

FINANCIAL REPORT
Audited
TOWN OF WAPPINGER, NEW YORK
December 31, 2016

Audited for:

Members of the Town Board
Town of Wappinger, New York

Audited by:

RBT CPAs, LLP
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TOWN OF WAPPINGER, NEW YORK

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Town Board
Town of Wappinger, New York
20 Middlebush Road
Wappingers Falls, New York 12590

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wappinger, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Wappinger, New York'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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town

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of Wappinger, New York, as of December 31, 2016, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As further described in Note P, the Town has re-stated beginning net position to reflect the recording of additional revenue in the prior year.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wappinger, New York's basic financial statements. The combining non-major fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund 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 combining non-major fund schedules 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 August 24, 2017 on our consideration of the Town of Wappinger, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wappinger, New York's internal control over financial reporting and compliance.

RBT CPAs, LLP

Poughkeepsie, New York
August 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information
For the Year Ended December 31, 2016
(Un-audited)

1. Overview of the Financial Statements

These Audited Financial Statements consist of five parts. The Independent Auditors' Report on our Financial Statements, Management's Discussion and Analysis (this section), Government Wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

-Government-Wide Financial Statements provide both long term and short term information about the Town's overall financial status. They report information about the Town as a whole using accounting methods similar to private sector companies.

-Fund Financial Statements focus on the individual parts of Town government, reporting the Town's operations in more detail than the Government –Wide Financial Statements. They focus on the most significant or "major" funds-not the Town as a whole. See Note A in the notes to the financial statements for information regarding individual types of funds.

-Notes to the Financial Statements provide further explanation and support for the information contained in the Financial Statements.

2. Financial Analysis of the Town as a whole

SUMMARY OF STATEMENT OF NET POSITION

Assets	2016	2015	Change
Non-Capital	\$ 16,336,474	\$ 16,564,719	\$ (228,245)
Capital	65,336,444	65,355,616	(19,172)
Total Assets	81,672,918	81,920,335	(247,417)
Deferred Outflow of Resources	2,825,619	939,091	1,886,528
Total Assets and Deferred Outflow of Resources	\$ 84,498,537	\$ 82,859,426	\$ 1,639,111
Liabilities			
Current	\$ 6,242,776	\$ 12,749,033	\$ (6,506,257)
Non-Current	25,313,313	20,256,195	5,057,118
Total Liabilities	31,556,089	33,005,228	(1,449,139)
Deferred Inflow of Resources	1,390,990	22,046	1,368,944
Total Liabilities and Deferred Inflow of Resources	32,947,079	33,027,274	(80,195)
Net Position			
Capital	44,449,985	42,398,583	2,051,402
Restricted	2,439,947	963,182	1,476,765
Unrestricted	4,661,526	6,470,387	(1,808,861)
Total Net Position	51,551,458	49,832,152	1,719,306
Total Liabilities and Net Position	\$ 84,498,537	\$ 82,859,426	\$ 1,639,111

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information (Continued)
For the Year Ended December 31, 2016
(Un-audited)

2. Financial Analysis of the Town as a whole (Continued)

SUMMARY OF STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Revenues	2016	2015	Change
Program			
Charges for Services	\$ 4,821,111	\$ 4,397,224	\$ 423,887
Operating Grants	137,827	5,215	132,612
Capital Grants	905,089	481,915	423,174
General Revenues			
Property Taxes	8,199,157	8,125,786	73,371
Other Taxes	2,505,174	2,027,764	477,410
Investment Earnings	278,769	361,787	(83,018)
Other Grants and Contributions	268,730	266,900	1,830
Other Revenues	190,776	135,827	54,949
Total Revenues	<u>17,306,633</u>	<u>15,802,418</u>	<u>1,504,215</u>
Expenses			
General Government Support	3,122,576	2,362,489	760,087
Public Safety	709,670	684,766	24,904
Health	345,387	403,119	(57,732)
Transportation	3,773,607	3,860,403	(86,796)
Economic Assistance	6,516	2,237	4,279
Culture and Recreation	1,144,771	914,285	230,486
Home and Community Service	5,994,487	5,345,476	649,011
Interest on Long Term Debt	645,715	765,965	(120,250)
Total Expenses	<u>15,742,729</u>	<u>14,338,740</u>	<u>1,403,989</u>
Change in Net Position	1,563,904	1,463,678	100,226
Net Position - beginning	49,832,152	41,407,306	8,424,846
Implementation of GASB 68	-	(30,395)	30,395
Prior Period Adjustment	155,402	6,991,563	(6,836,161)
Net Position - beginning, restated	<u>49,987,554</u>	<u>48,368,474</u>	<u>1,619,080</u>
Net Position - ending	<u>\$ 51,551,458</u>	<u>\$ 49,832,152</u>	<u>\$ 1,719,306</u>

Governmental Funds:

GENERAL FUND

The General Fund consists of the General Town-Wide Fund and the General Part-Town Fund. The General Town-Wide includes activities of the Parklands Trust Fund, Friends of Carnwath and the 9-11 Memorial Fund. The General Fund is the chief operating fund of the Town. At the end of the year, the total fund balance of the General Town-Wide Fund was \$3,459,159, an increase of \$531,029 from the prior year. \$77,562 of the total General Town-Wide Fund balance is in non-spendable form (made up of inventory and prepaid expenses).

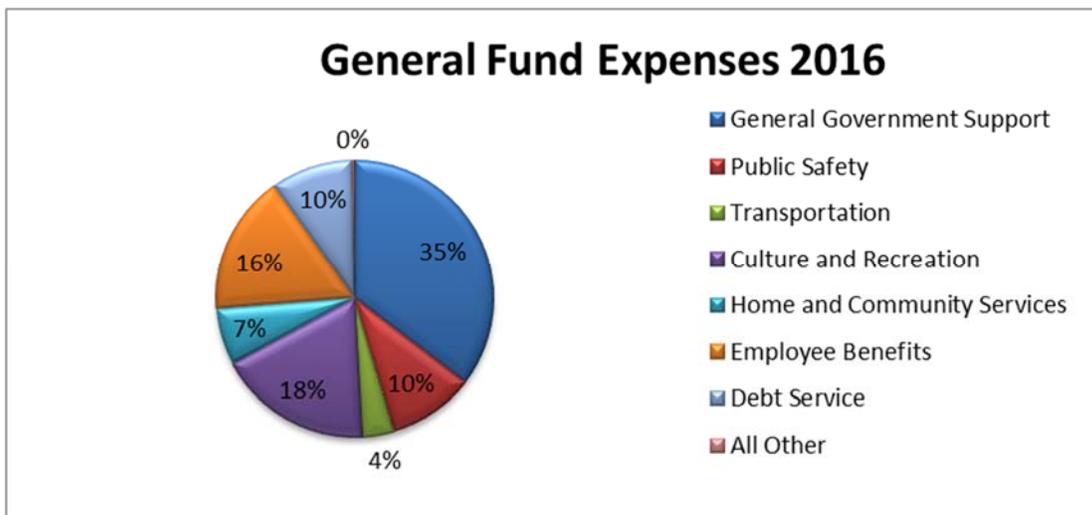
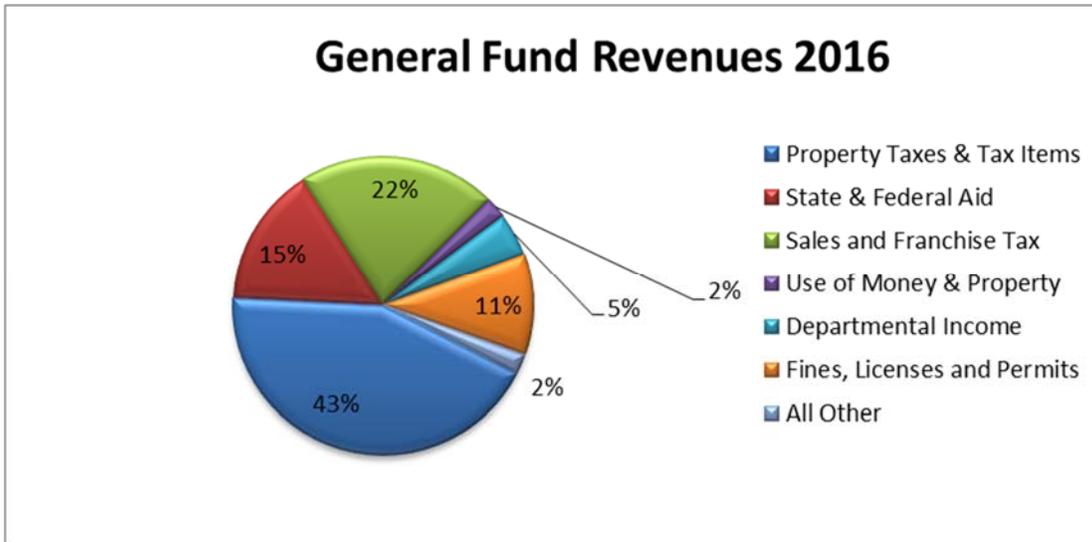
**MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information (Continued)
For the Year Ended December 31, 2016
(Un-audited)**

2. Financial Analysis of the Town as a whole (Continued)

GENERAL FUND (CONTINUED)

The remaining \$3,381,597 is in spendable form as follows: \$108,800 is restricted for debt service payment, \$660,744 is restricted for recreation, and the remaining \$2,612,053 represents spendable, unassigned fund balance. The total fund balance in the General Part-Town Fund at the end of the year was \$3,284,748, an increase of \$791,599 from the prior year. The surplus in the general fund was mainly due to better than expected revenue from sales tax, franchise fee, building permits, planning board fee, fines & fees from the Justice Court, and mortgage tax.

The following charts describe significant categories of General Fund revenues and expenses:



