,246
Tenant security deposits	-	-	-	132,810
Internal balances	11,924,437	-	11,924,437	-
Due to other governments	4,019,035	-	4,019,035	97,553
Other current liabilities	65,423	74,163	139,586	21,943
Due to related party	758,143	501,772	1,259,915	450,101
Due to retirement system	1,934,848	213,387	2,148,235	-
Bond anticipation notes payable	3,288,137	5,080,496	8,368,633	-
Current portion of long-term liabilities				
Capital lease	267,150	-	267,150	-
Retirement liability	432,738	-	432,738	-
Compensated absence liability	60,000	-	60,000	-
Landfill remediation liability	6,038	-	6,038	-
Bonds payable	3,437,171	1,579,368	5,016,539	152,519
<b>Total current liabilities</b>	<b>33,547,719</b>	<b>8,142,923</b>	<b>41,690,642</b>	<b>1,103,954</b>
<b>Non-current liabilities:</b>				
Judgments and claims	500,000	-	500,000	-
Capital lease payable	731,150	-	731,150	-
Retirement liability	3,251,431	-	3,251,431	-
Compensated absence liability	5,971,543	247,339	6,218,882	133,036
Landfill remediation liability	203,238	-	203,238	-
Bonds payable	34,322,654	16,143,349	50,466,003	1,327,163
Other post-employment benefits	31,500,144	-	31,500,144	186,330
<b>Total non-current liabilities</b>	<b>76,480,160</b>	<b>16,390,688</b>	<b>92,870,848</b>	<b>1,646,529</b>
<b>Total liabilities</b>	<b>110,027,879</b>	<b>24,533,611</b>	<b>134,561,490</b>	<b>2,750,483</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	7,996,867	9,048	8,005,915	-
<b>NET POSITION</b>				
Net Investment in Capital Assets and				
Joint Water Project	13,908,124	42,722,055	56,630,179	6,318,967
Restricted	81,493	-	81,493	23,256
Unrestricted	(28,553,972)	(1,785,262)	(30,339,234)	11,672,084
<b>Total net position</b>	<b>(14,564,355)</b>	<b>40,936,793</b>	<b>26,372,438</b>	<b>18,014,307</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 103,460,391</b>	<b>\$ 65,479,452</b>	<b>\$ 168,939,843</b>	<b>\$ 20,764,790</b>

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

FUNCTIONS/PROGRAMS	CHANGES IN NET POSITION PRIMARY GOVERNMENT							COMPONENT UNITS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	
<b>Governmental Activities:</b>								
General government support	\$ 9,199,069	\$ 569,162	\$ -	\$ -	\$ (8,629,907)	\$ -	\$ (8,629,907)	\$ -
Public safety	30,538,512	1,742,419	125,932	53,554	(28,616,607)	-	(28,616,607)	-
Health	84,558	106,576	-	-	22,018	-	22,018	-
Transportation	6,599,223	1,921,226	714,448	1,485,561	(2,477,988)	-	(2,477,988)	-
Economic assistance & opportunity	7,657	-	-	-	(7,657)	-	(7,657)	-
Culture and recreation	857,649	84,117	618,904	-	(154,628)	-	(154,628)	-
Home and community services	7,390,674	83,871	10,375,690	-	3,068,887	-	3,068,887	-
Interest on long-term debt	2,139,345	-	-	-	(2,139,345)	-	(2,139,345)	-
<b>Total governmental activities</b>	<b>56,816,687</b>	<b>4,507,371</b>	<b>11,834,974</b>	<b>1,539,115</b>	<b>(38,935,227)</b>	<b>-</b>	<b>(38,935,227)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water Fund	3,882,883	4,306,394	-	-	-	423,511	423,511	-
Sewer Fund	4,599,001	4,871,588	-	-	-	272,587	272,587	-
Sanitation Fund	2,349,863	2,289,201	-	-	-	(60,662)	(60,662)	-
<b>Total business-type activities</b>	<b>10,831,747</b>	<b>11,467,183</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>635,436</b>	<b>635,436</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 67,648,434</b>	<b>\$ 15,974,554</b>	<b>\$ 11,834,974</b>	<b>\$ 1,539,115</b>	<b>(38,935,227)</b>	<b>635,436</b>	<b>(38,299,791)</b>	<b>-</b>
<b>Component Units:</b>								
Poughkeepsie Housing Authority	\$ 5,482,959	\$ 1,792,162	\$ 2,641,046	\$ 286,383	-	-	-	(763,368)
City of Poughkeepsie IDA	5,754	-	-	-	-	-	-	(5,754)
<b>Total component units</b>	<b>\$ 5,488,713</b>	<b>\$ 1,792,162</b>	<b>\$ 2,641,046</b>	<b>\$ 286,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(769,122)</b>
<b>General revenues</b>								
Taxes:								
Real property taxes					18,950,676	-	18,950,676	-
Sales taxes					9,770,244	-	9,770,244	-
Mortgage taxes					341,185	-	341,185	-
Utility taxes					374,903	-	374,903	-
Franchise taxes					446,051	-	446,051	-
Payments from other governments					688,918	-	688,918	-
Grants and contributions not restricted to specific programs					1,250	-	1,250	-
Unrestricted investment earnings					124,045	166,309	290,354	293,617
Special item-Gains on sale of property and compensation for loss					368,062	-	368,062	-
Miscellaneous					1,821,813	263,369	2,085,182	168,317
Transfers					1,170,342	(1,170,342)	-	-
Total general revenues, special items and transfers					<u>34,057,489</u>	<u>(740,664)</u>	<u>33,316,825</u>	<u>461,934</u>
Change in net position					(4,877,738)	(105,228)	(4,982,966)	(307,188)
Net position - beginning					(10,826,015)	41,083,324	30,257,309	18,326,489
Prior period adjustments					1,139,398	(41,303)	1,098,095	(4,994)
Adjusted net position - beginning					<u>(9,686,617)</u>	<u>41,042,021</u>	<u>31,355,404</u>	<u>18,321,495</u>
Net position - ending					<u>\$ (14,564,355)</u>	<u>\$ 40,936,793</u>	<u>\$ 26,372,438</u>	<u>\$ 18,014,307</u>

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

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>SPECIAL GRANT FUND</u>	<u>DEBT SERVICE FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 604,834	\$ 3,640,312	\$ 4,099,366	\$ 207,326	\$ 124,865	\$ 8,676,703
Investments	12,899	-	-	-	-	12,899
Restricted cash	40,000	1,493	-	40,000	-	81,493
Receivables:						
Taxes	8,213,538	-	-	-	-	8,213,538
Other	975,501	-	24,326	-	256,350	1,256,177
Mortgage loans receivable	-	-	628,395	-	-	628,395
Due from other funds	3,299,780	6,707,033	863,344	7,400	173,965	11,051,522
Due from related party	-	-	445,251	-	-	445,251
Due from other governments	398,901	-	-	7,285,000	503	7,684,404
State and federal receivable	160,404	169,089	190,246	-	1,025,759	1,545,498
Prepaid expenses	104,690	-	10,864	-	23,267	138,821
<b>Total assets</b>	<u>\$ 13,810,547</u>	<u>\$ 10,517,927</u>	<u>\$ 6,261,792</u>	<u>\$ 7,539,726</u>	<u>\$ 1,604,709</u>	<u>\$ 39,734,701</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 4,491,624	\$ 913,685	\$ 96,467	\$ 2,500	\$ 275,268	\$ 5,779,544
Accrued liabilities	4,013,723	578,426	74,587	-	109,844	4,776,580
Due to related party	758,143	-	-	-	-	758,143
Bond anticipation notes payable	-	3,288,137	-	-	-	3,288,137
Due to other funds	7,733,325	1,569,189	129,997	-	2,491,926	11,924,437
Due to other governments	3,987,987	-	-	-	31,048	4,019,035
Other liabilities	11,415	1,495	49,230	-	3,283	65,423
<b>Total liabilities</b>	<u>20,996,217</u>	<u>6,350,932</u>	<u>350,281</u>	<u>2,500</u>	<u>2,911,369</u>	<u>30,611,299</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<u>5,876,255</u>	<u>-</u>	<u>628,395</u>	<u>7,285,000</u>	<u>16,989</u>	<u>13,806,639</u>
<b>FUND BALANCE</b>						
Fund balance (deficit):						
Nonspendable	104,690	-	10,864	-	23,267	138,821
Restricted	40,000	1,493	-	40,000	-	81,493
Assigned	500,000	4,165,502	5,272,252	252,226	68,860	10,258,840
Unassigned	(13,706,615)	-	-	-	(1,415,776)	(15,162,391)
<b>Total fund balance</b>	<u>(13,061,925)</u>	<u>4,166,995</u>	<u>5,283,116</u>	<u>252,226</u>	<u>(1,323,649)</u>	<u>(4,683,237)</u>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<u>\$ 13,810,547</u>	<u>\$ 10,517,927</u>	<u>\$ 6,261,792</u>	<u>\$ 7,539,726</u>	<u>\$ 1,604,709</u>	<u>\$ 39,734,701</u>

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

Total fund balance for governmental funds	\$ (4,683,237)
Total net position reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	63,081,536
Deferred outflows related to retirement liabilities are not reported in the funds	644,154
Long-term liabilities, including bonds payable, compensated absences, judgement and claims, post-employment benefits, retirement liabilities, landfill remediation liabilities and capital leases are not due and payable in the current period and therefore are not reported in the funds.	(79,221,156)
Certain deferred revenues are recorded when billed.	5,809,772
Accrued interest is not reported in the funds.	<u>(195,424)</u>
Total net position of governmental activities	<u><u>\$ (14,564,355)</u></u>

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

	<b>GENERAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>SPECIAL GRANT FUND</b>	<b>DEBT SERVICE FUND</b>	<b>NON- MAJOR FUNDS</b>	<b>TOTAL FUNDS</b>
<b>REVENUES</b>						
Real property taxes	\$ 17,893,048	\$ -	\$ -	\$ -	\$ -	\$ 17,893,048
Real property taxes items	881,803	-	-	-	-	881,803
Non property taxes items	10,591,198	-	-	-	-	10,591,198
Departmental income	2,888,940	-	24,900	-	357,534	3,271,374
Intergovernmental charges	78,449	-	-	610,469	-	688,918
Use of money and property	879	26	1,025	122,110	5	124,045
Licenses and permits	551,477	-	-	-	-	551,477
Fines and forfeitures	990,569	-	-	-	4,072	994,641
Sale of property and compensation for loss	368,062	-	-	-	-	368,062
Miscellaneous local sources	120,024	93,642	6,195	-	308,424	528,285
Interfund revenues	1,269,875	-	-	-	-	1,269,875
State aid	5,030,739	-	-	-	1,231,993	6,262,732
Federal aid	-	754,059	6,039,079	-	374,186	7,167,324
<b>Total revenues</b>	<b>40,665,063</b>	<b>847,727</b>	<b>6,071,199</b>	<b>732,579</b>	<b>2,276,214</b>	<b>50,592,782</b>
<b>EXPENDITURES</b>						
General government support	6,348,274	324,914	31,014	16,664	227,656	6,948,522
Public safety	18,187,177	-	-	-	160,845	18,348,022
Health	52,107	-	-	-	-	52,107
Transportation	2,468,781	1,878,046	-	-	1,093,964	5,440,791
Economic assistance & opportunity	-	90,213	-	-	-	90,213
Culture and recreation	528,658	-	-	-	-	528,658
Home and community services	243,323	3,498	6,200,473	-	636,404	7,083,698
Employee benefits	10,748,770	-	173,464	-	255,127	11,177,361
Debt service	-	-	-	6,117,786	-	6,117,786
<b>Total expenditures</b>	<b>38,577,090</b>	<b>2,296,671</b>	<b>6,404,951</b>	<b>6,134,450</b>	<b>2,373,996</b>	<b>55,787,158</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,087,973</b>	<b>(1,448,944)</b>	<b>(333,752)</b>	<b>(5,401,871)</b>	<b>(97,782)</b>	<b>(5,194,376)</b>
<b>Other financing sources (uses):</b>						
Proceeds of debt	-	985,000	-	-	-	985,000
Bans redeemed from appropriations	-	319,539	-	-	-	319,539
Operating transfers in	1,065,310	342,000	-	5,438,423	219,036	7,064,769
Operating transfers out	(5,100,908)	(303,369)	(380,150)	-	(110,000)	(5,894,427)
<b>Total other financing sources (uses)</b>	<b>(4,035,598)</b>	<b>1,343,170</b>	<b>(380,150)</b>	<b>5,438,423</b>	<b>109,036</b>	<b>2,474,881</b>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<b>(1,947,625)</b>	<b>(105,774)</b>	<b>(713,902)</b>	<b>36,552</b>	<b>11,254</b>	<b>(2,719,495)</b>
<b>Fund Balance, beginning</b>	<b>(11,114,300)</b>	<b>4,272,769</b>	<b>5,457,145</b>	<b>215,674</b>	<b>(1,334,903)</b>	<b>(2,503,615)</b>
Prior period adjustment	-	-	539,873	-	-	539,873
<b>Fund Balance, beginning, as adjusted</b>	<b>(11,114,300)</b>	<b>4,272,769</b>	<b>5,997,018</b>	<b>215,674</b>	<b>(1,334,903)</b>	<b>(1,963,742)</b>
<b>Fund Balance, ending</b>	<b>\$ (13,061,925)</b>	<b>\$ 4,166,995</b>	<b>\$ 5,283,116</b>	<b>\$ 252,226</b>	<b>\$ (1,323,649)</b>	<b>\$ (4,683,237)</b>

