

**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 23, 2017**

**NEW ISSUE – SERIAL BONDS**

**S&P GLOBAL RATINGS - THE BONDS:  
See “Bond Rating”, herein**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “Tax Matters”. The Bonds will be designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.*

**\$3,370,000**

**TOWN OF WAPPINGER  
DUTCHESS COUNTY, NEW YORK  
(the “Town”)**

**PUBLIC IMPROVEMENT (SERIAL) BONDS, 2017  
[BOOK-ENTRY-ONLY BONDS]**

**Dated: March 23, 2017**

**Principal Due: March 15, 2018-2037, inclusive  
Interest Due: March 15, 2018, September 15 and  
March 15 semiannually thereafter in  
each year to maturity**

**SEE BOND MATURITY SCHEDULE HEREIN**

*Security and Sources of Payment:* The Bonds are general obligations of the Town of Wappinger, Dutchess County, New York (the “Town”), and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011, as amended (the “Tax Levy Limitation Law”). (See “Tax Levy Limitation Law” herein).

*Prior Redemption:* The Bonds maturing on March 15, 2026 and thereafter are subject to redemption prior to maturity, at the option of the Town, as a whole or in part, on any date on or after March 15, 2025 at par. (See “Optional Redemption” under “THE BONDS,” herein.)

*Form and Denomination:* At the option of the purchaser, the Bonds may be either registered in the name of the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) as book-entry bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. See “Book-entry-only System” under “The Bonds,” herein.

*Payment:* Payment of the principal of and interest on any Bonds issued in book-entry form will be made by the Town to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the Town, subject to any statutory and regulatory requirements as may be in effect from time to time. See “Book-entry-only System” under “The Bonds,” herein. Payment of the principal of and interest on any Bonds registered in the name of the Purchaser will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

*The Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of an approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey on or about March 23, 2017.*

**THIS OFFICIAL STATEMENT IS IN A FORM “DEEMED FINAL” BY THE TOWN FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE “RULE”) EXCEPT FOR CERTAIN INFORMATION THAT WILL BE UPDATED FOLLOWING THE SALE OF THE BONDS. FOR A DESCRIPTION OF THE TOWN’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING” HEREIN.**

**TOWN OF WAPPINGER  
DUTCHESS COUNTY, NEW YORK**

**\$3,370,000 PUBLIC IMPROVEMENT (SERIAL) BONDS, 2017**

**BOND MATURITY SCHEDULE**

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2018	\$ 75,000			
2019	130,000			
2020	135,000			
2021	135,000			
2022	140,000			
2023	145,000			
2024	150,000			
2025	155,000			
2026	160,000			
2027	165,000			
2028	170,000			
2029	175,000			
2030	180,000			
2031	190,000			
2032	195,000			
2033	200,000			
2034	210,000			
2035	215,000			
2036	220,000			
2037	225,000			

\*Amounts are subject to adjustment by the Town following the sale, pursuant to the terms of the Notice of Bond Sale relating to the Bonds, to achieve substantial level or declining annual debt service as provided in Section 58.00 (c)(2) of the Local Finance Law.

**TOWN OF WAPPINGER  
DUTCHESS COUNTY, NEW YORK**

Town Hall  
20 Middlebush Road  
Wappingers Falls, New York 12590  
Telephone: 845/297-4158

**TOWN BOARD**

Lori A. Jiava, Town Supervisor

William H. Beale  
William Ciccarelli  
John J. Fenton  
Michael Kuzmicz

-----

Joseph P. Paoloni, Town Clerk  
Albert P. Roberts, Town Attorney  
Fredrick Awino, Town Comptroller

\* \* \*

**BOND COUNSEL**

Orrick, Herrington & Sutcliffe LLP  
New York, New York

\* \* \*

**MUNICIPAL ADVISOR**

MUNISTAT SERVICES, INC.  
Municipal Finance Advisory Service

12 Roosevelt Avenue  
Port Jefferson Station, N.Y. 11776  
(631) 331-8888

E-mail: [info@munistat.com](mailto:info@munistat.com)  
Website: <http://www.munistat.com>

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

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**OFFICIAL STATEMENT**

**\$3,370,000**

**TOWN OF WAPPINGER  
DUTCHESS COUNTY, NEW YORK**

**PUBLIC IMPROVEMENT (SERIAL) BONDS, 2017**

This Official Statement and the appendices hereto present certain information relating to the Town of Wappinger, in the County of Dutchess, in the State of New York (the "Town," "County" and "State," respectively) in connection with the sale of \$3,370,000 Public Improvement (Serial) Bonds, 2017 (the "Bonds") of the Town.