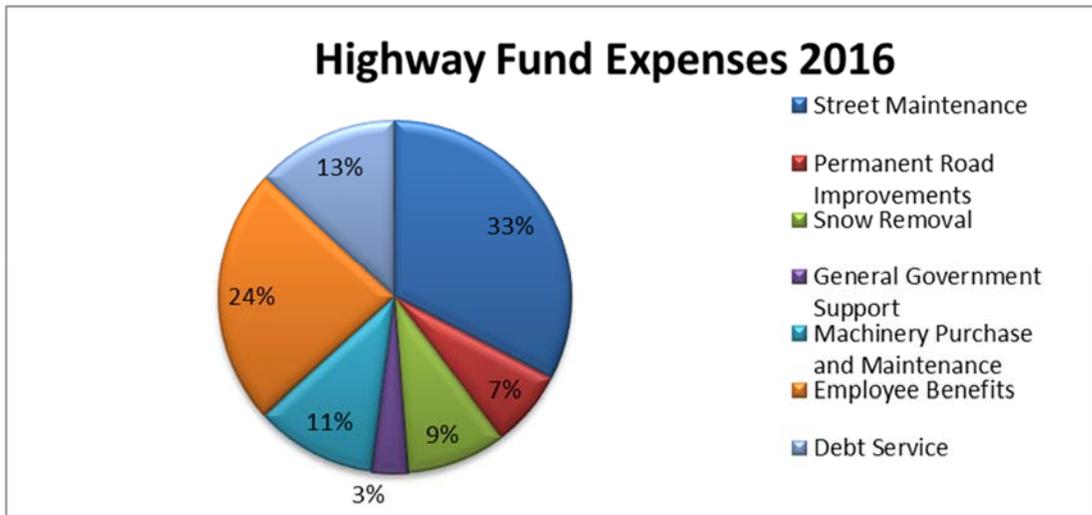
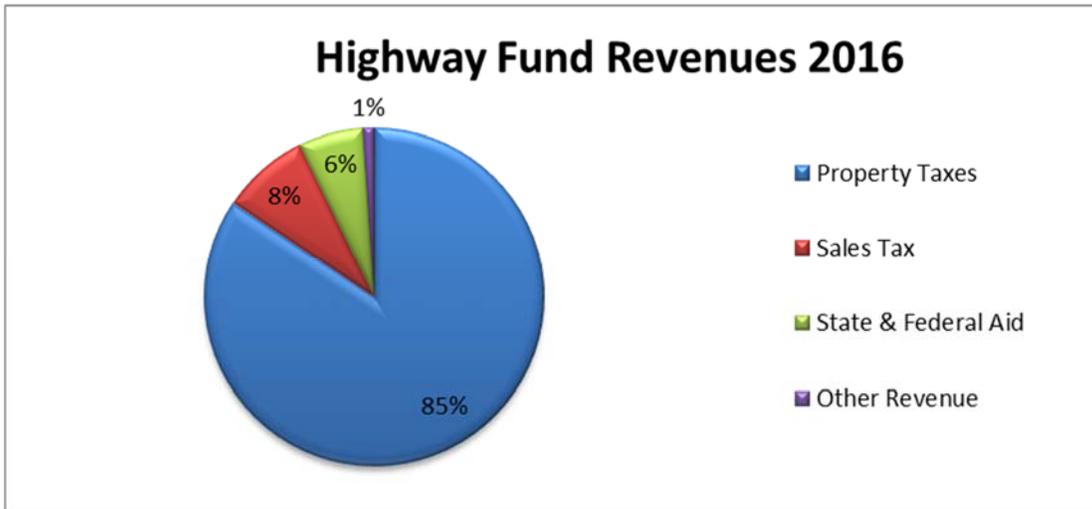
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information (Continued)
For the Year Ended December 31, 2016
(Un-audited)

2. Financial Analysis of the Town as a whole (Continued)

HIGHWAY FUND

The Highway Fund ended the year with \$1,769,981 in Fund Balance, of which \$612,893 is non-spendable, \$28,077 is restricted for debt service payment and \$1,129,011 is assigned for highway activities.

The following charts describe the significant categories of Highway Fund revenues and expenses:



WATER FUNDS

The Town operated four water districts during 2016 with an overall Fund Balance of \$2,299,878. Operating revenues totaled \$2,340,317 with operating expenses totaling \$2,073,167 resulting in an excess of revenues over expenditures in the amount of \$267,150. The excess is the result of strong and prudent budgeting practices.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information (Continued)
For the Year Ended December 31, 2016
(Un-audited)

2. Financial Analysis of the Town as a whole (Continued)

SEWER AND DRAINAGE FUNDS

The Town operated fourteen sewer and drainage districts during 2016, with an overall fund balance of \$2,532,192, the main sewer district being the United Wappinger Sewer District, with a fund balance of \$2,081,345. Operating revenues for the combined sewer and drainage districts totaled \$3,422,943 with operating expenses totaling \$3,112,909 resulting in an excess of revenues over expenditures in the amount of \$310,034. The excess is the result of strong and prudent budgeting practices.

BUDGETARY HIGHLIGHTS

The Town Budget is adopted in November each year for the following year and is modified throughout the year as necessary. Variances in budgetary revenues and expenditures have been explained in the paragraphs above.

3. Activities Regarding Capital Assets, Long and Short Term Debt

The Town spent approximately \$2.3 million on six capital projects in 2016. The six projects were: Aeration System Replacement at the Tri-Municipal wastewater treatment plant, highway equipment, filtration of Atlas & Hilltop wells, the Meadowood and route 9 loops, United Wappinger water meter replacement, resurfacing of various town roads, and the Wappinger Water Main Extension project sponsored by New York City Department of Environmental Protection (NYCDEP).

Phase I of the Wappinger Water Main Extension project above was completed in 2013. Phase I of the project involved the construction of the water main from United Wappinger Water District to NYCDEP Shaft 6 parcel on River Road. Phase II of the project involved the installation of a new water distribution system in the Chelsea Hamlet area and was substantially completed in 2015.

The filtration improvements, consisting of the installation of cartridge filtration units at the Atlas and Hilltop well fields and the construction of water main connection loops for the Meadowood well field and the Route 9 area was budgeted to cost \$3,621,000 and is currently in progress.

LONG TERM DEBT

Moody's Investors Service upgraded the Town's credit rating in April 2017 from Aa3 to Aa2. The upgrade reflects the town's significantly improved financial position driven by the adoption of strong budgetary controls and the elimination of fund balance appropriations. The Aa2 rating further incorporates the town's large, residential tax base with above average resident wealth levels, elevated debt compared to budget size, and low pension burden. The rating upgrade will allow for better competitive bidding for future debt issues. Similarly in March 2017, Standards and Poor's upgraded the Town's credit rating to AA+ up from AA following the Town's refunding bonds of 2016 citing strong liquidity and budgetary flexibility by the Town.

Total long term serial bond debt at the end of 2016 was \$21,045,610. Of this debt, \$3,204,197 is attributable to the General Fund, \$4,333,186 to the Highway Fund, \$4,118,469 to the sewer districts fund, and \$9,389,758 to the water districts fund. Water and sewer serial bonds debt is paid for by the property owners in the respective water and sewer districts.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information (Continued)
For the Year Ended December 31, 2016
(Un-audited)

3. Activities Regarding Capital Assets, Long and Short Term Debt (Continued)

LONG TERM DEBT (CONTINUED)

In March 2016, the Town issued Public Improvement (Serial) Bonds, in the amount of \$5,840,610 by converting existing outstanding Bond Anticipation Notes to Serial Bonds. Repayments for the \$5,840,610 Serial bonds will begin in 2017 through 2036. In April 2016, The Town Board refunded the \$11,580,000 Serial Bonds 2007 and a portion of the \$3,362,000 Serial Bonds 2009 Bond to realize a net present value savings of approximately \$942,000 over 13 years by issuing a new \$8,520,000 refunding serial bonds, 2016. Repayments for the refunded bonds will begin in 2016 and continue until 2029.

SHORT TERM DEBT

The Town had total Bond Anticipation Notes (BAN) Outstanding of \$3,438,000 at the end of 2016. This BAN was converted into a serial bond of \$3,370,000 in March 2017. The amount outstanding from the serial bond is made up of \$562,000 for Wappinger Creek pump station and \$563,000 for Aeration System Replacement, both projects of Tri-Municipal Sewer Commission, \$1,775,000 for Water Meter Replacement, a project of United Wappinger water district, and \$470,000 outstanding for Highway Department used for the purchase of heavy duty trucks and tractors.

4. Currently Known Facts Bearing on the Future

The Town participated in the Southern Dutchess Consortium for the 2007 revaluation of property assessments. The 2007 revaluation successfully brought all property assessments to full valuation and provided equitable tax distribution among all homeowners within the town, county and shared school districts. This revaluation went into effect for the 2008 tax levy and has continued every year.

The Town continues to have a shared service agreement with the Town of Fishkill for a Joint Assessor. This program is known as the Coordinated Assessment Program or CAP. The will continue to deliver cost savings to the Town.

The assessment roll established in 2016 for 2017 taxes resulted in homestead assessments increasing by an average of 1.00%. However, there was a small change in the proportion of non-homestead to homestead assessments. Non-homestead assessments for 2017 were 42% of the total and homestead assessments were 58%. The Town adopted a reduced overall tax levy increase of 0.13% in 2017 down from 0.73% in 2016.

The Town signed a Memorandum of Agreement (MOA) with CSEA for highway employees covering the fiscal year 2014 through 2015. Likewise, the Town secured a collective bargaining agreement with the Teamsters Union covering the period 2014 through 2017. The Town has met with Teamsters Union officials and is well on the way to a mutually favorable Collective Bargaining Agreement that will be both affordable and sustainable. The negotiations are anticipated to be completed and ratified by the end of November 2017. It appears that the CBA with Teamsters will be for the term of 3 years – January 1, 2018 until December 31, 2020. The MOA with the CSEA was extended to cover the period January 1, 2016 through December 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information (Continued)
For the Year Ended December 31, 2016
(Un-audited)

4. Currently Known Facts Bearing on the Future (Continued)

The Town Board approved the Department of Environmental Conservation's recommendations for a new filtration and monitoring system at Meadow Wood well field, re-drilling of two wells at Hill Top and drilling of a third well at the Atlas well field. This work will be a part of the capital improvements of the United Wappinger Water District. The Town Board is actively working on obtaining grants to do projects that are needed to improve the current infrastructure as well as increase the user capacity to expand the Town's municipal water and waste-water systems. The Town has been awarded a State Aid Municipal Grant as well as a Tax Relief Grant from Dutchess County for addressing the inadequate and poor quality water for 83 homes.

The Town Board has also approved the necessary capital improvement work at the Emergency Services Building located at 18 Middlebush Road. The 20 year old building has met some life expectancy on its HVAC, electrical components, plumbing defects as well as some general construction that will address some of the much needed attention. The first step to addressing the building's needs was to replace the roof. The roof project was completely funded by a grant that the Town Board obtained from a Dutchess County Shared Services Grant.

The Town is currently researching the feasibility of putting dry water and sewer pipes along County Route 28 (Old Hopewell Road) when Dutchess County DPW will be doing extensive work to improve the road conditions. It is the Town's hope that water and sewer will be available to more neighborhoods at a lower cost through savings on the cost of engineering and construction of laying pipes.

The Town is currently looking at finding ways to address some of the congestion on Route 9 with the thought of working on a service road. The Town is addressing some of the community's needs such as specific focused parks; possibly constructing an outdoor exercise park for the residents, a toddler park and exploring the feasibility of a fully universal park.

TOWN OF WAPPINGER, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,409,575
Cash and cash equivalents - restricted	1,934,147
Receivables (net)	2,369,173
Inventories	453,721
Prepaid expenses	169,858
Total current assets	16,336,474
Capital assets:	
Land	8,162,217
Improvements and infrastructure, net of depreciation	42,774,589
Buildings, machinery and equipment, net of depreciation	5,880,437
Construction in progress	8,519,201
Total capital assets	65,336,444
Total assets	81,672,918
Deferred outflows of resources	2,825,619
Total assets and deferred outflow of resources	\$ 84,498,537
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 381,544
Accrued liabilities and retainage payable	258,264
Bond anticipation notes payable	3,438,000
Deferred revenue	170,091
Due to customers	22,942
Due to other governments	73,989
Current portion of long-term liabilities	
Landfill remediation liability	7,336
Bonds payable - Capital	1,208,468
Bonds payable - Non-capital	682,142
Total current liabilities	6,242,776
Non-current liabilities:	
Judgment and claims	80,000
Compensated absence liabilities	273,153
Other postemployment benefits liability	4,189,749
Landfill remediation liability	141,442
Bonds payable - Capital	16,239,991
Bonds payable - Non-capital	2,915,009
Net employee retirement system liability	1,473,969
Total non-current liabilities	25,313,313
Total liabilities	31,556,089
Deferred inflows of resources	1,390,990
Total liabilities and deferred inflow of resources	32,947,079
NET POSITION	
Net investment in capital assets	44,449,985
Restricted for debt service	870,503
Restricted for miscellaneous	402,900
Restricted for capital expenditures	505,800
Restricted for recreation	660,744
Unrestricted	4,661,526
Total net position	51,551,458
Total liabilities, deferred inflows of resources, and net position	\$ 84,498,537