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

Net change in fund balance - total government funds \$ (2,719,495)

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

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (940,528)

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

Debt issued:			
BANs redeemed from appropriations	(319,539)		
Proceeds from debt	(985,000)		
Repayments:			
Bond principal	3,230,201		
BAN principal	319,539		
Capital lease payment	401,044		
Net			2,646,245

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the amount by which accrued interest for the prior year exceeded accrued interest for the current year. 27,657

Some expenses reported in the statement of activities, such as compensated absences, retirement and landfill liabilities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (4,067,442)

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds. 175,825

Net change in net position of governmental activities \$ (4,877,738)

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

	<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>SANITATION FUND</b>			
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 2,118,842	\$ 2,118,842
Investments	-	-	-	-	225,830	225,830
Restricted cash and cash equivalents	-	-	-	-	155,584	155,584
Receivables:						
Charges for Services	1,738,350	1,412,699	481,596	3,632,645	220,690	3,853,335
Other	54,929	-	-	54,929	-	54,929
Internal balances	(1,319,821)	2,768,889	(576,153)	872,915	-	872,915
Due from related party	322,984	-	-	322,984	-	322,984
Due from other governments	-	78,675	-	78,675	-	78,675
Inventories - net of allowance	-	-	-	-	70,249	70,249
Prepaid expenses	10,331	7,113	11,195	28,639	34,384	63,023
Total current assets	<u>806,773</u>	<u>4,267,376</u>	<u>(83,362)</u>	<u>4,990,787</u>	<u>2,825,579</u>	<u>7,816,366</u>
<b>Non current assets:</b>						
Restricted cash and cash equivalents	-	-	-	-	-	-
Due from related party	-	-	-	-	-	-
Other assets	-	-	-	-	11,620,244	11,620,244
Investment in Joint Water Project	15,533,370	-	-	15,533,370	-	15,533,370
<b>Capital assets:</b>						
Land	-	34,384	-	34,384	337,280	371,664
Buildings, net of depreciation	-	-	-	-	5,981,687	5,981,687
Improvements and Infrastructure, net of depreciation	25,009,846	15,175,633	-	40,185,479	-	40,185,479
Machinery and equipment, net of depreciation	4,528,031	134,525	-	4,662,556	-	4,662,556
Construction in progress	15,120	13,863	-	28,983	-	28,983
Total capital assets	<u>29,552,997</u>	<u>15,358,405</u>	<u>-</u>	<u>44,911,402</u>	<u>6,318,967</u>	<u>51,230,369</u>
Total non current assets	<u>45,086,367</u>	<u>15,358,405</u>	<u>-</u>	<u>60,444,772</u>	<u>17,939,211</u>	<u>78,383,983</u>
Total Assets	<u>45,893,140</u>	<u>19,625,781</u>	<u>(83,362)</u>	<u>65,435,559</u>	<u>20,764,790</u>	<u>86,200,349</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<u>14,583</u>	<u>6,540</u>	<u>22,770</u>	<u>43,893</u>	<u>-</u>	<u>43,893</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$45,907,723</u>	<u>\$19,632,321</u>	<u>\$ (60,592)</u>	<u>\$ 65,479,452</u>	<u>\$ 20,764,790</u>	<u>\$ 86,244,242</u>

	PRIMARY GOVERNMENT			TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS	TOTAL PROPRIETARY FUNDS
	WATER FUND	SEWER FUND	SANITATION FUND			
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 37,499	\$ 217,987	\$ 108,107	\$ 363,593	\$ 51,782	\$ 415,375
Accrued liabilities	60,670	50,743	218,731	330,144	197,246	527,390
Tenant security deposits	-	-	-	-	132,810	132,810
Due to other governments	-	-	-	-	97,553	97,553
Other liabilities	14,506	1,235	13,369	29,110	-	29,110
Deferred revenues and other liabilities	-	-	45,053	45,053	21,943	66,996
Due to related party	501,772	-	-	501,772	450,101	951,873
Due to retirement system	70,895	31,796	110,696	213,387	-	213,387
Bond anticipation notes payable	5,080,496	-	-	5,080,496	-	5,080,496
Current portion of bonds payable	862,677	716,691	-	1,579,368	152,519	1,731,887
Total current liabilities	<u>6,628,515</u>	<u>1,018,452</u>	<u>495,956</u>	<u>8,142,923</u>	<u>1,103,954</u>	<u>9,246,877</u>
<b>Non-current liabilities:</b>						
Compensated absence liability	247,339	-	-	247,339	133,036	380,375
Bonds, notes, and loans payable	9,328,316	6,815,033	-	16,143,349	1,327,163	17,470,512
Other long term liabilities	-	-	-	-	186,330	186,330
Total non-current liabilities	<u>9,575,655</u>	<u>6,815,033</u>	<u>-</u>	<u>16,390,688</u>	<u>1,646,529</u>	<u>18,037,217</u>
<b>Total liabilities</b>	<u>16,204,170</u>	<u>7,833,485</u>	<u>495,956</u>	<u>24,533,611</u>	<u>2,750,483</u>	<u>27,284,094</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<u>3,006</u>	<u>1,348</u>	<u>4,694</u>	<u>9,048</u>	<u>-</u>	<u>9,048</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets and Joint Water Project	34,895,374	7,826,681	-	42,722,055	6,318,967	49,041,022
Restricted	-	-	-	-	23,256	23,256
Unrestricted (deficit)	(5,194,827)	3,970,807	(561,242)	(1,785,262)	11,672,084	9,886,822
Total net position	<u>29,700,547</u>	<u>11,797,488</u>	<u>(561,242)</u>	<u>40,936,793</u>	<u>18,014,307</u>	<u>58,951,100</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$45,907,723</u>	<u>\$19,632,321</u>	<u>\$ (60,592)</u>	<u>\$ 65,479,452</u>	<u>\$ 20,764,790</u>	<u>\$ 86,244,242</u>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>PRIMARY GOVERNMENT</b>			<b>TOTAL PRIMARY GOVERNMENT</b>	<b>COMPONENT UNITS</b>
	<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>SANITATION FUND</b>		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 4,306,394	\$ 4,871,588	\$ 2,289,201	\$ 11,467,183	\$ 1,792,162
Government operating grants	-	-	-	-	2,641,046
Other revenue	-	-	-	-	168,586
<b>Total operating revenues</b>	<b>4,306,394</b>	<b>4,871,588</b>	<b>2,289,201</b>	<b>11,467,183</b>	<b>4,601,794</b>
<b>OPERATING EXPENSES</b>					
Personal services	476,882	212,156	-	689,038	-
Administrative expense	591,188	487,888	157,811	1,236,887	883,195
Tenant services	-	-	-	-	111,186
Utilities	-	-	-	-	787,503
Maintenance, operations and contractual services	922,127	2,465,165	1,582,105	4,969,397	1,456,306
Protective services	-	-	-	-	42,639
General	-	-	-	-	422,924
Housing assistance payments	-	-	-	-	1,067,656
Employee benefits	294,957	123,047	609,947	1,027,951	-
Depreciation	1,450,613	915,616	-	2,366,229	675,063
<b>Total operating expenses</b>	<b>3,735,767</b>	<b>4,203,872</b>	<b>2,349,863</b>	<b>10,289,502</b>	<b>5,446,472</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>570,627</b>	<b>667,716</b>	<b>(60,662)</b>	<b>1,177,681</b>	<b>(844,678)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	166,195	2	112	166,309	293,617
Interest on bonds and notes	(147,116)	(395,129)	-	(542,245)	(42,241)
Miscellaneous revenues (expenses)	263,369	-	-	263,369	(269)
<b>Total non-operating revenues (expenses)</b>	<b>282,448</b>	<b>(395,127)</b>	<b>112</b>	<b>(112,567)</b>	<b>251,107</b>
Transfers	(780,875)	(360,325)	(29,142)	(1,170,342)	-
Capital grants	-	-	-	-	286,383
<b>NET INCOME (LOSS)</b>	<b>72,200</b>	<b>(87,736)</b>	<b>(89,692)</b>	<b>(105,228)</b>	<b>(307,188)</b>
<b>Net Position, beginning</b>	<b>29,642,069</b>	<b>11,891,379</b>	<b>(450,124)</b>	<b>41,083,324</b>	<b>18,326,489</b>
<b>Prior period adjustments</b>	<b>(13,722)</b>	<b>(6,155)</b>	<b>(21,426)</b>	<b>(41,303)</b>	<b>(4,994)</b>
<b>Net Position, beginning, as adjusted</b>	<b>29,628,347</b>	<b>11,885,224</b>	<b>(471,550)</b>	<b>41,042,021</b>	<b>18,321,495</b>
<b>Net Position, December 31, 2015</b>	<b>\$ 29,700,547</b>	<b>\$ 11,797,488</b>	<b>\$ (561,242)</b>	<b>\$ 40,936,793</b>	<b>\$ 18,014,307</b>