All quotations from and summaries and explanations of provisions of the Constitution and Laws of the State and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated March 23, 2017, and will mature on March 15, in each of the years 2018 to 2037, inclusive, in the principal amounts as set forth on the inside cover page hereof.

At the option of the purchaser, the Bonds may be either registered in the name of the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof. For Bonds issued as book-entry bonds through DTC, Bondholders will not receive certificates representing their respective interests in the Bonds purchased. See "Book-entry-only System" under "The Bonds," herein.

Interest on the Bonds will be payable March 15, 2018, September 15, 2018 and semi-annually thereafter in each year to maturity. For Bonds issued as book-entry bonds through DTC, principal and interest will be paid by the Town to DTC as the securities depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the Town referred to therein.

The Record Date of the Bonds will be the last business day of the calendar month preceding each interest payment date.

The Town will act as Paying Agent for the Bonds. The Town's contact information is as follows: Fredrick Awino, Town Accountant, Town of Wappinger, 20 Middlebush Road, Wappingers Falls, New York 12590, Phone (845) 297-4158 and email: fawino@townofwappinger.us.

**Optional Redemption**

The Bonds maturing on or before March 15, 2025 will not be subject to redemption prior to maturity. The Bonds maturing on March 15, 2026 and thereafter will be subject to redemption prior to maturity, at the option of the Town, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after March 15, 2025, at par plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town. Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

### **Book-entry-only System**

DTC will act as Securities Depository for the Bonds, if the book-entry-only format is chosen by the successful bidder. The Bonds will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued and deposited with DTC for each maturity of the Bonds.

DTC is limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Source: The Depository Trust Company, New York, New York.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Town takes no responsibility for the accuracy thereof.

THE TOWN WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE TOWN CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

### **Continuing Disclosure Undertaking for the Bonds**

At the time of delivery of the Bonds, the Town will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the Town for the benefit of holders of and owners of beneficial interest in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board ("MSRB") established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

- (1) (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement relating to the Bonds under the headings "The Town", "Indebtedness of the Town", "Finances of the Town", "Real Property Tax Information", "Litigation" and all Appendices (other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2016, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2016; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the Town of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the

event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the Town of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Town; (xiii) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (iv) the Town does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

With respect to event (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

The Town may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the Town does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

(3) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide the annual financial information by the date specified.

The Town's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Undertaking, or such provisions, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Town, and no person or entity, including a holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Town to comply with the Undertaking will not constitute a default with respect to the Bonds.

The Town reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

## Compliance History

Other than as noted below, the Town is in compliance in all respects with all previous undertakings made pursuant to Rule 15c2-12 during the last five years.

Although the Town's 2011 and 2012 audits and accompanying annual financial information and operating data (AFOID) were filed within the ensuing fiscal year, they were not filed within six months due to a misunderstanding in the required filing date. The 2013, 2014 and 2015 audits and AFOIDs were filed on time.

Moody's Investors Service downgraded the Town in November 2010 to A1 from Aa2 during a surveillance review. The rating change was not reported at that time and was reported in August 2015, along with a failure to file notice.

The Town issued \$1,260,000 Public Improvement Refunding (Serial) Bonds, 2011 on July 7, 2011, to refund the outstanding \$2,085,000 Public Improvement (Serial) Bonds, 2000. A notice was not filed by the Town at that time but was filed in March 2015, along with a failure to file notice.

## Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued and a successor depository is not obtained, the following provisions will apply: The Bonds will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company to be named by the Town as the fiscal agent. Certificated Bonds may be transferred or exchanged at no cost to the owner of such Bonds at any time prior to maturity at the corporate trust office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the bond determinations certificate of the Town Supervisor authorizing the sale of the Bonds and fixing the details thereof and in accordance with the New York State Local Finance Law.

## Authorization and Purpose for the Bonds

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law, and various bond resolutions duly adopted by the Town Board on their respective dates, authorizing the issuance of serial bonds for various capital projects in and for the Town.

The proceeds of the Bonds in the amount of \$3,370,000, along with \$68,000 in available funds, will be used to redeem \$3,438,000 outstanding bond anticipation notes for certain projects.