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
					GOVERNMENTAL ACTIVITIES
Governmental Activities:					
General government support	\$ 3,122,576	\$ 16,754	\$ 4,400	\$ -	\$ (3,101,422)
Public safety	709,670	768,072	-	-	58,402
Health	345,387	6,228	-	-	(339,159)
Transportation	3,773,607	2,750	-	244,251	(3,526,606)
Economic assistance & opportunity	6,516	-	-	-	(6,516)
Culture and recreation	1,144,771	70,135	-	-	(1,074,636)
Home and community services	5,994,487	3,957,172	133,427	660,838	(1,243,050)
Interest on long-term debt	645,715	-	-	-	(645,715)
Total governmental activities	15,742,729	4,821,111	137,827	905,089	(9,878,702)
General revenues					
Taxes:					
Real property taxes					8,098,315
Real property tax items					100,842
Sales tax distribution					1,284,683
Mortgage tax distribution					752,471
Franchise taxes					468,020
Earning on investments					278,769
Grants and contributions not restricted to specific programs					268,730
Special item-Gain on sale of property and compensation for loss					67,650
Refund of prior year's expenditures					11,262
Miscellaneous					111,864
Total general revenues, special items and transfers					<u>11,442,606</u>
Change in net position					<u>1,563,904</u>
Net position - beginning, before restatement					49,832,152
Prior period adjustment (Note P)					<u>155,402</u>
Net position - beginning, restated					<u>49,987,554</u>
Net position - ending					<u>\$ 51,551,458</u>

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	GENERAL TOWN-WIDE FUND	GENERAL PART-TOWN FUND	HIGHWAY FUND
ASSETS			
Cash and cash equivalents	\$ 2,508,376	\$ 2,057,907	\$ 1,508,412
Cash and cash equivalents - restricted	769,544	566,950	28,077
Receivables:			
Charges for services	-	-	-
Other	72,819	168,460	-
Due from other funds	8,134	-	-
Due from other governments	36,081	498,792	62,656
State and federal aid receivable	188,003	-	-
Inventory, at cost	-	-	453,721
Prepaid expenses	77,562	36,866	159,172
Total assets	\$ 3,660,519	\$ 3,328,975	\$ 2,212,038
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 133,080	\$ 33,337	\$ 96,280
Accrued expenses	523	-	20,112
Due to customers	-	-	-
Bond anticipation notes payable	-	-	-
Due to other funds	6,553	10,890	325,512
Due to other governments	58,297	-	153
Deferred revenues	2,907	-	-
Total liabilities	201,360	44,227	442,057
FUND BALANCE			
Nonspendable:			
Prepays and inventory	77,562	36,866	612,893
Restricted:			
Debt service	108,800	164,050	28,077
Miscellaneous	-	402,900	-
Capital Expenditures	-	-	-
Recreation	660,744	-	-
Assigned	-	2,680,932	1,129,011
Unassigned	2,612,053	-	-
Total fund balance	3,459,159	3,284,748	1,769,981
Total liabilities and fund balance	\$ 3,660,519	\$ 3,328,975	\$ 2,212,038

See Notes to the Financial Statements

WATER FUND	SEWER FUND	CAPITAL PROJECTS FUND	NON- MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 2,314,921	\$ 1,241,912	\$ 1,616,300	\$ 161,747	\$ 11,409,575
86,694	482,882	-	-	1,934,147
508,971	833,391	-	-	1,342,362
-	-	-	-	241,279
-	17,687	904,839	-	930,660
-	-	-	-	597,529
-	-	-	-	188,003
-	-	-	-	453,721
3,054	-	-	-	276,654
<u>\$ 2,913,640</u>	<u>\$ 2,575,872</u>	<u>\$ 2,521,139</u>	<u>\$ 161,747</u>	<u>\$ 17,373,930</u>
\$ 20,397	\$ 10,859	\$ 82,803	\$ 4,788	\$ 381,544
-	-	-	-	20,635
22,942	-	-	-	22,942
-	-	3,438,000	-	3,438,000
562,443	25,262	-	-	930,660
7,980	7,559	-	-	73,989
-	-	167,184	-	170,091
<u>613,762</u>	<u>43,680</u>	<u>3,687,987</u>	<u>4,788</u>	<u>5,037,861</u>
3,054	-	-	-	730,375
86,694	482,882	-	-	870,503
-	-	-	-	402,900
-	-	505,800	-	505,800
-	-	-	-	660,744
2,210,130	2,049,310	-	156,959	8,226,342
-	-	(1,672,648)	-	939,405
<u>2,299,878</u>	<u>2,532,192</u>	<u>(1,166,848)</u>	<u>156,959</u>	<u>12,336,069</u>
<u>\$ 2,913,640</u>	<u>\$ 2,575,872</u>	<u>\$ 2,521,139</u>	<u>\$ 161,747</u>	<u>\$ 17,373,930</u>

See Notes to the Financial Statements

TOWN OF WAPPINGER
RECONCILIATION OF THE TOTAL GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Total Governmental Funds	Long-Term Assets and Liabilities	Reclassifications and Eliminations	Statement of Net Position
ASSETS				
Cash and cash equivalents	\$11,409,575	\$ -	\$ -	\$11,409,575
Cash and cash equivalents - restricted	1,934,147	-	-	1,934,147
Receivables:				
Charges for services	1,342,362	-	-	1,342,362
Other	241,279	-	-	241,279
Due from other funds	930,660	-	(930,660)	-
Due from other governments	597,529	-	-	597,529
State and federal aid receivable	188,003	-	-	188,003
Inventory, at cost	453,721	-	-	453,721
Prepaid expenses	276,654	(106,796)	-	169,858
Capital assets		65,336,444	-	65,336,444
Deferred outflows of resources	-	2,825,619	-	2,825,619
Total assets and deferred outflows of resources	\$17,373,930	\$68,055,267	\$ (930,660)	\$84,498,537
LIABILITIES				
Accounts payable	\$ 381,544	\$ -	\$ -	\$ 381,544
Accrued liabilities	20,635	237,629	-	258,264
Due to customers	22,942	-	-	22,942
Bond anticipation notes payable	3,438,000	-	-	3,438,000
Due to other funds	930,660	-	(930,660)	-
Due to other governments	73,989	-	-	73,989
Deferred revenues	170,091	-	-	170,091
Judgment and claims	-	80,000	-	80,000
Compensated absence liabilities	-	273,153	-	273,153
Other postemployment benefits liability	-	4,189,749	-	4,189,749
Landfill remediation liability	-	148,778	-	148,778
Bonds payable - Capital	-	17,448,459	-	17,448,459
Bonds payable - Non-capital	-	3,597,151	-	3,597,151
Net employee retirement system liability	-	1,473,969	-	1,473,969
Deferred inflows of resources	-	1,390,990	-	1,390,990
Total liabilities and deferred inflows of resources	5,037,861	28,839,878	(930,660)	32,947,079
Total fund balances	12,336,069	39,215,389	-	51,551,458
Total liabilities, deferred inflows of resources, and fund balances	\$17,373,930	\$68,055,267	\$ (930,660)	\$84,498,537

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	GENERAL TOWN-WIDE FUND	GENERAL PART-TOWN FUND	HIGHWAY FUND
REVENUES			
Real property taxes	\$ 2,795,155	\$ -	\$ 3,269,283
Real property taxes items	99,400	-	-
Non property taxes items	-	1,429,247	323,456
Departmental income	140,474	172,958	-
Use of money and property	151,354	1,741	1,481
Licenses and permits	4,808	352,997	2,750
Fines and forfeitures	373,002	-	-
Sale of property and compensation for loss	36,963	-	17,000
Miscellaneous local sources	100,419	6,137	18,068
State aid	1,023,771	-	241,101
Total revenues	4,725,346	1,963,080	3,873,139
EXPENDITURES			
General government support	1,774,956	180,508	114,962
Public safety	29,625	522,010	-
Health	12,259	-	-
Transportation	168,289	36,965	2,040,762
Economic assistance & opportunity	650	5,866	-
Culture and recreation	924,141	70,392	-
Home and community services	204,238	159,603	-
Employee benefits	678,806	227,850	815,026
Debt service	401,353	123,689	450,389
Total expenditures	4,194,317	1,326,883	3,421,139
Excess of revenues over expenditures	531,029	636,197	452,000
Other financing sources:			
Operating transfers in	-	-	-
Operating transfers out	-	-	(149,360)
Proceeds of debt	-	-	-
Bond premium	-	-	-
Refunding debt escrow payment	-	-	-
BANs redeemed from appropriations	-	-	-
Total other financing sources	-	-	(149,360)
Excess (deficiency) of revenue and other sources over expenditures and other uses	531,029	636,197	302,640
Fund Balance, December 31, 2015, before restatement	2,928,130	2,493,149	1,467,341
Prior period adjustment (Note P)	-	155,402	-
Fund Balance, December 31, 2015, restated	2,928,130	2,648,551	1,467,341
Fund Balance, December 31, 2016	\$ 3,459,159	\$ 3,284,748	\$ 1,769,981

See Notes to the Financial Statements

WATER FUND	SEWER FUND	CAPITAL PROJECTS FUND	NON- MAJOR FUNDS	TOTAL FUNDS
\$ 790,036	\$ 798,164	\$ -	\$ 445,677	\$ 8,098,315
-	-	-	1,442	100,842
-	-	-	-	1,752,703
1,491,739	2,201,683	-	-	4,006,854
2,449	119,277	2,262	205	278,769
42,300	38,400	-	-	441,255
-	-	-	-	373,002
13,687	-	-	-	67,650
106	265,419	660,839	-	1,050,988
-	-	-	-	1,264,872
<u>2,340,317</u>	<u>3,422,943</u>	<u>663,101</u>	<u>447,324</u>	<u>17,435,250</u>
115,977	119,531	191,859	16,019	2,513,812
-	-	-	-	551,635
-	-	-	323,174	335,433
-	-	1,121,361	44,953	3,412,330
-	-	-	-	6,516
-	-	-	-	994,533
1,215,005	2,183,210	1,164,078	-	4,926,134
4,023	2,105	-	-	1,727,810
738,162	808,063	-	-	2,521,656
<u>2,073,167</u>	<u>3,112,909</u>	<u>2,477,298</u>	<u>384,146</u>	<u>16,989,859</u>
<u>267,150</u>	<u>310,034</u>	<u>(1,814,197)</u>	<u>63,178</u>	<u>445,391</u>
-	-	149,360	-	149,360
-	-	-	-	(149,360)
-	-	14,360,610	-	14,360,610
-	-	1,197,380	-	1,197,380
-	-	(9,605,957)	-	(9,605,957)
-	-	76,000	-	76,000
-	-	6,177,393	-	6,028,033
<u>267,150</u>	<u>310,034</u>	<u>4,363,196</u>	<u>63,178</u>	<u>6,473,424</u>
2,032,728	2,222,158	(5,530,044)	93,781	5,707,243
-	-	-	-	155,402
<u>2,032,728</u>	<u>2,222,158</u>	<u>(5,530,044)</u>	<u>93,781</u>	<u>5,862,645</u>
<u>\$ 2,299,878</u>	<u>\$ 2,532,192</u>	<u>\$ (1,166,848)</u>	<u>\$ 156,959</u>	<u>\$ 12,336,069</u>