**CITY OF POUGHKEEPSIE, NEW YORK  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	PRIMARY GOVERNMENT			TOTAL PRIMARY GOVERNMENT	COMPONENT UNIT	TOTAL PROPRIETARY FUNDS
	WATER FUND	SEWER FUND	SANITATION FUND			
<b>Cash Flows From Operating Activities:</b>						
Cash received from users	\$ 4,360,713	\$ 5,301,405	\$ 2,216,759	\$ 11,878,877	\$ 1,809,413	\$ 13,688,290
Cash received - other	-	-	-	-	156,298	156,298
Cash paid to employees	(476,882)	(212,156)	-	(689,038)	(1,085,428)	(1,774,466)
Cash paid for employees benefits	(282,991)	(136,362)	(677,357)	(1,096,710)	-	(1,096,710)
Cash paid for operating expenses	(1,562,689)	(3,122,361)	(1,808,160)	(6,493,210)	(3,604,499)	(10,097,709)
Cash received from operating grants	-	-	-	-	2,636,611	2,636,611
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>2,038,151</u>	<u>1,830,526</u>	<u>(268,758)</u>	<u>3,599,919</u>	<u>(87,605)</u>	<u>3,512,314</u>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Payments from (to) related party	(1,494,254)	-	-	(1,494,254)	-	(1,494,254)
Payments from (to) other funds	804,940	(711,350)	268,646	362,236	-	362,236
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(689,314)</u>	<u>(711,350)</u>	<u>268,646</u>	<u>(1,132,018)</u>	<u>-</u>	<u>(1,132,018)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Purchase of Fixed Assets	(125,282)	(36,350)	-	(161,632)	(311,110)	(472,742)
Increase in investment in Joint Water	(4,981,285)	-	-	(4,981,285)	-	(4,981,285)
Proceeds from new debt	4,855,908	-	-	4,855,908	-	4,855,908
Federal capital grant	-	-	-	-	286,383	286,383
Interest payments of bonded indebtedness	(147,116)	(395,129)	-	(542,245)	(42,241)	(584,486)
Principal payments for bonded indebtedness	(1,117,257)	(687,699)	-	(1,804,956)	(152,519)	(1,957,475)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(1,515,032)</u>	<u>(1,119,178)</u>	<u>-</u>	<u>(2,634,210)</u>	<u>(219,487)</u>	<u>(2,853,697)</u>
<b>Cash Flows From Investing Activities:</b>						
Transfers to/from investments	-	-	-	-	(1,126)	(1,126)
Interest received	166,195	2	112	166,309	9,817	176,126
<b>Net Cash Provided by Investing Activities</b>	<u>166,195</u>	<u>2</u>	<u>112</u>	<u>166,309</u>	<u>8,691</u>	<u>175,000</u>
Net (Decrease) in Cash and Cash Equivalents	-	-	-	-	(298,401)	(298,401)
<b>Cash and Cash Equivalents, beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,572,827</u>	<u>2,572,827</u>
<b>Cash and Cash Equivalents, ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,274,426</u>	<u>\$ 2,274,426</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income	\$ 570,627	\$ 667,716	\$ (60,662)	\$ 1,177,681	\$ (844,678)	\$ 333,003
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation	1,450,613	915,616	-	2,366,229	675,063	3,041,292
Changes in assets and liabilities:						
Decrease (Increase) in accounts receivable	54,319	429,817	(52,448)	431,688	(1,416)	430,272
Decrease (Increase) in inventories	-	-	-	-	6,245	6,245
Decrease (Increase) in prepaid items	(2,684)	34,595	(2,138)	29,773	8,709	38,482
Increase (Decrease) in accounts payable	9,886	(199,478)	(66,106)	(255,698)	15,190	(240,508)
Increase (Decrease) in deferred revenues	-	-	(19,994)	(19,994)	1,944	(18,050)
Increase(Decrease) in accrued expenses and other liabilities	(44,610)	(17,740)	(67,410)	(129,760)	51,338	(78,422)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,038,151</u>	<u>\$ 1,830,526</u>	<u>\$ (268,758)</u>	<u>\$ 3,599,919</u>	<u>\$ (87,605)</u>	<u>\$ 3,512,314</u>

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

	<u><b>AGENCY FUNDS</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 198,125
Due from related party	<u>758,143</u>
<b>Total assets</b>	<u><u>\$ 956,268</u></u>
<b>LIABILITIES</b>	
Escrow funds returnable and other liabilities	<u>\$ 956,268</u>
<b>Total liabilities</b>	<u>956,268</u>
<b>NET POSITION</b>	<u>-</u>
<b>Total liabilities and net position</b>	<u><u>\$ 956,268</u></u>

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

**NOTE A - Summary of Accounting Policies**

The City of Poughkeepsie, New York ("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 GASB Codification. 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 units and other organizational entities determined to be included in the City's financial reporting entity in accordance with GASB Codification Sec. 2100. The decision to include a component unit in the City's reporting entity is based on several criteria set forth in GASB Codification Sec. 2100 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.

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 Veolia Water, North America, 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, 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 Industrial Development Agency*

The City of Poughkeepsie Industrial Development Agency ("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. Financial statements are available from the City of Poughkeepsie Commissioner of Finance, Poughkeepsie, NY. The Agency is presented as a component See Note L.

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

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

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

*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 L.

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 M.1.

**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, parks and recreation, public works, and general administrative services are classified as governmental activities. The City’s water, sewer, and sanitation services are classified as business-type activities.

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

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

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

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

The government-wide Statement of Activities and Changes in Net Position 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.). All inter-fund (internal) activity is eliminated.

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

**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.

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

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

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

**A. Governmental Funds (Continued)**

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).
- 4. Debt Service Fund** is used to account for the accumulation of resources for the payment of principal and interest on long-term debt.
- 5. 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.

**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. Such revenues are considered operating revenues. All other revenues are considered non-operating revenues.

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, sewer, and sanitation services.

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

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

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

**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 position and changes in net position 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 Year End**

As described above, 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 this 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, 2015, which are available from the Housing Authority's office in Poughkeepsie, New York.

**E. Fund Balance**

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

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

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

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

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

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

**E. Fund Balance (Continued)**

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

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

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

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

**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.

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

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

**4. Basis of Accounting (Continued)**

**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.

Demand, time deposits and certificates of deposit with a maturity date of 30 days are considered cash equivalents for purpose of the cash flow statement.

The cash of the City at December 31, 2015, is as follows:

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>SPECIAL GRANT FUND</u>	<u>DEBT SERVICE FUND</u>	<u>NON- MAJOR FUNDS</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash and Cash							
Equivalents	\$ 604,834	\$ 3,640,312	\$ 4,099,366	\$ 207,326	\$ 124,865	\$ -	\$ 8,676,703
Restricted Cash	40,000	1,493	-	40,000	-	-	81,493
<b>TOTALS</b>	<b>\$ 644,834</b>	<b>\$ 3,641,805</b>	<b>\$ 4,099,366</b>	<b>\$ 247,326</b>	<b>\$ 124,865</b>	<b>\$ -</b>	<b>\$ 8,758,196</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 debt service fund represents unspent funds borrowed from the New York State Environmental Facilities Corporation.

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

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

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

**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. Investments are broken down into three categories 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.

Investments for the year ended December 31, 2015 totaled \$12,899 in U.S. Treasury Notes under Category 2.

Disclosures relating to risk and type of investments as presented are indicative of activity and positions held during the year.

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

Since the City generally collects past-due taxes through property sales, no provision has been made for any uncollectible accounts. Further no 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**  
**DECEMBER 31, 2015**

**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 \$5,000 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

**F. Deferred Inflows of Resources**

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

Deferred inflows of resources consisted of the following at December 31, 2015:

	<b>GENERAL</b>	<b>SPECIAL</b>	<b>DEBT</b>	<b>NON-</b>	
	<b>FUND</b>	<b>GRANT</b>	<b>SERVICE</b>	<b>MAJOR</b>	
	<b>FUND</b>	<b>FUND</b>	<b>FUND</b>	<b>FUNDS</b>	<b>TOTAL</b>
Property taxes	\$ 5,876,255	\$ -	\$ -	\$ -	\$ 5,876,255
Rehabilitation loans	-	628,396	-	-	628,396
Revenues received in advance	-	-	7,285,000	-	7,285,000
Fees paid in advance	-	-	-	16,989	16,989
<b>TOTALS</b>	<b>\$ 5,876,255</b>	<b>\$ 628,396</b>	<b>\$ 7,285,000</b>	<b>\$ 16,989</b>	<b>\$ 13,806,640</b>

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

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

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

**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.

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 2015 was \$33,952,622, of which the amount required for the tax levy was \$21,767,727, leaving a margin of \$12,184,895. Therefore, the 2015 City tax levy, which is based on the 2014 assessment roll, utilized approximately 64.11% of its self-imposed tax limit including provisions for debt service.

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

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

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

**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.

**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.

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

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

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

**L. Accumulated Compensated Absences (Continued)**

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. Risk of Loss**

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, 2015, are reported as part of Assigned Fund Balance in the General Fund, totaling \$500,000.

**N. 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.

**O. Subsequent Events**

Management has evaluated subsequent events through November 20, 2016, the date the financial statements were available to be issued.

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

**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 and for the year ended December 31, 2015. 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.

<u>FUND</u>	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General	\$ 3,299,780	\$ 7,733,325
Capital Projects	6,707,033	1,294,930
Special Grant	863,344	129,997
Debt Service	7,400	-
Non-Major	173,965	2,491,926
Subtotal Governmental Funds	11,051,522	11,650,178
Proprietary Funds:		
Water	-	1,594,080
Sewer	2,768,889	-
Sanitation	-	576,153
Subtotal Proprietary Funds	2,768,889	2,170,233
<b>TOTALS</b>	<b>\$ 13,820,411</b>	<b>\$ 13,820,411</b>
	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General	\$ 1,065,310	\$ 5,100,908
Capital Projects	342,000	303,369
Special Grant	-	380,150
Debt Service	5,438,423	-
Non-Major	219,036	110,000
Subtotal Governmental Funds	7,064,769	5,894,427
Proprietary Funds:		
Water	-	780,875
Sewer	-	360,325
Sanitation	-	29,142
Subtotal Proprietary Funds	-	1,170,342
<b>TOTALS</b>	<b>\$ 7,064,769</b>	<b>\$ 7,064,769</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**  
**DECEMBER 31, 2015**

**NOTE C – Capital Assets**

The following describes the City’s capital assets:

	<b>BALANCE JANUARY 1, 2015</b>	<b>ADDITIONS</b>	<b>(DISPOSALS)</b>	<b>BALANCE DECEMBER 31, 2015</b>
<b>Governmental activities:</b>				
Land	\$ 3,823,617	\$ -	\$ -	\$ 3,823,617
Buildings	35,931,810	334,050	-	36,265,860
Infrastructure & Improvements	47,155,761	746,085	-	47,901,846
Machinery & equipment	30,047,372	925,051	-	30,972,423
Construction in Progress	17,027,489	1,445,098	(334,050)	18,138,537
<b>Totals at historical cost</b>	<b>133,986,049</b>	<b>3,450,284</b>	<b>(334,050)</b>	<b>137,102,283</b>
Less accumulated depreciation				
Buildings	(21,737,224)	(941,013)	-	(22,678,237)
Infrastructure & Improvements	(23,491,550)	(2,024,163)	-	(25,515,713)
Machinery & equipment	(24,735,211)	(1,091,586)	-	(25,826,797)
<b>Total accumulated depreciation</b>	<b>(69,963,985)</b>	<b>(4,056,762)</b>	<b>-</b>	<b>(74,020,747)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 64,022,064</b>	<b>\$ (606,478)</b>	<b>\$ (334,050)</b>	<b>\$ 63,081,536</b>

\*Depreciation was charged to governmental activities as follows:

General government support	\$ 745,452
Public safety	486,464
Transportation	2,477,955
Economic assistance & opportunity	7,657
Culture & recreation	49,242
Home & community service	289,992
<b>Total depreciation expense</b>	<b>\$ 4,056,762</b>

	<b>BALANCE JANUARY 1, 2015</b>	<b>ADDITIONS</b>	<b>(DISPOSALS)</b>	<b>BALANCE DECEMBER 31, 2015</b>
<b>Business-type activities:</b>				
Land	\$ 34,384	\$ -	\$ -	\$ 34,384
Buildings	5,059,339	-	-	5,059,339
Infrastructure & Improvements	75,771,528	-	-	75,771,528
Machinery & equipment	5,598,878	4,864,843	-	10,463,721
Construction in Progress	4,732,194	139,145	(4,842,356)	28,983
<b>Totals at historical cost</b>	<b>91,196,323</b>	<b>5,003,988</b>	<b>(4,842,356)</b>	<b>91,357,955</b>
Less accumulated depreciation				
Buildings	(5,059,339)	-	-	(5,059,339)
Infrastructure & Improvements	(33,568,500)	(2,017,549)	-	(35,586,049)
Machinery & equipment	(5,452,485)	(348,680)	-	(5,801,165)
<b>Total accumulated depreciation</b>	<b>(44,080,324)</b>	<b>(2,366,229)</b>	<b>-</b>	<b>(46,446,553)</b>
<b>Business-type capital assets, net</b>	<b>\$ 47,115,999</b>	<b>\$ 2,637,759</b>	<b>\$ (4,842,356)</b>	<b>\$ 44,911,402</b>

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

Home & community service	\$ 2,366,229
<b>Total depreciation expense</b>	<b>\$ 2,366,229</b>

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

**NOTE D – Short and Long-Term Liabilities**

**1. Types**

**A. 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 liabilities are considered general obligation debt, supported by the full faith and credit of the City. Short-term notes are recorded in the funds, while the long-term portion is only reflected in the government-wide statements. Current principal and interest payments are included in the expenditures of the debt service fund. The City has utilized 43.74% of its constitutional debt limit as of December 31, 2015, after adjustments for water and sewer debt.

**B. Judgments and Claims**

As described in Note A.5.M., 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.