See Notes to the Financial Statements

TOWN OF WAPPINGER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Total Governmental Funds	Long-Term Revenue and Expenses	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities
REVENUES						
Real property taxes	\$ 8,098,315	\$ -	\$ -	\$ -	\$ -	\$ 8,098,315
Real property taxes items	100,842	-	-	-	-	100,842
Non property taxes items	1,752,703	-	-	-	-	1,752,703
Departmental income	4,006,854	-	-	-	-	4,006,854
Use of money and property	278,769	-	-	-	-	278,769
Licenses and permits	441,255	-	-	-	-	441,255
Fines and forfeitures	373,002	-	-	-	-	373,002
Sale of property and compensation for loss	67,650	-	-	-	-	67,650
Miscellaneous local sources	1,050,988	(128,617)	-	-	-	922,371
State aid	1,264,872	-	-	-	-	1,264,872
Total revenues	17,435,250	(128,617)	-	-	-	17,306,633
EXPENDITURES / EXPENSES						
General government support	2,513,812	196,165	103,161	-	309,438	3,122,576
Public safety	551,635	43,441	(43,553)	-	158,147	709,670
Health	335,433	2,824	-	-	7,130	345,387
Transportation	3,412,330	270,485	(862,184)	-	952,976	3,773,607
Economic assistance & opportunity	6,516	-	-	-	-	6,516
Culture and recreation	994,533	79,969	(131,184)	-	201,453	1,144,771
Home and community services	4,926,134	52,256	917,431	-	98,666	5,994,487
Employee benefits	1,727,810	-	-	-	(1,727,810)	-
Debt service	2,521,656	-	-	(1,875,941)	-	645,715
Total expenditures / expenses	16,989,859	645,140	(16,329)	(1,875,941)	-	15,742,729
Excess/(deficiency) of revenues over expenditures	445,391	(773,757)	16,329	1,875,941	-	1,563,904
Other financing sources/(uses):						
Operating transfers in	149,360	-	-	-	(149,360)	-
Operating transfers out	(149,360)	-	-	-	149,360	-
Proceeds of debt	14,360,610	-	-	(14,360,610)	-	-
Bond premium	1,197,380	-	-	(1,197,380)	-	-
Refunding debt escrow payment	(9,605,957)	-	-	9,605,957	-	-
BANs redeemed from appropriations	76,000	-	-	(76,000)	-	-
Total financing sources/(uses)	6,028,033	-	-	(6,028,033)	-	-
Change in fund balances	\$ 6,473,424	\$ (773,757)	\$ 16,329	\$ (4,152,092)	\$ -	\$ 1,563,904

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2016

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 555,004
Total assets	<u>\$ 555,004</u>
LIABILITIES	
Escrow funds returnable and other liabilities	\$ 555,004
Total liabilities	<u>555,004</u>
NET POSITION	
Total liabilities and net position	<u>\$ 555,004</u>

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies

The Town of Wappinger, New York, ("Town") was incorporated on May 20, 1875, under the provisions of the State of New York. The Town operates under a Town Board form of government, consisting of a Supervisor and four Councilmen/women. The Supervisor serves as the Chief Executive Officer and as the Chief Fiscal Officer of the Town.

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

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

The more significant accounting policies established by GAAP and used by the Town in preparing its government-wide and fund financial statements are discussed below.

1. The Reporting Entity

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of Wappinger, New York. The financial statements include organizations, function and activities that are controlled by or dependent upon the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Under these criteria, no other entities are included in the Town's financial statements.

2. Basic Financial Statements – Government-Wide Statements

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

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

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

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

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

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

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

3. Basic Financial Statements – Fund Financial Statements

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

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

The following fund types are used by the Town:

A. Governmental Funds

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

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

1. **General Fund – Town-wide** is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund and is presented separately.

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

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

A. Governmental Funds (Continued)

2. **General Fund – Part-Town** is used to record revenues and expenditures related to services provided to residents living outside the Village of Wappingers Falls, such as police protection, planning and zoning services. The General Fund – Part-Town is considered a major fund and is presented separately.
3. **Highway Fund** is used to record the revenues and expenditures related to the maintenance of Town roadways. The Highway Fund is considered a major fund and is presented separately.
4. **Water Fund** is used to record the revenues and expenditures related to the delivery of water to the Town's customers. The Water Fund is considered a major fund and is presented separately.
5. **Sewer Fund** is used to record the revenues and expenditures related to the delivery of sewer services to the Town's customers. The Sewer Fund is considered a major fund and is presented separately.
6. **Capital Projects Fund** is used to account for financial resources to be used for the acquisition and construction of major capital facilities. The Capital Projects Fund is considered a major fund and is presented separately. However, no budgetary comparison schedule is presented as required supplemental information, as the Town is not legally required to adopt an annual budget for the Capital Projects Fund.
7. **Non-Major Funds** include those that are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These include the Lighting and Miscellaneous (Ambulance) Funds.

B. Fiduciary Funds

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

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

4. Basis of Accounting

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

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

4. Basis of Accounting (Continued)

A. Accrual

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

B. Modified Accrual

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

5. Financial Statement Amounts

A. Cash and Cash Equivalents

Cash and cash equivalents includes amounts in demand and time deposits. State statutes and the Town's own written investment policy govern the investment policies of the Town. The Town may invest its funds in banks or trust companies authorized to do business in the State of New York, as well as investing in obligations of the U. S. Treasury, U.S. Agencies, and obligations of the State of New York and its political subdivisions. Deposits not covered by Federal Deposit Insurance, are collateralized by the banking institutions with investments governed under state statutes.

The cash and cash equivalents of the Town at December 31, 2016, are as follows:

	<u>GENERAL FUNDS</u>	<u>HIGHWAY FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NON- MAJOR FUNDS</u>	<u>TOTAL</u>
Non-Interest							
Bearing Accounts	\$ 850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850
Interest Bearing							
Accounts	5,901,927	1,536,489	2,401,615	1,724,794	1,616,300	161,747	13,342,872
TOTALS	<u>\$5,902,777</u>	<u>\$1,536,489</u>	<u>\$2,401,615</u>	<u>\$1,724,794</u>	<u>\$ 1,616,300</u>	<u>\$161,747</u>	<u>\$13,343,722</u>

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

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

B. Inventories

Inventories consist of significant expendable supplies, primarily sand and road salt, and are carried at cost.

C. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. 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
Infrastructure – Water & Sewer	40 years
Infrastructure – Roads	15 years
Machinery and equipment	5-15 years
Improvements	10-30 years

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town.

D. Fund Balance Classifications

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

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

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

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

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

D. Fund Balance Classifications (Continued)

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

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

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

The following details the restricted allocations and amounts of fund balance December 31, 2016:

The Town has \$505,800 of restricted fund balance resulting from funds received from the NYC DEP for future capital projects in the United Wappinger Water District. The Town has \$660,744 of unassigned but restricted funds for recreation, which includes funds commonly referred to as Parkland Trust deposits, as well as funds set-aside for the Carnwath property. The Town also has \$870,503 in funds restricted for debt service payments, and \$402,900 in funds restricted for other miscellaneous purposes.

E. Deficit Fund Balances

The capital projects fund had a deficit fund balance at December 31, 2016. The deficit will be eliminated as short term debt is converted to permanent financing.

F. Accumulated Compensated Absences

It is the Town's policy to permit employees of the Highway Department to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Town's service. Other Town employees may accumulate a limited amount of unused compensated absences as well. However, for other Town employees, only unused vacation leave will be paid upon separation from the Town's service. The Town accrues a liability for compensated absences, which meet the following criteria:

1. The Town's obligations relating to employees' rights to compensation for future absences is 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.

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

F. Accumulated Compensated Absences (Continued)

In accordance with the above criteria, the Town has accrued a liability for vacation pay, which has been earned and not taken by Town employees as of December 31, 2016, in the amount of \$273,153. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. It is anticipated that none of these liabilities will be liquidated with expendable available financial resources.

G. Interfund Activity

Interfund activity is reported as 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 funds are netted as part of the reconciliation to the government-wide financial statements.

H. Budgets

The Town employs formal budgetary accounting as a management tool, on a basis consistent with generally accepted accounting procedures. During the year, a budget was adopted and modified by the Town Council for the General Fund – Town Wide, General Fund – Part Town, Highway Fund, Water Fund, and Sewer Fund. Budgetary controls are established or adopted for the Capital Projects Fund on a project basis. Unused appropriations of the annually budgeted funds lapse at the end of the year.

As of December 31, 2016, material over-expenditures occurred in the sewer fund totaling over \$133,000 in excess of budgetary appropriations. However, sufficient revenues were recorded to cover these expenditures.

I. Property Taxes

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

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts (Continued)

J. Long-Term Liabilities

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated 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 only reported in the statement of net assets, long-term liabilities.

K. Risk Management

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

L. Use of Estimates

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

M. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 24, 2017.

Subsequent events noted during management's evaluation are detailed in Note O.

NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the government-wide statements, compared with the current financial resources focus of the government funds.

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements (Continued)

1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the Town’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the Governmental Funds Balance Sheet.

The basic financial statements contain a tabular reconciliation of the items creating the differences between Fund Balance reported in the Governmental Fund Statements and Net Position reported on the Statement of Net Position.

Total fund equity for governmental funds	\$ 12,336,069
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	65,336,444
Long-term liabilities, including bonds payable, landfill remediation, compensated absences, other postemployment benefits, judgement and claims and net employee retirement system liabilities are not due and payable in the current period and therefore are not reported in the funds.	(27,211,259)
Grants received for capital assets are deferred and amortized over the life of the asset.	(18,896)
Residual fund balance and related receivables from the Tri-Municipal Sewer Commission is not reported in the funds.	456,182
Premiums on bond refundings are deferred and amortized over the life of the debt.	(1,197,380)
Losses on bond refundings are deferred and amortized over the life of the debt.	540,957
Deferred outflows related to the employee retirement system liability are not reported in the funds.	1,828,480
Deferred inflows related to the employee retirement system liability are not reported in the funds.	(174,714)
Prepaid expenses related to the employee retirement system are reported in the funds, but are adjusted in the government wide statements.	(106,796)
Retainage payable is not reported in the funds.	(36,733)
Accrued interest is not reported in the funds.	(200,896)
Total net position of governmental activities	<u>\$ 51,551,458</u>

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements (Continued)

2. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities:

Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

- Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
- Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements when paid, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

The basic financial statements contain a detailed reconciliation of the items creating the differences between the change in fund balance reported in the governmental fund statements and the change in net position reported in the Statement of Activities.

Net change in fund balance - total government funds	\$ 6,473,424
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	(19,172)
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Grants received for capital projects are amortized over the life of the asset. This is the amount by which the grant exceeded the amortization in the current period.	3,150
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**TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE B – Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements (Continued)

2. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities (Continued):

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

Debt issued:			
Bond anticipation notes redeemed	(76,000)		
Proceeds from bond issuance	(14,360,610)		
Repayments:			
Bond anticipation note principal	76,000		
Bond principal	<u>11,355,957</u>		
			(3,004,653)
Premiums on bond refundings are deferred and amortized over the life of the debt.			(1,197,380)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This amount represents the change between what was paid and what was accrued through 2016.			49,941
Change in residual fund balance due from the Tri-Municipal Sewer Commission is not reported in the funds.			(131,771)
Change in net employee retirement system liability, related deferred outflows, and related deferred inflows is not reported in the funds.			(115,735)
Some expenses reported in the statement of activities, such as retainage payable, compensated absences, landfill liabilities, and postemployment benefits do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the change between what was paid and what was accrued through 2016.			<u>(493,900)</u>
Net change in net position of governmental activities			<u><u>\$ 1,563,904</u></u>

NOTE C - Interfund Receivables and Payables and Transfers

The following is a summary of amounts due from and due to other funds, and transfers in and out, as of December 31, 2016. These interfund balances have been eliminated as part of the aggregation of fund balances. Such balances arise through the use of a pooled cash disbursement account and the temporary funding of capital projects.