**D. Other**

The City also records estimates of the net pension liability (Note E), other post-employment benefits obligations (Note F), capital leases (Note G. 2), and landfill liabilities (Note M. 2).

**2. Description**

**A. Bond Anticipation Notes Payable**

Bond anticipation notes 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 bond anticipation notes payable as of December 31, 2015, are as follows:

<u>PURPOSE</u>	<u>ORIGINAL</u>			<u>AMOUNT</u>	
	<u>ISSUE</u> <u>DATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>INTEREST</u> <u>RATE</u>	<u>ORIGINAL</u> <u>AMOUNT</u> <u>OF ISSUE</u>	<u>OUTSTANDING</u> <u>AT</u> <u>DECEMBER 31,</u> <u>2015</u>
LED Lighting and Police Vehicles	7/13/15	7/13/16	2.125%	\$ 3,288,137	\$ 3,288,137
Joint Water	11/5/15	11/5/18	0.430%	5,080,496	5,080,496
Total Bond Anticipation Notes				<u>\$ 8,368,633</u>	<u>\$ 8,368,633</u>

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

**NOTE D – Short and Long-Term Liabilities (Continued)**

**2. Description (Continued)**

**B. Serial Bonds and Other Long-Term Liabilities**

Serial bonds are bonds which can be issued for up to the period of probable usefulness of the asset being financed. Other long-term liabilities include the financing of retirement contributions, long-term leases and compensated absences. Provisions are made in future budgets for the payment of such indebtedness. The following is a schedule of the City's serial bonds as of December 31, 2015:

<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, 2015</u>
Various Purposes	3/01	2020	3.48-5.13%	\$ 285,000	\$ 145,000
Water Treatment Plant	3/02	2023	2.95%	5,116,460	2,355,000
Waste Water Treatment Plant	3/03	2025	2.58%	2,485,000	1,280,000
Waste Water Treatment Plant	6/12	2028	2.95%	490,000	420,000
Sewer	7/03	2030	.79-4.612%	1,200,044	755,000
Various Purposes	3/04	2019	3.56%	10,565,000	3,550,000
Water Treatment Plant	7/15	2025	3.635-4.015%	64,580	64,580
Public Improvement	9/05	2024	3.25-5.50%	4,830,000	2,630,000
Public Improvement	7/06	2024	4.00%	8,535,000	5,125,000
Public Improvement	9/06	2016	5.50%	2,319,610	285,000
Water Treatment Plant	7/15	2026	4.227-4.775%	312,051	312,051
Various Purposes	7/07	2023	4.00-5.00%	5,907,930	3,495,000
Various Purposes	7/08	2030	3.00%	5,350,000	4,020,000
Library	4/09	2030	2.00-5.00%	6,049,852	4,615,000
Water Treatment Plant	6/10	2019	.93-3.36%	1,710,000	830,000
Public Improvement	06/10	2024	.38-3.68%	2,390,000	1,575,000
Public Improvement	4/11	2016	3.90-6.75%	675,000	150,000
Public Improvement	4/11	2031	4.00-5.25%	11,155,000	9,765,000
Waterfront & City Hall Roof Improvements	4/14	2023	3.125-3.50%	6,145,000	5,600,000
Library District Improvements	4/14	2038	4.50-5.00%	2,852,870	2,670,003
Water	7/15	2033	4.00%	4,855,908	4,855,908
Public Improvement	2/15	2025	4.00%	985,000	985,000
<b>TOTAL SERIAL BONDS</b>				<b>\$ 84,279,305</b>	<b>\$ 55,482,542</b>

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

**NOTE D – Short and Long-Term Liabilities (Continued)**

**3. Changes**

Changes in bond anticipation notes payable for the year ended December 31, 2015, are as follows:

<b>FUND</b>	<b>BALANCE</b>			<b>AMOUNTS</b>	
	<b>JANUARY 1, 2015</b>	<b>NEW ISSUE</b>	<b>REFINANCED/ PAYMENTS</b>	<b>BALANCE DECEMBER 31, 2015</b>	<b>DUE WITHIN ONE YEAR</b>
General	\$ 1,262,205	\$ 8,121,711	\$ (6,095,779)	\$ 3,288,137	\$ 3,288,137
Water	5,510,656	7,238,347	(7,668,507)	5,080,496	5,080,496
<b>Totals</b>	<b>\$ 6,772,861</b>	<b>\$15,360,058</b>	<b>\$ (13,764,286)</b>	<b>\$ 8,368,633</b>	<b>\$ 8,368,633</b>

Changes in the City's long term liabilities during the year ended December 31, 2015, are summarized as follows:

	<b>BALANCE</b>			<b>AMOUNTS</b>	
	<b>JANUARY 1, 2015</b>	<b>INCREASE</b>	<b>(DECREASE)</b>	<b>BALANCE DECEMBER 31, 2015</b>	<b>DUE WITHIN ONE YEAR</b>
Serial Bonds - Governmental	\$ 40,005,026	\$ 985,000	\$ (3,230,201)	\$ 37,759,825	\$ 3,437,171
Serial Bonds - Proprietary	14,504,974	4,855,908	(1,638,165)	17,722,717	1,579,368
Retirement Liability - ERS	1,892,563	129,454	(166,853)	1,855,164	218,636
Retirement Liability - PFRS	1,881,285	115,588	(167,867)	1,829,006	214,102
Other Post-employment Benefits	25,960,744	7,719,700	(2,180,300)	31,500,144	-
Capital Leases	1,399,344	-	(401,044)	998,300	267,150
Judgments and Claims	500,000	-	-	500,000	-
Landfill Costs	250,515	-	(41,239)	209,276	6,038
Compensated Absences	6,181,024	97,858	-	6,278,882	60,000
<b>Totals</b>	<b>\$ 92,575,475</b>	<b>\$ 13,903,507</b>	<b>\$ (7,825,669)</b>	<b>\$ 98,653,313</b>	<b>\$ 5,782,465</b>

Compensated absences and vacation pay are shown net, since it is impracticable to determine the changes separately. The financing of certain retirement liabilities and other post-employment benefit liabilities are allocated to governmental activities, as the proprietary funds have fully funded its retirement allocation and information to allocate other post-employment benefits to proprietary funds is not available.

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

**NOTE D – Short and Long-Term Liabilities (Continued)**

**4. Amortization**

The annual requirements needed to amortize bonded debt as of December 31, 2014, are as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	\$ 5,016,539	\$ 2,310,024	\$ 7,326,563
2017	4,815,000	2,017,331	6,832,331
2018	4,997,000	1,818,853	6,815,853
2019	5,147,000	1,615,187	6,762,187
2020	4,127,000	1,433,291	5,560,291
2021 - 2025	18,418,000	4,734,776	23,152,776
2026- 2030	9,467,000	1,938,407	11,405,407
2031- 2035	2,970,000	345,447	3,315,447
2035 - 2040	525,000	40,375	565,375
	<b><u>\$55,482,539</u></b>	<b><u>\$16,253,691</u></b>	<b><u>\$71,736,230</u></b>

The annual requirements needed to amortize retirement debt as of December 31, 2015, are as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	\$ 432,738	\$ 81,188	\$ 513,926
2017	432,738	81,188	513,926
2018	432,738	81,188	513,926
2019	432,738	81,188	513,926
2020	432,738	81,188	513,926
2021-2025	1,520,479	283,268	1,803,747
	<b><u>\$ 3,684,169</u></b>	<b><u>\$ 689,208</u></b>	<b><u>\$ 4,373,377</u></b>

**NOTE E – Pension Plans**

**1. 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 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.

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

**NOTE E – Pension Plans (Continued)**

**1. Plan Description (Continued)**

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.

**2. 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% or more 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. However Chapter 57 of the laws of 2010 allows participating employers to amortize a portion of their annual pension costs. The City determined that portions of the 2011, 2012, 2013, and 2014 contributions would be amortized. As more fully described in Note D, Short and Long-Term Liabilities, the unpaid contributions as of December 31, 2015 amounted to \$3,684,169. Payments on this debt, including interest, are billed by the Retirement Systems and included in the minimum amortization payment due each year.

The contributions made, including required minimum amortization amounts for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2015	\$ 1,831,474	\$ 3,216,292
2014	\$ 1,535,115	\$ 2,933,708
2013	\$ 1,366,652	\$ 2,849,931

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

At December 31, 2015, the City reported liabilities of \$1,166,072 under the Employees' Retirement System and \$982,163 under the Police and Fire Retirement System for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, as actuarially determined.

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

**NOTE E – Pension Plans (Continued)**

**3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

At March 31, 2015, the City’s proportion was .0345183 percent of the Employers’ Retirement System liability and .3568135 percent of the Police and Fire Retirement System liability, which is the initial determination. Therefore, this is the initial year for implementation of GASB 68. See Note O.

For the year ended December 31, 2015, the City recognized pension expense of \$1,042,946 under the Employees’ Retirement System and \$2,272,264 under the Police and Fire Retirement System. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience - ERS	\$ 37,329	\$ -
Differences between expected and actual experience - PFRS	118,443	-
Net difference between projected and actual investment earnings on pension plan investments - ERS	202,530	-
Net difference between projected and actual investment earnings on pension plan investments - PFRS	329,745	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - ERS	-	49,444
Changes in proportion and differences between employer contributions and proportionate share of contributions - PFRS	-	26,087
Total	<u>\$ 688,047</u>	<u>\$ 75,531</u>

\$0 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
2016	\$ 47,604	\$ 100,907	\$ 148,511
2017	\$ 47,604	\$ 100,907	\$ 148,511
2018	\$ 47,604	\$ 100,907	\$ 148,511
2019	\$ 47,604	\$ 100,907	\$ 148,511
2020	\$ -	\$ 18,471	\$ 18,471

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

**NOTE E – Pension Plans (Continued)**

**4. Actuarial Assumptions**

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

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

Inflation	2.7%
Salary increases - ERS	4.9%
Salary increases - PFRS	6.0%
Interest rate	7.5%
Decrement tables	April 1, 2005 - March 31, 2010 System's experience

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

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

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

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

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

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

**NOTE E – Pension Plans (Continued)**

**5. Discount Rate**

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

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

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

	<b>1% Decrease (6.5%)</b>	<b>Current Assumption (7.5%)</b>	<b>1% Increase (8.5%)</b>
City's proportionate share of the net ERS pension liability	\$ 7,772,655	\$ 1,166,072	\$(4,411,444)
City's proportionate share of the net PFRS pension liability	\$13,076,990	\$ 982,163	\$(9,154,032)

**7. Pension Plan Fiduciary Net Position**

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

	Dollars in Thousands		
	<b>Employees' Retirement System</b>	<b>Police and Fire Retirement System</b>	<b>Total</b>
Employers' total pension liability	\$164,591,504	\$ 28,474,417	\$193,065,921
Plan net position	(161,213,259)	(28,199,157)	(189,412,416)
Employers' net pension liability	\$ 3,378,245	\$ 275,260	\$ 3,653,505
Ratio of plan net position to the employers' total pension liability	97.9%	99.0%	98.1%

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

**NOTE F – 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. Retirees make varying contributions, according to their respective former collective bargaining agreements.

The cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid, which is the accrual accounting perspective. In adopting the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the 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 Post-employment Benefits Liability as of December 31, 2015, is \$31,500,144, recorded in the Statement of Net Position – Governmental Activities. No allocation has been made to the Proprietary Activities as the actuarial calculation has been made on a City-Wide basis.

**1. 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:

<u>Contracts</u>	<u>% Paid by City</u>	
	<u>Retiree</u>	<u>Spouse</u>
CSEA - Retiree Coverage	50%	35%
IAFF - Retiree Coverage	50%	35%
PBA - Retiree Coverage	50%	35%

All non-union retirees will follow the contribution schedules described in the various contracts, as determined by the department with which the retiree is associated. Plan eligibility requires CSEA and non-union members to be 55 and have 5 years of service. IAFF and PBA members need 5 years of service. All members must also be eligible to retire under the New York State Retirement System.

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

**NOTE F – Post-employment Benefits (Continued)**

**2. 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.

**3. Annual Other Post-employment Benefit Cost**

The City's OPEB cost amounted to \$6,845,600, and the increase in net OPEB obligation amounted to \$5,539,400, for the year ended December 31, 2015. The City's increase in net OPEB obligation 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.

**4. Net Other Post-employment 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**  
**DECEMBER 31, 2015**

**NOTE F – Post-employment Benefits (Continued)**

**4. Net Other Post-employment Benefit Obligation (Continued)**

Actuarial Accrued Liability (AAL)	
All eligible employees	\$ 85,478,300
Total Actuarial Accrued Liability	<u><u>\$ 85,478,300</u></u>
Annual Required Contribution (ARC)	<u><u>\$ 7,200,600</u></u>
Net OPEB Obligation - beginning of the year	\$ 25,960,744
Annual Required Contribution (ARC)	7,200,600
Interest on Net OPEB obligation	519,100
Adjustment to Annual Required Contribution	<u>(874,100)</u>
Annual OPEB cost	6,845,600
Actual Employer Contributions*	<u>(1,306,200)</u>
Increase in Net OPEB Obligation	<u>5,539,400</u>
Net OPEB Obligation - end of the year	<u><u>\$ 31,500,144</u></u>
Percent of annual OPEB cost contributed	19.08%

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

<u>Year</u>	<u>Annual</u>	<u>Actual</u>	<u>Percentage</u>
<u>Ended</u>	<u>OPEB</u>	<u>Contribution</u>	<u>Contributed</u>
<u>December 31</u>	<u>Cost</u>	<u>Made</u>	<u>Contributed</u>
2015	\$ 6,845,600	\$1,306,200	19%
2014	\$ 6,678,100	\$1,205,600	18%
2013	\$ 6,216,000	\$1,148,600	18%

**5. 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  
DECEMBER 31, 2015**

**NOTE F – Post-employment Benefits (Continued)**

**5. Actuarial Methods and Assumptions (Continued)**

In the January 1, 2014, actuarial valuation, the liabilities were computed using the projected unit credit cost method and level dollar amortization. The actuarial assumptions utilized a 2% baseline discount rate.

The valuation assumes the following rates of increase in health care costs:

	Initial Inflation Rate	Subsequent Inflation Rate	Valuation Year Inflation Rate Reaches 5.00%	Valuation Year Inflation Rate Reaches 4.70%
NYSHIP Pre-65	6.20%	5.80%	2068	2078
NYSHIP Post-65	6.00%	5.60%	2075	2080
Medicare Part B	0.00%	5.00%	2015	2074
MVP Pre-65	6.90%	5.60%	2070	2078
MVP Post-65	7.10%	5.80%	2080	2091

**NOTE G - 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, 2015 amounted to \$219,162. These leases run for a maximum term of up to six years with renewal or purchase options available to the City.

At December 31, 2015, the approximate future annual operating lease commitments, subject to appropriation of funds, were as follows:

<b>Year Ending December 31,</b>	<b>Operating Leases</b>
2016	\$ 209,076
2017	75,329
2018	485
<b>Total minimum lease commitments</b>	<b>\$ 284,890</b>

**2. Capital Leases**

The City currently has seven capital leases. The leases include an emergency communications system, parking meters, and those for various equipment and vehicles, for a total asset cost of \$3,211,039. Payments, including principal and interest, are made until the lease commitment is paid in full.

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

**NOTE G – Leases (Continued)**

**2. Capital Leases (Continued)**

At December 31, 2015, the approximate future annual capital lease principal commitments, subject to appropriation of funds, were as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2016	\$ 267,150
2017	276,839
2018	255,655
2019	198,656
<b>Total minimum lease commitments</b>	<b><u>\$ 998,300</u></b>

**NOTE H - 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, 2015, the City had included \$3,950,080 in due to other governments for delinquent school taxes due to the School District representing the current and prior two years' unpaid taxes.

The current year liability is paid to the School District monthly, as taxes are collected by the City. Final settlement is generally made in the year 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, 2015, the City owed Dutchess County \$15,986 for delinquent county property taxes.

**NOTE I - 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.

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

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

**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.

**3. Capital Projects**

Annually, the City revises its five year capital program which includes a total of \$92,985,000 in capital expenditures for the years 2016 through 2020. This plan covers equipment purchases, and infrastructure improvements, including bridge replacements, street paving, sidewalk and curb replacement or reconstruction, water distribution and sanitary sewer improvements, as well as major repairs to city-owned properties.

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

**4. Authorized Debt**

The City's authorized but unissued debt as of December 31, 2015 is as follows:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
May-07	Pine St. & Lincoln Ave Sewer	\$ 878,000
May-07	Sidewalks	650,000
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
March-09	Southern Waterfront Local Share	2,664,380
February-10	Hoffman Street Bridge Replacement	11,115,683
June-13	Poughkeepsie Water Treatment - Centrifuge Upgrade	27,731
July-13	Poughkeepsie Water Treatment - Disinfection Byproduct Upgrade	408,691
January-15	Water Storage Reservoir and Distribution	11,688,000
September-15	Pump Station Renovation and CSO	11,256,000
December-15	LED Lighting	1,153,947
	<b>Total</b>	<b><u>\$ 42,224,286</u></b>

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

**NOTE J - 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, 2015, there was one industrial development bond outstanding, with an aggregate principal amount payable of \$3,471,162.

**NOTE K – Legal Compliance**

**1. General Fund – Deficit Fund Balance**

The General Fund has a deficit fund balance of (\$13,061,925). The City is implementing cost-savings measures and revenue enhancements to fund this deficit in the future.

**NOTE L - Component Units**

**POUGHKEEPSIE HOUSING AUTHORITY**

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

**a. Organization**

The Poughkeepsie Housing Authority (the Authority) was organized pursuant to the Housing Statutes of the State of New York. The 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.

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

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

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

**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, as amended by GASB 61. 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.

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 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, Resident Opportunity and Supportive Services, 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 appointed by the Board of Commissioners of the 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.

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

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

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

**b. Reporting Entity (Continued)**

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

Net Investment in capital assets: 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 position subject to externally imposed conditions that the Authority must maintain them in perpetuity.

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

Unrestricted: All other categories of net position. Included in unrestricted net position 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 has also implemented GASB Statement No. 34 - "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments;" GASB Statement No. 37 - "Basic Financial Statements Management's Discussion and Analysis for State and Local Governments: Omnibus," required portions of GASB Statement No. 38 - "Certain Financial Statement Note Disclosures" and GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

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

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

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

**c. Basis of Accounting (Continued)**

Beginning in 2013, the Authority adopted the provisions of GASB Statement No. 61 - "The Financial Reporting Entity". This statement was an amendment of GASB Statement 14 and GASB Statement 34.

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.

Beginning in 2013, the Authority adopted the provisions of GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement codified all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

The Authority has implemented GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This statement provides guidance on presenting deferred outflows, deferred inflows and net position. The implementation of GASB Statement No. 63 incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

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**  
**DECEMBER 31, 2015**

**NOTE L - 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 inventories on hand are 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 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 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.

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

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

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

**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.

**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.

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

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

**2. Accounts Receivable**

Accounts receivable at March 31, 2015, represents the following:

Accounts receivable - PHA projects	\$	73
Accounts receivable - HUD		10,420
Accounts receivable - other governments		6,144
Tenant accounts receivable		61,470
Other receivables/accounts receivables miscellaneous		182,756
Allowance for doubtful accounts		(40,759)
Fraud recovery		586
	<u>\$</u>	<u>220,690</u>

**3. Property and Equipment**

Property and equipment and the related depreciation as of March 31, 2015, are summarized as follows:

	Low Rent	Housing Choice Vouchers	NECAP	Accumulated Depreciation	Net Book Value
Land	\$ 337,280	\$ -	\$ -	\$ -	\$ 337,280
Buildings	33,196,532	-	-	28,333,955	4,862,577
Furniture, equipment & machinery - dwellings	707,990	-	-	538,548	169,442
Furniture, equipment & machinery - admin	883,299	2,071	3,658	835,457	53,571
Leasehold improvements	3,508,656	-	-	2,707,143	801,513
Construction in progress	94,584	-	-	-	94,584
	<u>\$ 38,728,341</u>	<u>\$ 2,071</u>	<u>\$ 3,658</u>	<u>\$ 32,415,103</u>	<u>\$ 6,318,967</u>

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

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

**3. Property and Equipment (Continued)**

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

Cost	Balance March 31, 2014	Additions	Deletions	Balance March 31, 2015
Land	\$ 337,280	\$ -	\$ -	\$ 337,280
Buildings	33,196,533	-	-	33,196,533
Furniture, equipment & machinery - dwellings	706,275	19,670	17,956	707,989
Furniture, equipment & machinery - admin	860,766	28,262	-	889,028
Leasehold improvements	3,160,717	347,929	-	3,508,646
Construction in progress	179,345	-	84,751	94,594
	<u>\$ 38,440,916</u>	<u>\$ 395,861</u>	<u>\$ 102,707</u>	<u>\$ 38,734,070</u>

Accumulated Depreciation	Balance March 31, 2014	Additions	Deletions	Balance March 31, 2015
Land	\$ -	\$ -	\$ -	\$ -
Buildings	27,852,801	481,154	-	28,333,955
Furniture, equipment & machinery - dwellings	522,579	33,279	17,310	538,548
Furniture, equipment & machinery - admin	799,695	35,762	-	835,457
Leasehold improvements	2,582,275	124,868	-	2,707,143
	<u>\$ 31,757,350</u>	<u>\$ 675,063</u>	<u>\$ 17,310</u>	<u>\$ 32,415,103</u>

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

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

**4. Prepaid Expenses and Other Assets**

Prepaid expenses at March 31, 2015, consisted of the following:

Prepaid insurance	\$ 23,964
Prepaid expenses - other	<u>10,420</u>
	<u>\$ 34,384</u>

**5. Pension and Other Retirement Benefits**

**a. General Information**

The 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 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% or more 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.

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

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

**5. Pension and Other Retirement Benefits (Continued)**

**c. Funding Policies (Continued)**

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:

2015	\$	186,330
2014	\$	179,948
2013	\$	184,949

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 2015 would be based on the pension values as of March 31, 2014).

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) 2004-05, 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.

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

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

**5. Pension and Other Retirement Benefits (Continued)**

**c. Funding Policies (Continued)**

- 2) For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- 3) For SFY 2012-08, 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 2015. The total unpaid liability at the end of the fiscal year was \$0.

**d. Health Insurance**

The 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, 2015, the Authority had no eligible retirees at an annual cost of \$0.

**6. Income Taxes**

The 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.

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

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

As of March 31, 2015, \$0 of the Authority's bank balance of \$2,365,304 was exposed to custodial risk as follows:

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

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

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

**8. Intergovernmental Payables**

Intergovernmental payables at March 31, 2015, consisted of the following:

Pilot payable	\$	96,782
Payable - other government		771
		97,553
	\$	97,553

**9. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation and sick 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, 2015, the Authority had the following obligated but unexpended funds in open CFP projects:

		<u>Obligated But</u>
<u>CFP</u>		<u>Unexpended</u>
CFP 2012	\$	2,278
CFP 2013	\$	111,348
CFP 2014	\$	44,747

**11. Accrued Liabilities**

Accrued liabilities consisted of the following as of March 31, 2015:

Accrued compensated absences	\$	7,002
Accrued interests		6,144
Accrued payroll and taxes		38,934
Accrued other liabilities		145,166
	\$	197,246

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

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

**12. Non Current Assets**

**State Housing**

The balance in this account of \$7,500,000 at March 31, 2015, 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:

Mortgages receivable - state program	\$	7,500,000
Accrued interest on mortgages receivable		4,120,244
		\$ 11,620,244

**13. Investments**

Investments at March 31, 2015, consisted of the following:

		Category
Certificate of Deposits yielding .75% - maturing 7/29/15	\$ 129,562	1
Certificate of Deposits yielding .50% - maturing 7/16/15	96,268	1
	\$ 225,830	

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

Category 1 - Insured, registered, or securities held by the Authority or its agent in the Authority's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department, or agent in the Authority's name.

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

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

**13. Investments (Continued)**

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.