FUND	TRANSFERS IN	TRANSFERS OUT
Highway	\$ -	\$ 149,360
Capital Projects	149,360	-
TOTALS	<u>\$ 149,360</u>	<u>\$ 149,360</u>

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE C - Interfund Receivables and Payables and Transfers (Continued)

FUND	AMOUNT RECEIVABLE	AMOUNT PAYABLE
General - Town-Wide	\$ 8,134	\$ 6,553
General - Part-Town	-	10,890
Highway	-	325,512
Water	-	562,443
Sewer	17,687	25,262
Capital Projects	904,839	-
TOTALS	\$ 930,660	\$ 930,660

NOTE D – Capital Assets

The following is a summary of changes and adjustments in capital assets, for the year ended December 31, 2016:

	BALANCE DECEMBER 31, 2015	ADDITIONS	(DISPOSALS)	BALANCE DECEMBER 31, 2016
Land	\$ 8,162,217	\$ -	\$ -	\$ 8,162,217
Buildings	8,343,664	7,445	-	8,351,109
Improvements Other Than Buildings	1,746,311	319,168	-	2,065,479
Roads	9,823,253	819,600	(419,458)	10,223,395
Infrastructure	152,503,851	-	-	152,503,851
Machinery and Equipment	6,267,532	709,139	(279,111)	6,697,560
Construction in Progress	7,860,962	662,993	(4,754)	8,519,201
Total	194,707,790	2,518,345	(703,323)	196,522,812
Less accumulated depreciation				
Buildings	3,798,602	228,884	-	4,027,486
Improvements Other Than Buildings	777,121	73,032	-	850,153
Roads	7,113,749	346,818	(419,458)	7,041,109
Infrastructure	112,606,529	1,520,345	-	114,126,874
Machinery and Equipment	5,056,173	363,684	(279,111)	5,140,746
Total accumulated depreciation	129,352,174	2,532,763	(698,569)	131,186,368
Governmental activities capital assets, net	\$ 65,355,616	\$ (14,418)	\$ (4,754)	\$ 65,336,444

*Depreciation was charged to governmental activities as follows:

General government support	\$ 199,959
Public safety	78,332
Transportation	473,519
Culture and recreation	250,078
Home and community services	1,530,875
Total depreciation expense	\$ 2,532,763

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE E – Pension Plans

1. Plan Description

The Town of Wappinger participates in the New York State and Local Employees' Retirement System (ERS), the New York State and the Public Employees' Group Life Insurance Plan (Systems). ERS is a cost-sharing multiple-employer retirement system. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL).

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

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% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

2016	2015	2014
<u>\$ 504,378</u>	<u>\$ 497,076</u>	<u>\$ 496,222</u>

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

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

At December 31, 2016, the Town reported a liability of \$1,473,969 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2016, the Town's proportion was 0.0091834 percent of the Employers' Retirement System liability, which was an increase of 0.0002682 from its proportion measured as of March 31, 2015.

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE E – Pension Plans (Continued)

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

For the year ended December 31, 2016, the Town recognized pension expense of \$561,200. At December 31, 2016, the Town 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	\$ 7,448	\$ 174,714
Changes of assumptions	393,063	-
Net difference between projected and actual investment earnings on pension plan investments	874,439	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	126,348	-
Employer contributions subsequent to the measurement date	427,182	-
Total	<u>\$ 1,828,480</u>	<u>\$ 174,714</u>

\$427,182 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2017	\$ 313,678
2018	\$ 313,678
2019	\$ 313,678
2020	\$ 285,551

Actuarial Assumptions

The total pension liability at March 31, 2016, was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Salary increases - ERS	3.8%
Interest rate of return	7.0%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE E – Pension Plans (Continued)

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

Actuarial Assumptions (Continued)

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, 2016 are summarized below:

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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.

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE E – Pension Plans (Continued)

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net ERS pension liability (asset)	\$ 3,323,693	\$ 1,473,969	\$ (88,969)

Pension plan fiduciary net position

The components of the current-year net pension liability of all employers as of March 31, 2016, were as follows:

	Dollars in Thousands
	Employees' Retirement System
Employers' total pension liability	\$ 172,303,544
Plan net position	156,253,265
Employers' net pension liability	\$ 16,050,279
Ratio of plan net position to the employers' total pension liability	90.7%

NOTE F – Other Post-Employment Benefits

1. Plan Description

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 Post-employment Benefits Other Than Pensions*, the Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows.

Recognition of the liability accumulated from prior years will be phased in over 30 years. The Town calculated its annual required contribution (ARC) and related information using the alternative measurement method permitted by GASB No. 45 for employers in plans with fewer than 100 total plan members.

**TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE F – Other Post-Employment Benefits (Continued)

1. Plan Description (Continued)

The Town provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the Town. This plan is a single employer plan, established by authority of the Town Board and administered by the Town. Currently, there are approximately 15 retirees or beneficiaries receiving post-employment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for the life of the retiree based on the retiree’s years of service at retirement. A copy of the report on these benefits can be requested at Town Hall. A summary of benefits is as follows:

Years of Service	% Paid by Town	
	Under 65	Over 65
10-14 Years	35%	35%
15-19 Years	50%	50%
20-24 Years	60%	60%
25 or More Years	70%	70%

The Town 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.

2. Annual Other Postemployment Benefit Cost

The Town’s change in net OPEB obligation amounted to \$581,073 for the year ended December 31, 2016. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 less the amount that the Town 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.

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE F – Other Post-Employment Benefits (Continued)

2. Annual Other Postemployment Benefit Cost (Continued)

Total Actuarial Accrued Liability	\$	<u>8,551,107</u>
Past Service Costs	\$	385,052
Normal Costs		<u>378,378</u>
Annual Required Contribution (ARC)	\$	<u>763,430</u>
Net OPEB Obligation - beginning of the year	\$	<u>3,608,676</u>
Annual Required Contribution (ARC)		763,430
Interest on Net OPEB Obligation		90,221
Adjustment to Annual Required Contribution		<u>(164,031)</u>
Annual OPEB cost		689,620
Age Adjusted Contributions Made*		<u>(108,547)</u>
Increase in Net OPEB Obligation		<u>581,073</u>
Net OPEB Obligation - end of the year	\$	<u>4,189,749</u>
Percent of annual OPEB cost contributed		15.7%

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at End of Year</u>
12/31/2016	\$ 689,620	15.70%	\$ 4,189,749
12/31/2015	\$ 534,534	14.50%	\$ 3,608,676
12/31/2014	\$ 523,473	13.70%	\$ 3,151,793

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

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE F – Other Post-Employment Benefits (Continued)

3. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2016, actuarial valuation, the liabilities were computed using the entry age actuarial cost method and level percentage of payroll amortization. The actuarial assumptions utilized a 2.5% baseline discount rate.

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

<u>Fiscal</u> <u>Year</u>	<u>Medical</u>	<u>Prescription</u> <u>Drug</u>	<u>Dental</u>	<u>Vision</u>
Year 1	9.00%	9.00%	4.00%	3.00%
Year 2	8.00%	8.00%	3.50%	3.00%
Year 3	7.00%	7.00%	3.00%	3.00%
Year 4	6.00%	6.00%	3.00%	3.00%
Year 5	5.80%	5.80%	3.00%	3.00%
Year 6	5.60%	5.60%	3.00%	3.00%
Year 7	5.60%	5.60%	3.00%	3.00%
Year 8	5.50%	5.50%	3.00%	3.00%
Year 9	5.50%	5.50%	3.00%	3.00%
Year 10+	4.70%	4.70%	3.00%	3.00%

NOTE G - Bond Anticipation Notes Payable

Bond anticipation notes can be used for any purpose for which bonds are authorized, and are generally accounted for in the capital projects fund, since maturities cannot exceed one year. Local finance law allows the notes to be renewed, up to five years for capital purposes and up to the period of probable usefulness for assessable improvements, provided that stipulated annual reductions of principal are made.

The Town issued \$3,438,000 in bond anticipation notes dated March 24, 2016, and maturing on March 24, 2017, at 0.95% interest. The notes were issued for the purpose of renewing outstanding notes for various improvements, construction projects, and equipment purchases.

**TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE G - Bond Anticipation Notes Payable (Continued)

The bond anticipation notes outstanding as of December 31, 2016, are as follows:

<u>PURPOSE</u>	<u>ORIGINAL</u>	<u>MATURITY</u>	<u>INTEREST</u>	<u>ORIGINAL</u>	<u>AMOUNT</u>
	<u>ISSUE</u> <u>DATE</u>	<u>DATE</u>	<u>RATE</u>	<u>AMOUNT</u> <u>OF ISSUE</u>	<u>OUTSTANDING</u> <u>AT</u> <u>DECEMBER 31,</u> <u>2016</u>
United Wappinger Water District Improvements	09/26/13	03/25/16	1.00%	\$ 500,000	\$ -
United Wappinger Sewer District Improvements	09/26/13	03/24/17	0.95%	580,000	570,000
Wildwood Dr and Granger Pl Improvements	09/26/13	03/25/16	1.00%	500,000	-
Meadowood & Route 9 Loop - Filtration Systems (1)	06/18/14	03/25/16	1.00%	700,000	-
Resurfacing Various Town Roads (1)	06/18/14	03/25/16	1.00%	520,000	-
Highway Equipment	06/18/14	03/25/16	1.00%	230,000	-
Meadowood & Route 9 Loop - Filtration Systems (2)	11/19/14	03/25/16	1.00%	2,421,000	-
Water Meter Replacement	09/22/15	03/24/17	0.95%	1,793,000	1,793,000
Tri-Municipal Sewer Commission	09/22/15	03/24/17	0.95%	945,000	570,000
Resurfacing Various Town Roads (2)	09/22/15	03/25/16	0.57%	650,000	-
Town Hall Roof Replacement	09/22/15	03/25/16	0.57%	400,610	-
Maintenance Equipment	03/24/16	03/24/17	0.95%	505,000	505,000
TOTAL BOND ANTICIPATION NOTES				\$ 9,744,610	\$ 3,438,000

Changes in bond anticipation notes payable as of December 31, 2016, are as follows:

<u>PURPOSE</u>	<u>BALANCE</u>	<u>NEW</u>	<u>BALANCE</u>
	<u>DECEMBER 31,</u> <u>2015</u>	<u>ISSUES</u>	<u>DECEMBER 31,</u> <u>2016</u>
United Wappinger Water District Improvements	\$ 495,000	\$ -	\$ -
United Wappinger Sewer District Improvements	575,000	-	570,000
Wildwood Dr and Granger Pl Improvements	495,000	-	-
Meadowood & Route 9 Loop - Filtration Systems (1)	700,000	-	-
Resurfacing Various Town Roads (1)	520,000	-	-
Highway Equipment	230,000	-	-
Meadowood & Route 9 Loop - Filtration Systems (2)	2,421,000	-	-
Water Meter Replacement	1,793,000	-	1,793,000
Tri-Municipal Sewer Commission	945,000	-	570,000
Resurfacing Various Town Roads (2)	650,000	-	-
Town Hall Roof Replacement	400,610	-	-
Maintenance Equipment	-	505,000	505,000
TOTALS	\$ 9,224,610	\$ 505,000	\$ 3,438,000

**TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE H - Long-Term Liabilities

1. Serial Bonds

Serial bonds may be issued for any object or purpose for which a period of probable usefulness has been established. The serial bonds payable, as of December 31, 2016, are as follows:

<u>PURPOSE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>ORIGINAL AMOUNT OF ISSUE</u>	<u>AMOUNT OUTSTANDING AT DECEMBER 31, 2016</u>
Sewer - Tri-Municipal	03/14/02	04/15/21	1.21%-4.98%	\$ 9,836,556	\$ 2,875,000
Water - Fleetwood	07/30/98	10/15/18	3.70%-5.15%	510,000	70,000
Sewer - Home & Community Services	06/02/11	04/01/21	2.75%-3.50%	316,000	175,000
Greystone Property Purchase	06/02/11	10/01/20	2.00%-3.50%	2,085,000	590,000
				<u>12,747,556</u>	<u>3,710,000</u>
Highway - Transportation				1,184,640	966,015
General - General Government Support				50,000	40,773
General - Culture & Recreation				163,360	133,212
	03/27/14	03/15/24	1.50-2.75%	<u>1,398,000</u>	<u>1,140,000</u>
General - General Government Support				662,400	-
Water/Sewer - Home & Community Services				8,674,300	-
Highway - Transportation				2,243,300	-
	08/01/07	08/01/27	4.00%-5.00%	<u>11,580,000</u>	<u>-</u>
General - Culture & Recreation				1,070,000	268,952
Highway - Transportation				1,074,000	269,897
General - Home & Community Services				1,218,000	306,151
	04/02/09	04/01/22	2.00%-5.00%	<u>3,362,000</u>	<u>845,000</u>
Water - Home & Community Services				360,000	260,000
Sewer - Home & Community Services				576,000	416,000
General - Culture & Recreation/Lighting				504,000	364,000
	03/05/13	03/01/23	2.00%-2.25%	<u>1,440,000</u>	<u>1,040,000</u>
General - General Government Support				400,610	400,610
Highway - Transportation				1,365,000	1,365,000
Water - Home & Community Services				3,585,000	3,585,000
Sewer - Home & Community Services				490,000	490,000
	03/24/16	03/15/36	2.25-3.00%	<u>5,840,610</u>	<u>5,840,610</u>
General - General Government Support				1,106,995	1,100,499
Highway - Transportation				1,742,500	1,732,274
Water - Home & Community Services				5,507,077	5,474,758
Sewer - Home & Community Services				163,428	162,469
	04/26/16	04/01/29	1.00-5.00%	<u>8,520,000</u>	<u>8,470,000</u>
TOTALS				<u>\$44,888,166</u>	<u>\$ 21,045,610</u>

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE H - Long-Term Liabilities (Continued)

2. Changes

The changes in the Town's indebtedness during the year ended December 31, 2016, are summarized as follows:

	BALANCE			BALANCE		AMOUNTS
	DECEMBER 31,			DECEMBER 31,		DUE WITHIN
	2015	INCREASE	(DECREASE)	2016	ONE YEAR	
Judgement & Claims						
Note I.1.	\$ 80,000	\$ -	\$ -	\$ 80,000	\$ -	
Compensated Absences						
Note A.5.F.	317,854	-	(44,701)	273,153	-	
Landfill Remediation						
Note J	155,745	-	(6,967)	148,778	7,336	
Serial Bonds						
Note H.1.	17,500,000	14,360,610	(10,815,000)	21,045,610	1,890,610	
Other Postemployment Benefits						
Note F	3,608,676	581,073	-	4,189,749	-	
Net Employee Retirement System						
Note E	301,178	1,172,791	-	1,473,969	-	
TOTALS	\$ 21,963,453	\$ 16,114,474	\$ (10,866,668)	\$ 27,211,259	\$ 1,897,946	

3. Debt Service Requirements

The annual requirements to amortize bonded debt, as of December 31, 2016, are as follows:

	YEAR ENDING			
	DECEMBER 31	PRINCIPAL	INTEREST	TOTAL
2017	\$ 1,890,610	\$ 771,155	\$ 2,661,765	
2018	2,020,000	631,185	2,651,185	
2019	2,050,000	557,650	2,607,650	
2020	2,115,000	480,638	2,595,638	
2021	2,025,000	402,120	2,427,120	
2022-2026	5,450,000	1,326,244	6,776,244	
2027-2031	3,700,000	496,606	4,196,606	
2032-2036	1,795,000	137,475	1,932,475	
TOTALS	\$ 21,045,610	\$ 4,803,073	\$ 25,848,683	

4. Bond Refunding

In April 2016, the Town issued \$8,520,000 in public improvement refunding serial bonds with interest rates of 1.00-5.00%. The proceeds were used to refund a portion of the Town's 2007 and 2009 public improvement bonds and pay the costs of issuance of the 2016 refunding bonds. The net proceeds of the refunding, \$9,605,957, after payment of underwriting and other issuance costs, were used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. The cash flow required to service the old debt was \$12,020,156, and the cash flow required to service the new debt is \$10,925,640, resulting in a reduction of \$1,094,516. The economic gain (net present value of the savings resulting from the refunding) amounted to \$941,516. Escrow funds were used to pay down refunded debt, resulting in an outstanding debt balance of \$9,065,000 with remaining escrow funds of \$9,456,593 as of December 31, 2016. The refunded bonds will be called in 2017 and 2019.

**TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE I - Commitments and Contingent Liabilities

1. Lawsuits

The Town is a defendant in various lawsuits and tax certiorari cases. The outcome of the majority of these cases and lawsuits, as determined by the town attorney, should not result in material unfavorable settlements. The Town has recorded an estimated liability amounting to \$80,000 as judgment and claims, representing possible future settlements on tax certiorari cases.

2. Tri-Municipal Sewer Commission

The Town is a customer of the Tri-Municipal Sewer Commission which operates the Tri-Municipal Sewer Treatment Plant. The plant is managed by the Tri-Municipal Sewer Commission, which is made up of representatives of the Town of Poughkeepsie and the Village of Wappingers Falls. The Town, therefore, does not have ownership rights, nor does it have voting rights on the Commission's governing board. However, the Town has committed to share in capital costs for plant improvements as determined by the Commission.

Part of the Commission's residual fund balance is allocated to the Town and is returnable to the Town at the discretion of the Commission's board. The Town's residual fund balance receivable was \$456,182 at December 31, 2016.

3. United Wappinger Water District

In 2012, the Town entered into an agreement with the City of New York for the construction of a water supply and distribution system. The first phase of the project is for the extension of the water main from the United Wappinger Water District to the NYC Shaft 6 site on River Road. This phase was completed and placed in service during 2014. The second phase of the project is for a water main extension of the NYC DEP parcel to the Chelsea Hamlet area. This phase is expected to be completed in 2017. The City has agreed to pay for all eligible costs not to exceed \$11,000,000, and the Town is responsible for all costs over \$11,000,000. The construction costs incurred under this project totaled \$8,546,303 as of December 31, 2016. The Town is expected to supply approximately 160,000 gallons of water per day to NYC DEP for approximately \$180,000.

4. Authorized Debt

As of December 31, 2016, the Town has authorized, but not issued, the following new debt:

<u>PURPOSE</u>	<u>Authorization Date</u>	<u>Authorized Amount</u>	<u>Un-issued Amount</u>
Camrath Farms Improvements	06/23/08	\$ 4,000,000	\$ 2,790,000
United Wappinger Water District	04/22/13	4,040,000	419,000
TOTALS		<u>\$ 8,040,000</u>	<u>\$ 3,209,000</u>

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE J – Municipal Landfills

1. Castle Point Landfill

The Town has voluntarily entered into a Consent Order with the New York State Department of Environmental Conservation to close, cap and monitor the landfill at Castle Point. The closing and capping project was completed in 1999. The costs of monitoring, which could be required for up to thirty years after closure, are currently estimated to amount to \$53,076. The Town has recorded the long term liability of \$48,653 and short term liability of \$4,423 in the Statement of Net Position. The costs of both closure and post closure monitoring are ordinarily recognized over the expected useful life of the landfill. However, since the landfill has stopped accepting refuse and is now closed, any additional costs over the estimate is being recognized as incurred. The Town incurred \$4,423 in monitoring costs during 2016. The future costs may be higher due to inflation, changes in technology or subsequent changes in regulations.

2. Poughkeepsie-Wappingers-LaGrange Joint Landfill

The Town has shared in the monitoring costs of a closed landfill, the Poughkeepsie-Wappinger-LaGrange Joint Landfill. This joint activity includes the City and Town of Poughkeepsie, New York, the Village of Wappingers Falls, New York, the Town of LaGrange, New York and the Town of Wappinger, New York. All costs associated with monitoring are recognized as incurred. The Town’s share of monitoring costs, for the year ended December 31, 2016, amounted to \$2,544.

The following is a summary of unaudited financial information at December 31, 2016, 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:

Total Assets	\$ 27,252
Total Liabilities	<u>\$ -</u>
Total Fund Balance	<u>\$ 27,252</u>
Total Revenues	<u>\$ 9</u>
Total Expenditures	<u>\$ 12,933</u>

During 2002, violations were documented at the landfill and in 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, 2005, and perform post closure care and monitoring for a minimum of thirty years thereafter. The estimated cost of final closure is \$10,000,000. All costs are borne proportionately by each municipality: the Town of Wappinger’s share is 14.1728% or \$1,417,280. The Town issued \$1,425,368 in bond anticipation notes to finance its share. The notes were permanently financed as part of the 2009 public improvement serial bonds issuance and a portion of the bonds was refunded in 2016 as described in Note H.4. The outstanding debt as of December 31, 2016 amounted to \$648,510. Remaining post closure and monitoring costs, which commenced in 2007 and continue for 30 years, are estimated to amount to \$675,250 as of December 31, 2016, with the Town’s share being \$95,789.

**TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016**

NOTE K - Leases

The Town is committed under various leases for office equipment and communication equipment. For accounting purposes, these leases can be considered either operating or capital leases. Operating lease expenditures amounted to \$54,588, and there were no capital lease expenditures for the year ended December 31, 2016.

At December 31, 2016, the approximate annual lease commitments, subject to appropriation of funds, were as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>OPERATING LEASES</u>
2017	\$ 31,883
2018	11,247
2019	6,962
2020	3,603
Total minimum lease payments	<u>\$ 53,695</u>

NOTE L – Rental Income

The Town has agreements with various organizations for the rental of the Town’s emergency services building and for the rental of land and antenna space. Rental income totaled \$147,163 for the year ended December 31, 2016. Minimum future rental income is as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>RENTAL INCOME</u>
2017	\$ 65,645
2018	39,571
2019	31,410
2020	5,261
Total minimum rental income	<u>\$ 141,887</u>

NOTE M – Tax Abatement

The Town has one real property tax abatement that provides for a 30% exemption for 2016 based on the original payment in lieu of tax agreement. The purpose of the abatement was to cover the construction of a new commercial retail store. Details related to the abatement for 2016 are as shown below:

<u>Start Date</u>	<u>Agreement</u>	<u>Taxable Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
12/1/2010	Adams - Wappinger LLC	\$ 7,000,000	4.30	\$ 30,093	\$ 21,065	\$ 9,028

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE N – Deferred Inflows and Deferred Outflows of Resources

The following schedule details the deferred inflows and deferred outflows of resources as of December 31, 2016.

DESCRIPTION	DEFERRED OUTFLOWS	DEFERRED INFLOWS
Deferred Loss on Refunding	\$ 540,957	\$ -
Deferred Bond Premium	-	1,197,380
Participant Share Due From Tri-Municipal Sewer Commission	456,182	-
NYS Employee Retirement System	1,828,480	174,714
Other	-	18,896
TOTALS	\$ 2,825,619	\$ 1,390,990

NOTE O – Subsequent Events

In March 2017, the Town authorized the issuance of \$280,000 in serial bonds to pay the cost of improvements to the Mid Point Park Sewer District.