**14. Non Current Liabilities**

Long term liability activity for the year ended March 31, 2015, was as follows:

	Beginning			Ending	Amount Due	Amount Due
	Balance	Additions	Reductions	Balance	Within One	Greater Than
					Year	One Year
Notes Payable:						
State of New York	\$ 1,632,201	\$ -	\$(152,519)	\$1,479,682	\$ 152,519	\$1,327,163
Other Liabilities:						
Compensated absences	135,455	4,583	-	140,038	7,002	133,036
Escrow payable	858	-	(858)	-	-	-
OPEB payable	179,948	6,382	-	186,330	-	186,330
Total Other Liabilities	316,261	10,965	(858)	326,368	7,002	319,366
Non Current Liabilities	<u>\$ 1,948,462</u>	<u>\$10,965</u>	<u>\$(153,377)</u>	<u>\$1,806,050</u>	<u>\$ 159,521</u>	<u>\$1,646,529</u>

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

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

**14. Non Current Liabilities (Continued)**

**Debt Maturity**

Debt service requirements at March 31, 2015, were as follows:

<u>Year ended March 31</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 152,519	\$ 37,470
2017	152,519	33,382
2018	152,519	29,294
2019	152,519	25,206
2020	152,519	21,118
2021-2025	<u>717,087</u>	<u>44,955</u>
	<u>\$1,479,682</u>	<u>\$ 191,425</u>

**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.

**15. Post-Employment (Health Insurance) Benefits**

The Authority implemented GASB Statement #45, Accounting and Financial Reporting by employers for Post-Employment Benefits Other than Pensions, in the fiscal year ended March 31, 2015. This required the Authority to calculate and record a net other post-employment benefit obligation at year end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contributions and the actual contributions made.

**a. Plan Description**

The Authority provides post-employment health insurance (life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts.

The Authority recognizes the cost of providing health insurance annually as expenditures in the applicable programs as payments are made. For the year ended the Authority recognized \$0 for its share of insurance premiums for 0 currently enrolled retirees.

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

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

**15. Post-Employment (Health Insurance) Benefits (Continued)**

**b. Funding Policy**

The contribution requirements of Plan members and the Authority are established by the Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as may be determined annually by the Board. For fiscal year March 31, 2015, the Authority contributed \$0 to the plan, representing 100% of the current premiums. No contributions to prefund benefits were made.

**c. Annual OPEB Cost and Net OPEB Obligation**

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution (ARC)	\$ 7,102
Interest on net OPEB obligation	6,748
Adjustment to ARC	<u>(7,468)</u>
Annual OPEB cost (expense)	6,382
Contribution made	<u>-</u>
Increase in net OPEB obligation	6,382
Net OPEB obligation - beginning of year	<u>179,948</u>
Net OPEB obligation - end of year	<u>\$ 186,330</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2013	\$ 10,372	24%	\$ 180,794
3/31/2014	\$ 6,378	0%	\$ 179,948
3/31/2015	\$ 6,382	0%	\$ 186,330

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

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

**15. Post-Employment (Health Insurance) Benefits (Continued)**

**c. Annual OPEB Cost and Net OPEB Obligation (Continued)**

Funded Status and Funding Progress: As of March 31, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$50,156 and the actuarial value of assets was \$0, resulting in an underfunded actuarial accrued liability (UAAL) of \$50,156. The covered payroll (annual payroll of active employees covered by the plan) was \$847,895 and the ratio of the UAAL to the covered payroll was 6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**d. 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 of 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 perspectives of the calculations.

In the April 1, 2010, actuarial valuation, the Projected Unit Credit method was used. The actuarial assumptions included an 8% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 7.5% after 5 years. The actuarial value of assets was determined as the plan is not currently funded. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2015, was 27 years.

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

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

**16. Economic Dependency**

For the year ended March 31, 2015, 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 mandated by HUD. Such changes may 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 \$2,732,669 for the year ending March 31, 2015.

**17. Prior Year Adjustments**

The total net assets beginning April 1, 2014, have been adjusted as follows:

Total net assets - beginning	\$ 18,712,268
Prior years revenues	<u>(4,996)</u>
Total net assets - beginning	<u><u>\$ 18,707,272</u></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 2015 fiscal year, the Authority contracted with Philadelphia Insurance for liability, property and auto coverage. The Authority has had no significant reduction in insurance coverage from prior years.

**19. Related Parties**

The City of Poughkeepsie considers the Authority to be a related party. Payments and accruals to the City of Poughkeepsie by the Authority for the fiscal year ended March 31, 2015 consisted of accrued P.I.L.O.T. in the amount of \$96,782 and water costs in the amount of \$108,279 and sewer in the amount of \$93,805.

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

**NOTE L - 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 Authority. The Board of the NECAP is appointed as follows: two members of the board are members by virtue of their position on the Authority Board of Commissioners. In accordance with GASB 14, due to the Board of Directors of NECAP having two members of the Authority on its board, and the rest appointed by the Authority, 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.

**22. Administrative Fee Reserves**

As of March 31, 2015, the Authority had reserves prior to 2004 totaling \$31,717 represented in the Unrestricted Net Assets for the Housing Choice Voucher Program.

**23. Subsequent Events**

In August of 2015, the Authority stopped accruing fees owed for a maintenance contract. All collection attempts have now ceased and a potential write off of bad debts could occur in fiscal 2016 for the amount of \$182,756.

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

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

**CITY OF POUGHKEEPSIE INDUSTRIAL DEVELOPMENT AGENCY**

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

**Organization and Purpose**

The City of Poughkeepsie, New York 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, as amended.

**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.

The Agency’s policy is to apply all GASB pronouncements; with the implementation of GASB 62, applicable Financial Accounting Standards Board standards are included.

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

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

**City of Poughkeepsie Industrial Development Agency (Continued)**

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

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.

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.

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

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

**City of Poughkeepsie Industrial Development Agency (Continued)**

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

Subsequent Events

The Agency evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2015 through March 30, 2016, the date on which the financial statements were available to be issued.

**2. Industrial Revenue Bonds**

Bonds authorized by the Agency and issued through various lending institutions are designated as special obligations of the Agency and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances, the Agency 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 Agency does not act as a guarantor in the event of default. Accordingly, recourse on the part of the lending institution against the Agency is limited to collateralization properties and revenues as specified in the body of the applicable financing agreement. Additionally, in each of these financings, the Agency 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 Agency does not reflect such bonds or related properties on its financial statements. Industrial revenue bonds authorized by the Agency and outstanding at December 31, 2015, total \$3,471,162.

**3. Assignment Consent**

In 2013, the Agency consented to the assignment of an installment sale agreement between the former and current owner of The Manor at Woodside, an independent living facility for seniors located in the City of Poughkeepsie. This consent allowed the new owner to retain the property tax exemptions and payments in lieu of taxes (PILOT) benefits afforded the prior owner. The industrial revenue bonds issued for the benefit of the prior owner were paid as a consequence of the project facility transfer.

**4. New Reporting Standards**

GASB has also issued Statements 68-80, none of which are expected to have any substantive effects on the Agency's net position.

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

**NOTE M - Joint Ventures**

**1. 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 unaudited financial statements issued for the joint venture for the year ended December 31, 2015. These financial statements are issued separately and can be obtained from the Joint Water Project at 62 Civic Center Plaza, Poughkeepsie, NY 12601.

	<b>Balances at December 31, 2015</b>
Total Assets and Deferred Outflows	\$ 27,239,905
Total Liabilities and Deferred Inflows	\$ 14,020,601
Joint Venture Net Position	\$ 13,219,304
Total Revenues - 2015	\$ 4,025,221
Total Expenses - 2015	\$ 4,547,594

The City's net share of operating expenses amounted to \$253,310, which is included in Home and Community Service expenditures and received reimbursement of administrative costs of \$138,704 which is included in Charges for Services in the Water Fund. The City is owed \$322,984 for operations and owes \$501,772 for the disinfection project described below for operations, which is reported as Due from/to Related Party as of December 31, 2015.

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, 2015 the outstanding balance on the four serial bond issues is \$3,561,631,

An additional project related to disinfection product upgrades is in progress with the City's estimated share of \$10,353,000 (55%). For 2015, the City incurred \$4,753,772 in shared costs which is included in Investment in Joint Water Project. The City has issued \$5,080,496 in Bond Anticipation Notes to finance its share of the project.

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

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

**2. 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, 2015, 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.

	<b>Unaudited Balances at <u>December 31, 2015</u></b>
Total Assets	\$ 40,176
Total Liabilities	\$ -
Total Venture Equity	\$ 40,176
Total Revenues	\$ 21,361
Total Expenditures	\$ 15,236

During 2003, an Order of Consent was issued through the New York State Department of Environmental Conservation to remediate Environmental Conservation Law and New York Codes Rule and Regulations violations. To comply with this order the 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. In 2015, the City has recorded a short-term liability amounting to \$6,038 and a long-term liability amounting to \$203,238 for a total liability of \$209,276 to account for the closure and monitoring liability. 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 came from the issuance of debt by each municipality

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

**NOTE N - Subsequent Events**

**1. New Debt Issues:**

<u>TYPE</u>	<u>ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>Rate</u>	<u>PURPOSE</u>	<u>AMOUNT</u>	<u>SERIES</u>
Bond	07/12/16	05/07/17	3.75%	LED Street Lighting - Phase I	\$ 3,180,000	2016A
Anticipation				Police Vehicles	54,069	
Note				Creek Road Improvements	1,580,000 *	
				LED Street Lighting - Phase II	1,153,947 *	
				Financial Parking Deck Repairs	1,050,000 *	
				City Hall HVAC	800,000 *	
				City Hall Roof Repairs	590,000 *	
					\$ 8,408,016	
Bond	02/11/16	02/11/21	0.00%	Upgrades to drinking water	maximum	EFC -
Anticipation				distribution system and	drawdown of	2016A
Note				replacement of water reservoir	\$9,663,000	

\* Denotes renewals of existing debt.

**2. New Authorizations:**

<u>PURPOSE</u>	<u>DATE AUTHORIZED</u>	<u>AMOUNT</u>
Creek Road Improvement	May-16	\$ 1,980,000
City Hall Roof	May-16	590,000
City Hall HVAC	May-16	800,000
Financial Plaza Deck	June-16	1,300,000
<b>Total</b>		<b>\$ 4,670,000</b>

**3. Litigation Settlement:**

The City settled a wrongful termination dispute on a construction contract in 2016. The settlement agreement led to the payment of \$561,539 held in retainage under the contract. The previously recorded retainage of \$637,772 was written down to the settlement amount, and the difference, \$76,233, was reported as Miscellaneous Local Source Income in the Capital Projects Fund as of December 31, 2015.

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

**NOTE O – Implementation of GASB 68**

In June 2012, GASB issued Statement 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2. This Statement requires the recording of the City's proportional share of the collective net pension liability of the New York State & Local Retirement System. The City implemented this standard for the year ending December 31, 2015, the first year that proportional share information was available. Therefore, no adjustments have been made to the December 31, 2014, financial statements. The substantive effects are summarized in the table below.

<u>Account Description</u>	<u>Governmental Activities Change Due to GASB 68 Implementation</u>	<u>Business-Type Activities Change Due to GASB 68 Implementation</u>
Net Position - January 1 - Increase(Decrease)	\$ 599,525	\$ (41,303)
Net Employee Retirement System Liability - (Decrease)	\$ (1,462,101)	\$ (7,177)
Employee Retirement Benefits Expense - (Decrease)	\$ (1,440,247)	\$ (83,325)
Deferred Outflows - Employee Retirement System - Increase	\$ 644,154	\$ 43,893
Deferred Inflows - Employee Retirement System - Increase	\$ 66,483	\$ 9,048

**NOTE P – Prior Period Adjustment**

The City has recorded an adjustment to opening net position in the Statement of Revenues, Expenditures and Changes in Fund Balance to reflect the recording of \$539,873 in grant revenues pertaining to prior years. These revenues had not previously been recorded when the eligible expenditures were incurred.

**NOTE Q – New Reporting Standards**

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

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

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF POUGHKEEPSIE, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Real property taxes	\$ 18,633,401	\$ 18,633,401	\$ 17,893,048	\$ (740,353)
Real property tax items	923,000	923,000	881,803	(41,197)
Non property tax items	10,376,212	10,376,212	10,591,198	214,986
Departmental income	4,285,654	4,285,654	2,888,940	(1,396,714)
Intergovernmental charges	87,360	87,360	78,449	(8,911)
Use of money and property	1,000	1,000	879	(121)
Licenses and permits	668,450	668,450	551,477	(116,973)
Fines and forfeitures	1,331,256	1,331,256	990,569	(340,687)
Sale of property and compensation for loss	1,191,000	1,191,000	368,062	(822,938)
Miscellaneous local sources	76,000	76,000	120,024	44,024
Interfund revenues	1,206,400	1,206,400	1,269,875	63,475
State aid	5,103,771	5,103,771	5,030,739	(73,032)
Federal aid	1,200	1,200	-	(1,200)
<b>Total revenues</b>	<b>43,884,704</b>	<b>43,884,704</b>	<b>40,665,063</b>	<b>(3,219,641)</b>
Appropriation of prior year's fund balance	-	-	-	-
<b>Total revenues and appropriation of prior year's fund balance</b>	<b>43,884,704</b>	<b>43,884,704</b>	<b>40,665,063</b>	<b>(3,219,641)</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General Government Support	6,217,201	6,205,132	6,348,274	(143,142)
Public safety	18,864,614	18,876,683	18,187,177	689,506
Health	51,626	51,626	52,107	(481)
Transportation	2,265,777	2,265,777	2,468,781	(203,004)
Economic assistance & opportunity	-	-	-	-
Culture and recreation	588,647	588,647	528,658	59,989
Home and community service	315,399	315,399	243,323	72,076
Employee benefits	12,180,149	12,180,149	10,748,770	1,431,379
<b>Total expenditures and encumbrances</b>	<b>40,483,413</b>	<b>40,483,413</b>	<b>38,577,090</b>	<b>1,906,323</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances</b>	<b>3,401,291</b>	<b>3,401,291</b>	<b>2,087,973</b>	<b>(1,313,318)</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	2,100,495	2,100,495	1,065,310	(1,035,185)
Operating transfers out	(5,501,786)	(5,501,786)	(5,100,908)	400,878
<b>Total other financing sources</b>	<b>(3,401,291)</b>	<b>(3,401,291)</b>	<b>(4,035,598)</b>	<b>(634,307)</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>\$ (1,947,625)</b>	<b>\$ (1,947,625)</b>
<b>Explanation of Differences between Budgetary and GAAP Basis:</b>				
Excess of revenues over/(under) expenditures - Budgetary basis			\$ (1,947,625)	
Expenditures do not include encumbrances			-	
<b>Excess of revenue under expenditures - GAAP Basis</b>			<b>\$ (1,947,625)</b>	

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

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Accrued Liability (UAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2015	1/1/2014	\$ -	\$85,478,300	\$ 85,478,300	0.0%	\$23,265,786	367.40%
12/31/2014	1/1/2014	\$ -	\$80,799,900	\$ 80,799,900	0.0%	\$23,517,740	343.57%
12/31/2013	1/1/2012	\$ -	\$71,613,500	\$ 71,613,500	0.0%	\$22,208,210	322.46%
12/31/2012	1/1/2012	\$ -	\$66,898,100	\$ 66,898,100	0.0%	\$24,634,939	271.56%
12/31/2011	1/1/2010	\$ -	\$52,537,200	\$ 52,537,200	0.0%	\$25,789,228	203.72%
12/31/2010	1/1/2010	\$ -	\$48,707,700	\$ 48,707,700	0.0%	\$25,442,063	191.45%

**CITY OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF THE PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**DECEMBER 31, 2015**

NYSLRS Pension Plan  
Last 10 Fiscal Years\*

**March 31, 2015**

City's proportion of the ERS net pension liability	0.0345183%
City's proportion of the PFRS net pension liability	0.3568135%
City's proportionate share of the combined net pension liability	\$ 2,148,235
City's covered-employee payroll	\$ 23,265,786
City's proportionate share of the combined net pension liability as a percentage of its covered-employee payroll	9.23%
Plan fiduciary net position as a percentage of the total pension liability	97.90%

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

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

**CITY OF POUGHKEEPSIE, NEW YORK**  
**SCHEDULE OF CONTRIBUTIONS**  
**DECEMBER 31, 2015**

NYSLRS Pension Plan  
Last 10 Fiscal Years\*

**March 31, 2015**

Contractually required contributions	\$ 5,051,925
Contributions in relation to the contractually required contribution	<u>5,051,925</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 23,265,786
Contributions as a percentage of covered- employee payroll	21.71%

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

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

**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development:</b>		
* Section 8 Housing Choice Vouchers	14.871	\$ 5,642,474
Community Development Block Grant - Entitlement Grants	14.218	210,927
Housing Opportunities for Persons with AIDS	14.241	<u>185,678</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>6,039,079</u>
<b>U.S. Department of Justice:</b>		
Justice Assistance Grants	16.738	<u>53,554</u>
<b>Total U.S. Department of Justice</b>		<u>53,554</u>
<b>U.S. Department of Transportation:</b>		
Pass-Thru Programs From:		
* New York State Department of Transportation (NYSDOT):		
Federal Transit - Formula Grants		
HUB Design, Engineering, and ITS (ARRA)	20.507	229,349
Federal Transit - Formula Grants	20.507	<u>845,342</u>
<b>Total U.S. Department of Transportation</b>		<u>1,074,691</u>
<b>Total Federal Awards Expended</b>		<u><u>\$ 7,167,324</u></u>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**  
**DECEMBER 31, 2015**

**NOTE A - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Poughkeepsie, New York, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - Loans Outstanding**

The City of Poughkeepsie, New York has the following loan balances outstanding at December 31, 2015, which were originally funded with federal awards. Loans made during the year are included in the federal expenditures presented in the schedule:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures December 31, 2015</u>	<u>Amount Outstanding December 31, 2015</u>
Community Development Block Grant Program	14.218	\$ 19,712	\$ 366,466
Urban Development Action Grants	N/A	\$ -	\$ 176,929

**NOTE C – Sub-recipients**

The City of Poughkeepsie, New York provided federal awards to sub-recipients which are included in the expenditures of the federal programs listed below:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Sub-Recipients</u>
Community Development Block Grant Program	14.218	\$ 54,330
Housing Opportunities For Persons With Aids	14.241	\$ 185,678

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF EXPENDITURES OF NEW YORK STATE  
TRANSPORTATION ASSISTANCE  
FOR YEAR ENDED DECEMBER 31, 2015**

<u>Program Title</u>	<u>Funded NYS DOT Contract Ref. Number</u>	<u>Expenditures December 31, 2015</u>
Consolidated Highway Improvement Program	822046	\$ 410,870
State Transit Operation Assistance Program	822046	<u>429,228</u>
		<u>\$ 840,098</u>

**CITY OF POUGHKEEPSIE, NEW YORK**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF NEW YORK STATE TRANSPORTATION ASSISTANCE**  
**DECEMBER 31, 2015**

**NOTE A - BASIS OF PRESENTATION**

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

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

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statement**

Type of auditors' report issued:	<b><u>Unmodified</u></b>
Internal control over financial reporting:	
Material weakness identified:	<b><u>None Noted</u></b>
Significant deficiencies:	<b><u>Two Noted</u></b>
Noncompliance material to financial statements noted:	<b><u>Two Noted</u></b>

**Federal Awards**

Internal Control over major programs:	
Material weakness identified:	<b><u>None Noted</u></b>
Significant deficiencies identified that are not considered to be material weaknesses:	<b><u>None Noted</u></b>
Type of report issued on compliance for major programs:	<b><u>Unmodified</u></b>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a):	<b><u>None Noted</u></b>

**Identification of Major Programs:**

<b><u>CFDA NUMBER</u></b>	<b><u>NAME OF FEDERAL PROGRAM</u></b>
14.871	Section 8 Housing – Choice Vouchers
20.507	Federal Transit – Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee classified as a low-risk auditee:	Yes

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS, QUESTIONED COSTS,  
RECOMMENDATIONS AND RESPONSES (CONT'D.)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Current Year Finding – Significant Deficiency:**

**Finding 2015-01: Grant and Receivables Monitoring:**

During 2015, the following monitoring issues were noted with regard to the recording and collection of revenues and receivables:

- Old receivables from 2005-2013 totaling over \$225,000 were being carried in the capital projects and transportation funds from state and federal sources.
- Reimbursements requests were submitted in 2015 in the special grant fund for expenditures totaling over \$500,000 that were incurred in years from 2012-2014.

**Effect:**

Grants and other funds available to the City for various purposes are not being collected in a timely manner. This may negatively impact cash flow for the related funds and programs as expenditures are being made, while related revenues are not being collected. Certain revenue and receivables were not recorded in the proper period. In addition, a general lack of monitoring of grants and other available funds could result in forfeiture of potential revenues if funding sources elect to withdraw available funds due to late requests for reimbursement.

**Cause:**

The City lacks sufficient oversight for various grants and other funding programs. Old receivables exist that should be followed up on to ensure collectability of funds. Funding agencies should be contacted on a regular basis to verify that submissions by the City are processed in a timely manner. In addition, grants and other programs should be monitored to ensure that all available funds have been spent down in the period in which related expenditures have been incurred, and all revenues and receivables have been recorded in the proper period.

**Recommendation:**

The City should ensure that reimbursement requests and other required documentation for their various funding sources are submitted in a timely manner. Grants should be monitored to ensure that proper documentation is filed, all available funds are spent down, and related revenues and receivables are recorded in the proper period. In addition, procedures should be in place to follow up with funding sources in the event that funds are not received in a timely manner.

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS, QUESTIONED COSTS,  
RECOMMENDATIONS AND RESPONSES (CONT'D.)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Continuing Finding - Significant Deficiency:**

**Finding 2015-02: Fixed Assets:**

The City implemented GASB Statement No.34 as of 12/31/03, which required the City to record all of its fixed assets, construction in progress and the corresponding accumulated depreciation and depreciation expense. As noted in Note A.5.E, the City had elected to defer retroactive recording of its infrastructure assets, those placed in service prior to January 1, 2003, until on or before the period ending December 31, 2007, as required. While the City completed a calculation and recording of its infrastructure assets, the supporting documentation of the calculations could not be verified, only estimated. The City has not implemented the use of the fixed asset report module of the New World system. Alternatively, schedules of fixed assets have been prepared by the City and depreciation expense has been calculated. Further the City has not completed a physical inventory of its fixed assets.

**Effect:**

- Reconciliations of various accounting reports and extensive spreadsheets are necessary in order to comply with GASB #34 requirements.
- Fixed asset reporting could be incomplete and understated without a periodic physical inventory.

**Cause:**

As described above, neither the implementation of the New World fixed asset module and the taking of a physical inventory have been done.

**Recommendation:**

We recommend that the City should have a professional physical inventory of their land, buildings, and machinery & equipment taken in order to have a complete and accurate record of the City's capital assets. In order to minimize costs, the City should coordinate this project with its Engineering department to ensure completeness. As a part of this project the City should review the integration and reporting capabilities of its current fixed asset software with its current needs and determine whether upgrades or replacement is necessary. This should allow the City to produce reports from its accounting software which are complete, reasonably accurate and produced with much less time and effort than that which is now needed.

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS, QUESTIONED COSTS,  
RECOMMENDATIONS AND RESPONSES (CONT'D.)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Current Year Finding – Reportable Non-Compliance:**

**Finding 2015-03: Deficit Fund Balance:**

As of December 31, 2015, the deficit fund balance in the City's general fund has increased, after two years of decreases.

**Effect:**

Future tax payers will be funding past expenditures.

**Cause:**

The City's general fund has a deficit balance of over \$13 million.

**Recommendation:**

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

**Continuing Finding - Reportable Non-Compliance:**

**Finding 2015-04: Budget Modifications:**

The City over-expended its budget in certain areas by material amounts, although total expenditures were under-budget. More significantly, revenues were over-budgeted by approximately \$2.8 million. The City budget is adopted by resolution of the City Council and variations from the original budget must be approved as modifications to be in compliance with the City Charter. We found modifications were not made as needed, resulting in expenditures being more than appropriations in certain areas. Further, the overall under-budget in expenditures of \$1.9 million was insufficient to cover the over-budgeting of revenues.