On March 23, 2017, the Town issued public improvement serial bonds totaling \$3,370,000 at 2.25-3.25% interest and maturing on March 15, 2037. The bonds, along with \$68,000 in available funds, will be used to redeem \$3,438,000 outstanding bond anticipation notes for certain projects and equipment.

NOTE P – Prior Period Adjustment

In 2016, a sales tax growth payment was received relating to 2015 activity. A prior period adjustment of \$155,402 was recorded to properly state revenue and fund balance at December 31, 2016.

NOTE Q – New Reporting Standards

GASB issued Statement 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement 72 is effective for fiscal year 2016. The Town determined that the new standard did not have a significant impact on its financial reporting.

GASB has issued Statement 73, *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local government for making decisions and assessing accountability. This Statement also amends Statement 67, *Financial Reporting for Pension Plans*. GASB Statement 73 is effective for fiscal year 2016. The Town determined that the new standard did not have a significant impact on its financial reporting.

TOWN OF WAPPINGER, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE Q – New Reporting Standards (Continued)

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governments OPEB plans for making decisions and assessing accountability. The Town determined that the new standard did not have a significant impact on its financial reporting.

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The Town is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is expected to have a substantive effect on the Town's net position.

GASB has issued Statement 77, *Tax Abatement Disclosures*. This Statement requires governments to disclose in the notes certain information related to tax abatement agreements. GASB Statement 77 is effective for fiscal year 2016. The Town has implemented Statement 77 as required.

In March 2016, GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Town is required to implement this standard for the year ending December 31, 2017. The implementation of this standard is not expected to have a substantive effect on the Town's net position.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. The Town has not evaluated the effect of GASB 83 on its financial statements.

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Town has not evaluated the effect of GASB 84 on its financial statements.

In March 2017, GASB issued Statement 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Town is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is not expected to have a substantive effect on the Town's net position.

GASB has also issued Statements 76, 78-81, and 86, none of which are expected to have any substantive effects on the Town's net position.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWN OF WAPPINGER, NEW YORK
BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2016**

	GENERAL FUND - TOWN-WIDE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real property taxes	\$ 2,624,153	\$ 2,795,153	\$ 2,795,155	\$ 2
Real property tax items	70,000	70,000	99,400	29,400
Non property tax items	-	-	-	-
Departmental income	148,250	148,250	140,474	(7,776)
Use of money and property	172,600	172,600	150,029	(22,571)
Licenses and permits	5,350	5,350	4,808	(542)
Fines and forfeitures	275,450	275,450	373,002	97,552
Sale of property and compensation for loss	-	-	36,963	36,963
Miscellaneous local sources	-	-	20,419	20,419
State aid	693,900	693,900	1,023,771	329,871
Total revenues	3,989,703	4,160,703	4,644,021	483,318
Appropriation of prior year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	3,989,703	4,160,703	4,644,021	483,318
EXPENDITURES AND ENCUMBRANCES				
General government support	1,748,034	1,831,034	1,774,956	56,078
Public safety	37,032	37,032	29,625	7,407
Health	3,500	3,500	12,259	(8,759)
Transportation	185,515	210,515	168,289	42,226
Economic assistance & opportunity	650	650	650	-
Culture and recreation	586,119	604,119	563,703	40,416
Home and community service	241,250	246,250	204,238	42,012
Employee benefits	786,496	801,496	678,806	122,690
Debt service	401,107	401,107	401,353	(246)
Total expenditures and encumbrances	3,989,703	4,135,703	3,833,879	301,824
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	-	25,000	810,142	785,142
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances	\$ -	\$ 25,000	\$ 810,142	\$ 785,142
Explanation of differences between budgetary and GAAP basis				
Excess of revenues over/(under) expenditures - budgetary basis			\$ 810,142	
Expenditures do not include GASB 34 adjustments			(279,113)	
Excess of revenues over/(under) expenditures - GAAP basis			\$ 531,029	

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
DECEMBER 31, 2016

	GENERAL FUND - PART-TOWN			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real property taxes	\$ -	\$ -	\$ -	\$ -
Real property tax items	-	-	-	-
Non property tax items	1,028,544	1,072,544	1,429,247	356,703
Departmental income	119,000	119,000	172,958	53,958
Use of money and property	500	500	1,741	1,241
Licenses and permits	228,000	228,000	352,997	124,997
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	-	-
Miscellaneous local sources	-	-	6,137	6,137
State aid	-	-	-	-
Total revenues	1,376,044	1,420,044	1,963,080	543,036
Appropriation of prior year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	1,376,044	1,420,044	1,963,080	543,036
EXPENDITURES AND ENCUMBRANCES				
General government support	195,392	220,392	180,508	39,884
Public safety	499,162	514,162	522,010	(7,848)
Health	-	-	-	-
Transportation	36,000	40,000	36,965	3,035
Economic assistance & opportunity	5,000	5,000	5,866	(866)
Culture and recreation	94,669	94,669	70,392	24,277
Home and community service	176,293	176,293	159,603	16,690
Employee benefits	246,396	246,396	227,850	18,546
Debt service	123,132	123,132	123,689	(557)
Total expenditures and encumbrances	1,376,044	1,420,044	1,326,883	93,161
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	-	-	636,197	636,197
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances	\$ -	\$ -	\$ 636,197	\$ 636,197

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
DECEMBER 31, 2016

	HIGHWAY FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real property taxes	\$ 3,125,712	\$ 3,269,283	\$ 3,269,283	\$ -
Real property tax items	-	-	-	-
Non property tax items	367,456	323,456	323,456	-
Departmental income	-	-	-	-
Use of money and property	500	500	1,481	981
Licenses and permits	-	-	2,750	2,750
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	17,000	17,000
Miscellaneous local sources	-	-	18,068	18,068
State aid	220,000	220,000	241,101	21,101
Total revenues	3,713,668	3,813,239	3,873,139	59,900
Appropriation of prior year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	3,713,668	3,813,239	3,873,139	59,900
EXPENDITURES AND ENCUMBRANCES				
General government support	168,803	158,803	114,962	43,841
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	2,205,234	2,190,234	1,999,124	191,110
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	-	-	-	-
Employee benefits	888,988	888,988	815,026	73,962
Debt service	450,643	500,643	450,389	50,254
Total expenditures and encumbrances	3,713,668	3,738,668	3,379,501	359,167
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	-	74,571	493,638	419,067
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(149,360)	(149,360)
Total other financing sources	-	-	(149,360)	(149,360)
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances	\$ -	\$ 74,571	\$ 344,278	\$ 269,707
Explanation of differences between budgetary and GAAP basis				
Excess of revenues over/(under) expenditures - budgetary basis			\$ 344,278	
Expenditures do not include GASB 34 adjustments			(41,638)	
Excess of revenues over/(under) expenditures - GAAP basis			\$ 302,640	

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
DECEMBER 31, 2016

	WATER FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real property taxes	\$ 795,036	\$ 795,036	\$ 790,036	\$ (5,000)
Real property tax items	-	-	-	-
Non property tax items	-	-	-	-
Departmental income	1,326,775	1,326,775	1,491,739	164,964
Use of money and property	987	987	2,449	1,462
Licenses and permits	-	-	42,300	42,300
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	13,687	13,687
Miscellaneous local sources	-	-	106	106
State aid	-	-	-	-
Total revenues	2,122,798	2,122,798	2,340,317	217,519
Appropriation of prior year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	2,122,798	2,122,798	2,340,317	217,519
EXPENDITURES AND ENCUMBRANCES				
General government support	130,430	130,430	115,977	14,453
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	1,245,045	1,245,045	1,215,005	30,040
Employee benefits	6,550	6,550	4,023	2,527
Debt service	740,773	740,773	738,162	2,611
Total expenditures and encumbrances	2,122,798	2,122,798	2,073,167	49,631
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	-	-	267,150	267,150
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances	\$ -	\$ -	\$ 267,150	\$ 267,150

See Notes to the Financial Statements

TOWN OF WAPPINGER, NEW YORK
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
DECEMBER 31, 2016

	SEWER FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real property taxes	\$ 793,164	\$ 793,164	\$ 798,164	\$ 5,000
Real property tax items	-	-	-	-
Non property tax items	-	-	-	-
Departmental income	2,118,802	2,118,802	2,201,683	82,881
Use of money and property	67,059	67,059	119,277	52,218
Licenses and permits	-	-	38,400	38,400
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	-	-
Miscellaneous local sources	-	-	-	-
State aid	-	-	265,419	265,419
Total revenues	2,979,025	2,979,025	3,422,943	443,918
Appropriation of prior year's fund balance	-	-	-	-
Total revenues and appropriation of prior year's fund balance	2,979,025	2,979,025	3,422,943	443,918
EXPENDITURES AND ENCUMBRANCES				
General government support	82,709	82,709	119,531	(36,822)
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	2,084,989	2,084,989	2,183,210	(98,221)
Employee benefits	3,190	3,190	2,105	1,085
Debt service	808,137	808,137	808,063	74
Total expenditures and encumbrances	2,979,025	2,979,025	3,112,909	(133,884)
Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances	-	-	310,034	310,034
Other financing sources (uses):				
Operating transfers in	17,687	17,687	-	(17,687)
Operating transfers out	(17,687)	(17,687)	-	17,687
Total other financing sources	-	-	-	-
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances	\$ -	\$ -	\$ 310,034	\$ 310,034

See Notes to the Financial Statements

**TOWN OF WAPPINGER, NEW YORK
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2016**

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial 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>
12/31/2016	12/31/2016	\$ -	\$ 8,551,107	\$ 8,551,107	0.0%	\$ 3,282,463	260.51%
12/31/2015	12/31/2013	\$ -	\$ 6,114,097	\$ 6,114,097	0.0%	\$ 2,850,368	214.50%
12/31/2014	12/31/2013	\$ -	\$ 6,114,097	\$ 6,114,097	0.0%	\$ 2,482,941	246.24%
12/31/2013	12/31/2013	\$ -	\$ 6,114,097	\$ 6,114,097	0.0%	\$ 2,182,044	280.20%
12/31/2012	12/31/2011	\$ -	\$ 6,237,176	\$ 6,237,176	0.0%	\$ 2,271,310	274.61%
12/31/2011	12/31/2011	\$ -	\$ 6,237,176	\$ 6,237,176	0.0%	\$ 2,196,774	283.92%
12/31/2010	12/31/2009	\$ -	\$ 4,925,385	\$ 4,925,385	0.0%	\$ 2,326,424	211.71%
12/31/2009	12/31/2009	\$ -	\$ 4,925,385	\$ 4,925,385	0.0%	\$ 2,117,550	232.60%

See Notes to the Financial Statements

**TOWN OF WAPPINGER, NEW YORK
SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DECEMBER 31, 2016**

NYSLRS Pension Plan
Last 10 Fiscal Years*

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Town's proportion of the net pension liability (asset)	0.0091834%	0.0089152%
Town's proportionate share of the net pension liability (asset)	\$ 1,473,969	\$ 301,177
Town's covered-employee payroll	\$ 3,282,463	\$ 2,850,368
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.90%	10.57%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

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

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

**TOWN OF WAPPINGER, NEW YORK
SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2016**

NYSLRS Pension Plan
Last 10 Fiscal Years*

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Contractually required contribution	\$ 504,348	\$ 497,076
Contributions in relation to the contractually required contribution	<u>504,348</u>	<u>497,076</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 3,282,463	\$ 2,850,368
Contributions as a percentage of covered-employee payroll	15.36%	17.44%