**Effect:**

Expenditures were made without budgetary authority. Revenue shortfalls resulted in a significant deficit for the year.

**Cause:**

The City has not provided for budgetary authority sufficient to cover all expenditures and reallocated for revenues not received.

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS, QUESTIONED COSTS,  
RECOMMENDATIONS AND RESPONSES (CONT'D.)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Continuing Finding - Reportable Non-Compliance (Cont'd.):**

**Finding 2015-04: Budget Modifications (Cont'd.):**

**Recommendation:**

The City should review its budgeting process and make corrective actions as necessary.

**Continuing Findings – Other Matters- Management Recommendations:**

**Finding 2015-05: General Ledger Adjustments and Capital Projects:**

A significant effort has been made over the past five years to complete certain financial reconciliations. Such financial reconciliations include reconciling the General Ledger to underlying documentation in order to provide a basis for accurate reporting to members of management, the Common Council, federal and state agencies, and for the audited financial statements. During this process staff reviews balance sheet amounts in each fund (cash, investments, receivables, accounts payable, deferred revenues, etc.) and makes appropriate adjustments. Such reconciliations include an analysis of the City's capital projects on an individual basis as well. We noted old capital projects and old capital projects fund balances which should be reconciled, including determining whether additional funding is needed in order to close completed projects.

**Effect:**

Asset and liability balances may be inaccurate.

**Cause:**

Research can be time-consuming and current staffing may not allow for more timely reconciliations.

**Recommendation:**

Management should monitor the progress of all general ledger reconciliations so that, when problems are detected, they can be handled promptly. Capital projects should be reviewed as completed and any residual funds transferred to the funding source or reserved for the payment of debt as appropriate.

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS, QUESTIONED COSTS,  
RECOMMENDATIONS AND RESPONSES (CONT'D.)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Continuing Findings – Other Matters- Management Recommendations (Cont'd.):**

**Finding 2015-06: General Ledger Cash Balances:**

The City has numerous cash accounts on its general ledger with balances that are not individually representative of the true cash balances in a specific fund.

**Effect:**

On an individual fund basis, cash can be over or under stated.

**Cause:**

The City uses two bank accounts whose balances include cash owned by more than one fund and did not offset cash balances when moving cash.

**Recommendation:**

Individual fund general ledger cash balances should represent the actual cash owned by that fund in that bank account. The City should close offsetting cash balances, using due to/due from accounts when offsets cross funds in order to clearly show cash balances.

**Finding 2015-07: Interfund Balances:**

As of December 31, 2015, the City has many outstanding interfund loans, commonly referred to as “Due to or Due From Other Funds”. General municipal law states that money should be repaid to the advancing fund by the end of the year in which it was advanced.

**Effect:**

Interest is being earned on cash in funds that it doesn't belong to. Interfund loans makes the City's accounting records more complicated.

**Cause:**

Old outstanding interfund loans have not been repaid and true interfund receivables and payables have been obscured by the cash allocations described above.

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS, QUESTIONED COSTS,  
RECOMMENDATIONS AND RESPONSES (CONT'D.)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Continuing Findings – Other Matters (Cont'd.):**

**Finding 2015-07: Interfund Balances (Cont'd.):**

**Recommendation:**

The City should analyze the cash balances as noted above, making corresponding adjustments to inter-fund receivables and/or payables as appropriate. The City should further consider the ability of the respective funds which have interfund liabilities to be able to pay those liabilities and determine the timing of those repayments.

**Finding 2015-08: Trust and Agency Balances:**

As of December 31, 2015, the City's Trust and Agency (fiduciary) balances contained many old escrows, tax sale monies and other liabilities which amount to \$206,517.

**Effect:**

The City could be carrying liabilities which have been previously paid or should be due to the General Fund.

**Cause:**

The Finance staff has been unable to complete an analysis of these balances and determine their correct status.

**Recommendation:**

The City should continue to research these funds, determining whether the City's General Fund should receive amounts for fees or expense reimbursements, return monies to project applicants as their projects have been completed and all related expenses have been paid or continue to retain amounts in an agency capacity because the projects are still ongoing.

**CITY OF POUGHKEEPSIE, NEW YORK  
SCHEDULE OF FINDINGS, QUESTIONED COSTS,  
RECOMMENDATIONS AND RESPONSES (CONT'D.)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Current Year Finding – Other Matter- Management Recommendations:**

**Finding 2015-09: Section 8 Budget:**

The Program exceeded budgeted expenditures for the program by \$381,543, most notably exceeding the budgeted amounts related to Housing Assistance Payments, Allocation of Overhead Costs, and Office Expense. While the City's management is responsible for overall administration of the Program, Program staff are responsible, along with the City, for adhering to the budgeted amounts, or for modifying budgetary amounts if needed.

**Effect:**

The Program exceeded authorized budgeted amounts in the areas mentioned above, overriding the budgetary controls put in place, although the Program did have sufficient revenues to cover its expenditures.

**Cause:**

The Program was expanded subsequent to the original budget being adopted, however the need for budget modifications was not communicated by Program staff to City management.

**Recommendation:**

The management of the City and the Program should communicate frequently in regard to the review of budgetary performance, as to allow potential modifications to be made as necessary.



# The City of Poughkeepsie

New York

Robert G Rolison  
Mayor  
November 21, 2016

Marc S Nelson  
Commissioner of Finance

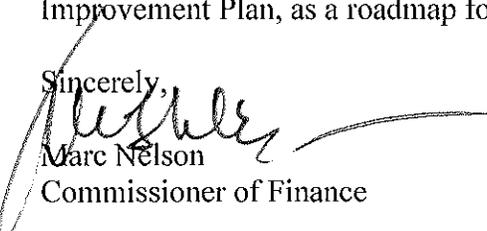
Ms. Linda Hannigan, CPA  
RBT, CPAs LLP.  
2678 South Road  
Poughkeepsie, NY 12601  
*Via email and Regular Mail*

Dear Ms. Hannigan:

The City of Poughkeepsie, and the Finance Department particularly, would like to thank you and the team at RBT for your thorough and comprehensive work on the City's 2015 annual audit. Throughout the process the courteous and professional conduct of your staff was exemplary. I am also grateful for the additional guidance and counsel provided me, as the new incoming Commissioner of Finance.

The following are our management responses to the various findings of significant deficiency noted in your report. As you know, work is continuing apace on these and other projects, and we plan on using your report, along with the recommendations of the city's Strategic Fiscal Improvement Plan, as a roadmap for a multi-year stabilization effort.

Sincerely,

  
Marc Nelson  
Commissioner of Finance

## Finding # 1: Grant and Receivable Monitoring

Management acknowledges the audit finding with respect to the monitoring of grant programs and the related receivables and will take corrective action.

The City will undertake a review of certain receivables recorded in the capital fund and the transportation fund to determine the status of each receivable. Following this review, inquiries will be made to the applicable State and federal granting agencies for all outstanding accounts identified

Ms. Linda Hannigan  
November 21, 2016  
Page two

as current and due to the City. All receivables, which are deemed to be uncollectable will be written off, subject to prior approval of the Mayor.

The City will review its existing policies and procedures for grant administration and accounting and implement such changes as appropriate. Policies and procedures should provide a general guideline applicable to all grants but should also include provisions to recognize any terms and conditions relating to specific grants. All City staff responsible for grant program administration will receive additional training with respect to program spending requirements and the timely submission of claims for reimbursement. In addition, the City will develop and maintain a contact list for all relevant grantor agencies to insure the timely receipt of all claims for reimbursement. The City's Finance Department will implement a system to age all grant receivables in order to monitor accounts for follow-up.

#### Finding # 2: Fixed Assets

The City has placed the taking of a physical inventory on the priority list for FY-17. Management agrees with audit's consistent advice that this item be upgraded on the list of priorities and is committed to accomplishing this in 2017. As with all municipalities which delay or defer such an effort in the name of cost-cutting necessity – which was certainly the case here – there comes a tipping point, beyond which there is a growing likelihood of understatement. Despite the fact that there are not currently funds budgeted for this important project, management will seek either grant funding or assistance from our insurance partners for a fixed asset inventory project.

#### Finding # 3: Deficit Fund Balance

The 2015 deficit of nearly \$2 Million significantly adds to the overall deficit condition and highlights the urgent need to restructure City-government, seek further efficiencies, and broaden partnerships with our stakeholders. Management agrees with audit's finding that the deficits have largely been driven by poor budgeting over the years, a reluctance to raise appropriate levels of revenue in the first instance, and – more noteworthy, we believe – by over-projecting revenues and overestimating tax collections. At this writing, Mayor Rolison has submitted his first budget (for 2017) to the Common Council. Management believes this budget proposal addresses the concerns raised by audit (both in this finding and in finding # 4 which specifically relates to budgeting practices), by setting reasonable revenue expectations, by providing for a provision for uncollected taxes to offset the impact of delinquent taxes on the budget, and by raising taxes. The Mayor's preliminary budget also, for the first time since the City's deficit condition began, sets aside an amount specifically for deficit reduction – rather than simply hoping for a surplus at the end of the year from which to begin reducing it.

Ms. Linda Hannigan  
November 21, 2016  
Page three

#### Finding # 4: Budget Modifications

In addition to our management comment regarding finding number 3, above, we would like to emphasize that the 2015 adopted budget did reduce city-wide expenses and that the previous administration did succeed in implementing a number of important cost-cutting measures. Further, as noted by audit, actual expenses for the year came in approximately \$1.8 Million dollars *under* budget. Despite these noteworthy efforts, the over-estimation of revenues was simply too much to overcome. Management believes that it is imperative that a structurally-balanced budget be adopted for 2017. Furthermore, we believe that the enactment of such a budget, which has been presented by the Mayor in accordance with the City's Charter and is currently being considered by the Common Council, will be a major step forward.

#### Finding # 5: General Ledger Adjustments and Capital Projects

This finding repeats from 2014. Management notes that resources in the Finance Department were cut or allowed to fall below minimum thresholds, particularly in terms of staffing. As noted by audit, the type of research required to complete complex reconciliations leading to correcting journal entries is time consuming. The Mayor's preliminary 2017 budget, currently being reviewed by the Common Council prior to adoption, seeks funding for one additional full time employee (accountant) in the Finance Department's Division of Audits and Accounts. Management also notes the possibility that efforts to redress this finding will also yield positive results in terms of our overall deficit, and for that reason we are hopeful that the Common Council retains funding for this position in the 2017 budget.

#### Finding # 6: General Ledger Cash Balances

Management concurs with audit's finding, which repeats a similar finding made in the 2014 audit. The City utilizes a primary "concentration" bank account, which obviously contains cash owned by more than one fund. While such concentration or "pooled cash" systems are commonplace in municipal finance, it is important to utilize the due to/ due from accounts when offsets cross funds in order to clearly show cash balances. Management will work to improve this process, which we believe will also be aided by the Common Council approving funding for the new accountant position in the Finance Department as part of their 2017 budget adoption.

#### Finding # 7: Inter-fund Balances

Management agrees with this finding, which also is not new. We note that there is a labor-intensive and costly element involved in completely addressing this finding, and that therefore it may not be something which lends itself to a speedy resolution. We are exploring how to best attack this, as we recognize the issue is tied to the City's ability to accurately report its financial condition and to our understanding of the components that comprise the overall deficit.

Ms. Linda Hannigan  
November 21, 2016  
Page four

Finding # 8: Trust and Agency

Management agrees with this finding. We note some progress on this finding since it first appeared in 2014, as the amount at issue has dropped from \$348,000 to \$216,000. Management expects this finding to be fully addressed in the coming year.

---



The City of Poughkeepsie  
New York

Section 8 Housing Program

Tel: (845) 451-4020  
Fax: (845) 451-4214

September 29, 2016

Sedore and Company  
2678 South Road  
Poughkeepsie, New York 12601

Dear Sir or Madam:

In response to the Audit finding 2015-1, please be advised that effective immediately, the Section 8 staff will review the Program expenditures compared to the Administrative budget and make recommendations for modifications when necessary.

Very truly yours,

Margaret Palumbo  
Section 8 Administrator

MP/me