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

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

OTHER SUPPLEMENTAL INFORMATION

**TOWN OF WAPPINGER, NEW YORK
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	LIGHT FUND	MISC AMBULANCE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 34,776	\$ 126,971	\$ 161,747
Total assets	\$ 34,776	\$ 126,971	\$ 161,747
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 3,870	\$ 918	\$ 4,788
Total liabilities	3,870	918	4,788
FUND BALANCE			
Unassigned	30,906	126,053	156,959
Total fund balance	30,906	126,053	156,959
Total liabilities and fund balance	\$ 34,776	\$ 126,971	\$ 161,747

See Notes to the Financial Statements

**TOWN OF WAPPINGER, NEW YORK
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	LIGHT FUND	MISC AMBULANCE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 50,677	\$ 395,000	\$ 445,677
Real property taxes items	-	1,442	1,442
Use of money and property	33	172	205
Total revenues	50,710	396,614	447,324
EXPENDITURES			
General government support	-	16,019	16,019
Health	-	323,174	323,174
Transportation	44,953	-	44,953
Total expenditures	44,953	339,193	384,146
Excess of revenues over expenditures	5,757	57,421	63,178
Fund Balance, December 31, 2015	25,149	68,632	93,781
Fund Balance, December 31, 2016	\$ 30,906	\$ 126,053	\$ 156,959

See Notes to the Financial Statements



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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

To the Supervisor and
Members of the Town Board
Town of Wappinger, New York
20 Middlebush Road
Wappingers Falls, New York 12590

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 governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wappinger, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Wappinger, New York's basic financial statements and have issued our report thereon dated August 24, 2017.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Recommendations and Responses (Findings 1 and 2) that we consider to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wappinger, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Recommendations and Responses (Findings 3, 4, and 5).

Town of Wappinger, New York's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Wappinger, New York'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 Town of Wappinger, New York's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Poughkeepsie, New York
August 24, 2017

**TOWN OF WAPPINGER, NEW YORK
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

SECTION I - SIGNIFICANT DEFICIENCIES:

PRIOR YEAR FINDINGS - CONTINUING:

Finding 1 – Escrow Recordkeeping

Finding:

The Town has applied considerable effort in the reconciliation of applicant escrow subsidiary ledgers to the Town’s general ledger balances, however material differences continue to exist, the amounts of which change from year to year. Such changes indicate an unreliable reconciliation methodology. Our examination of the escrow reconciliation revealed the following:

- As of December 31, 2016, the escrow subsidiary ledgers exceeded the general ledger balances by \$204,273.
- Comments related to escrows have been made since 1993;

Cause:

In the past there existed a lack of communication between the Planning Department and the Accounting Department regarding fees charged to individual escrows. Individual schedules were not always updated and invoices were coded incorrectly. Reconciliations between the Planning Department and the Accounting Department were not performed regularly so that these errors were not caught on a timely basis.

Effect:

The Town is responsible for payment of fees that should be taken from escrow accounts. If not reconciled timely, the Town may not be able to recover these fees from the rightful applicant.

Recommendation:

No amounts should be returned to an applicant until a thorough review of all transactions has been made, including confirming receipt of escrow funds received and analysis of all disbursements made on that applicant’s behalf. This will serve as a check that funds are not being returned appropriately.

A significant portion of the outstanding escrow liability pertains to inactive applications. The Town should re-review these balances, including making inquiries of engineers and attorneys regarding their fees related to these applicants, to confirm that all appropriate disbursements have been charged to the appropriate applicants.

The analysis of Escrow schedules should continue to be completed on a monthly basis, comparing department receipt records and charges posted to individual escrow schedules to general ledger transactions. Names of escrows should be consistent, such as code and name of property, to avoid confusion between department and general ledger transactions.

Finding 2 - Escrow Funds Negative Balances

Finding:

Payments have been made in excess of escrow amounts collected resulting in excess payments being made on behalf of individual project owners/developers. As of December 31, 2016, 134 of a total of 360 escrow accounts indicated debit/negative balances totaling \$135,141.

**TOWN OF WAPPINGER, NEW YORK
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

SECTION I - SIGNIFICANT DEFICIENCIES (CONTINUED):

PRIOR YEAR FINDINGS – CONTINUING (CONTINUED):

Finding 2 - Escrow Funds Negative Balances (Continued)

Cause: The Town collects escrow funds to ensure that costs incurred by the Town, while projects or subdivisions are being considered by the Planning Board, are borne by the applicants. The Town maintains records for each project/applicant so that balances can be monitored; however, in numerous cases the disbursements exceeded the escrow collected.

Effect: Unanticipated liabilities could be incurred by the Town for which no revenues/funds have been provided.

Recommendation: We note that the Town Board authorized legislation during 2002 and 2006 which provided for policies and procedures to ensure that the Town does not subsidize applicant review costs. However, we note that there continue to be changes in the debit balances. Also, as noted above a significant portion of these balances pertain to inactive or old applications, amounting to \$104,566. Along with the reconciliations noted above, we recommend that the Town make the confirmation and collection of these balances a priority, reviewing the pertinent documentation and determining a course of action for collection of each account.

SECTION II – OTHER MATTERS:

PRIOR YEAR FINDING – CONTINUING:

Finding 3 – Capital Projects in Trust and Agency

Finding: The auditors noted that certain capital projects were tracked in the Trust and Agency Fund. The nature of trust and agency accounts makes it difficult to track revenue and expenditures related to large capital projects that span multiple years. Tracking such projects in trust and agency accounts may lead to difficulty in reconciling revenue and expenditures upon completion and close-out of the project.

Cause: Large capital projects that used trust and agency funds were not tracked in the capital projects fund (recreation funds).

Effect: The reconciliation of revenues and expenditures during the closeout of large projects is difficult.

Recommendation: The auditors recommend that the Town record all capital projects in the Capital Projects Fund. This will enable to Town to track related revenues and expense with ease and accuracy.

**TOWN OF WAPPINGER, NEW YORK
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

SECTION II – OTHER MATTERS (CONTINUED):

CURRENT YEAR FINDINGS:

Finding 4 – Payroll Testing

Finding: During fieldwork, the auditors selected a sample of payroll items for testing. The auditors noted that one employee did not have a Form I-9 or W-4 on file. The auditors also noted that multiple selections did not have department head approval on the timesheets prior to payment.

Cause: Form I-9 and W-4 were not kept on file. In addition, payroll checks are being cut before proper approvals are obtained.

Effect: The Town may not be in compliance with labor laws that require Form I-9 and W-4 to be kept on file. In addition, employee timesheets are not being reviewed and approved by supervisors prior to payment.

Recommendation: We recommend that the Town obtain proper approvals on all timesheets prior to payment. In addition, employee files should be reviewed to ensure that Form I-9 and W-4 are on file for all employees.

Finding 5 – Highway Department Testing

Finding: During fieldwork, the auditors selected a sample of invoices from the Highway Department for testing and noted the following exceptions:

- 7 out of 18 vouchers did not have approval for payment
- 3 out of 168 deliveries did not have corresponding receiving slips
- 128 out of 165 receiving slips did not have a “received by” signature
- 3 orders made in 2017 were recorded on the 2016 books
- The Town significantly over-estimated the quantity of salt that they would need for the 2015-2016 winter season under the state contract.

Cause: The Highway Department did not obtain proper approvals and documentation for all deliveries and payments. In addition, quantities of salt needed for the 2015-2016 winter season were significantly over-estimated. The Finance Department did not record certain invoices in the proper period.

Effect: Expense relating to salt purchases for 2016 was overstated. Procurement procedures were not properly followed. Due to over-estimation of salt quantities needed, the Town was not able to take advantage of lower salt prices under new state contracts as they were locked in at a higher rate on the old contracts.

Recommendation: We recommend that the Town obtain proper approvals on all vouchers and receiving slips prior to payment. In addition, the Highway Department should develop a methodology for making better estimates of salt quantities that will be needed for each season. The Finance Department should review invoices to ensure that they are recorded in the proper period.

TOWN OF WAPPINGER, NEW YORK
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

STATUS OF PRIOR YEAR FINDINGS:

Satisfied: Prior Year Finding 3 – Cash Disbursement Testing

TOWN OF WAPPINGER

SUPERVISOR
Lori A. Jiava

SECRETARY
Inez Maldonado

20 MIDDLEBUSH ROAD
WAPPINGERS FALLS, NY 12590

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TOWN BOARD
William H. Beale
William Ciccarelli
John Fenton
Michael Kuzmicz

TOWN CLERK
Joseph P. Paoloni

HIGHWAY SUPERINTENDENT
Vincent Bettina

Office of the Town Supervisor

August 18, 2017

Management Response to Findings and Recommendations – 2016

1. Escrow Record Keeping

Differences between escrow subsidiary ledgers and the general ledger are largely historical. Currently, invoices are entered into the subsidiary escrow ledgers as they are received. Payment to professionals for escrow services are made with sufficient balance in escrow accounts, otherwise they are put on hold. Escrow account owners are contacted by phone and mail on a regular basis to replenish overdue accounts. The reconciliation process in place ensures there are no differences between the subsidiary ledgers and the general ledger for new accounts and ongoing transactions.

2. Escrow Funds Negative Balances

All escrow account balances earmarked for reimbursements are reviewed by separately by three departments before any payment is made. The Town will continue to work with its partners on the collection of inactive/old escrow account balances.

3. Capital Projects in Trust and Agency

We welcome working with our auditors on a method that will ensure the capture of large capital projects that are initially recorded in the trust and agency funds into the capital projects fund. Please clarify if it is your recommendation to leave out large projects entirely out of the Trust and Agency Fund.

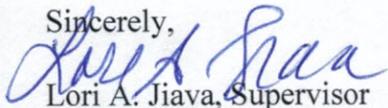
4. Payroll Testing

The missing form I-9 or W-4 for one employee was an isolated case. All the personnel files have been reviewed to ensure all have Forms I-9 and W-4 in place. Last May of 2016, the Supervisor requested that all payroll timesheets come to her office for approval. Initially this happened, but then those who did not have department heads continued to bypass this process and directly sent them to the payroll clerk. The Supervisor has sent a follow up memo to the department heads to remind them that this is in fact in force and that it is a measure of accountability and oversight. The Supervisor and /or her administrative assistant will oversee all of the timesheets so that there is an additional step in the process for accuracy and accountability. The payroll register is approved by the Comptroller being payroll checks are cut.

5. Highway Department Testing

All the highway vouchers were approved before payment was processed. It is possible that you may have had copies of purchase orders which had not been submitted for payment. Highway officials have been reminded to ensure all receiving slips are signed. Orders for salt quantities for 2015-2016 were based on the Town's ordering trends for the past two years. In any case, it is impossible to accurately predict each winter season with 100% certainty. We followed our procurement procedures by purchasing the salt through the State of New York Office of General Services. Highway Law stipulates that the Highway Superintendent has the latitude to oversee his purchasing and department as he sees fit. Moreover, the oversight the Comptroller or the Supervisor has is minimal when it comes to his commitments that can be made under Highway Law 140. The Supervisor and the Comptroller meet regularly to go over the Highway Budget and oversee the purchase orders in conjunction with resolutions and the procurement policy. This process will continue as we move forward into 2018 as well as we are working on additional stop gaps to help guide the Highway department to follow the Office of State Comptroller's guidelines.

Sincerely,



Lori A. Jiava, Supervisor
Town of Wappinger