Such projects, and the respective principal amounts of Bonds to be issued for each, are as follows:

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>Amount</u> <u>Outstanding</u>	<u>Amount</u> <u>to be Paid</u>	<u>Amount to</u> <u>be</u> <u>Issued</u>
12/10/2012/					
06/14/2013	Tri Municipal Sewer Improvements	\$ 580,000	\$ 570,000	\$ 8,000	\$ 562,000
06/22/2015	Tri Municipal Sewer Improvements	945,000	570,000	7,000	563,000
09/22/2014	Water Meters (United Wappinger Water District)	1,793,000	1,793,000	18,000	1,775,000
12/14/2015	Acquisition of Machinery and Equipment	<u>505,000</u>	<u>505,000</u>	<u>35,000</u>	<u>470,000</u>
	TOTALS	<u>\$3,823,000</u>	<u>\$3,438,000</u>	<u>\$68,000</u>	<u>\$3,370,000</u>

## Nature of Obligation

The Bonds when duly issued and paid for will constitute a contract between the Town and the holder thereof.

Holders of any series of notes or bonds of the Town may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the Town has power and statutory authorization to levy ad valorem taxes on all real property within the Town subject to such taxation by the Town, subject to applicable statutory limitations. See "Tax Levy Limitation Laws", herein.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the Town's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "Tax Levy Limitation Law," herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the Town's faith and credit is both a commitment to pay and a commitment of the Town's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the Town's "faith and credit" is secured by a promise both to pay and to use in good faith the Town's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the Town's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted . . . While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right

to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders and noteholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in *Quirk*, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In *Quirk v. Municipal Assistance Corp.*, the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

### **Tax Levy Limitation Law**

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo). It also applies to independent special districts and to improvements districts as part of their parent municipalities tax levies.

The Tax Levy Limitations Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Each municipality, prior to adoption of each fiscal year budget, must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the tax levy limitation provisions.

While the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

## **Real Property Tax Rebate**

Chapter 59 of the Laws of 2014 (“Chapter 59”), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any towns with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “three-year savings and efficiencies of at least one per cent per year from shared services, cooperation agreement and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the Town are uncertain at this time.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015. The program applies in the years 2016 through 2019 and includes continue tax cap compliance.

## **SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT**

### **General Municipal Law Contract Creditors’ Provision**

The Bonds when duly issued and paid for will constitute a contract between the Town and the holder thereof. Under current law, provision is made for contract creditors of the Town to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Town upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

## **Execution/Attachment of Municipal Property**

As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the Town may not be enforced by levy and execution against property owned by the Town.

## **Authority to File for Municipal Bankruptcy**

The Federal Bankruptcy Code allows public bodies, such as counties, cities, towns or villages, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds to receive interest and principal from the Town could be adversely affected by the restructuring of the Town's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the Town (to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the Town under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

## **State Debt Moratorium Law**

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such Town of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature, as described below, authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Town.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an “emergency financial control board” for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law (“Title 6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage

and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Town is presently not working with the FRB, nor reasonably anticipates to do so. School districts and fire districts are not eligible for FRB assistance.

### **Constitutional Non-Appropriation Provision**

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

### **Default Litigation**

In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders and noteholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “Nature of Obligations” and “State Debt Moratorium Law” herein.

## **No Past Due Debt**

No principal of or interest on Town indebtedness is past due. The Town has never defaulted in the payment of the principal of and interest on any indebtedness.

## **THE TOWN**

### **General Information**

The Town of Wappinger, classified as a First Class Town, encompasses 28.8 square miles within the southwestern part of the County of Dutchess, New York. The Town includes the major portion of the Village of Wappingers Falls and the unincorporated communities of Chelsea, Hughsonville, and New Hackensack. The Town is a suburban community and primarily residential in nature. Residences consist primarily of single family homes. However, the Town has considerable shoreline on the east bank of the Hudson River which has been utilized as a site for garden apartment complexes and condominiums. The Town also enjoys substantial retail and commercial activity and some light industry. Commercial activity is located in the Village of Wappingers Falls and along U.S. Route 9. The Castle Point Veterans Hospital and Dutchess County Airport are within the Town borders.

### **Form of Government**

The Town of Wappinger was established in 1875. The Town is a separate political entity vested with independent taxing and debt authority. Situated within the Town's borders are portions of three independent school districts. The school districts use the Town's assessment roll as the basis for taxation of property within the Town.

The legislative power of the Town is vested in the Town Board, which consists of five members, including the Town Supervisor, who is the presiding member and chief fiscal officer of the Town, elected for a term of two years. The four other members of Town Board (Councilmen) are also elected to two-year terms. Councilmen are elected in accordance with the ward system – 4 wards, one councilman per ward. There are no limitations as to the number of terms which may be served.

The Town Clerk serves as custodian of the Town's legal documents and papers, maintains the minutes of proceedings of the Town Board and is responsible for the publication and filing of all official notices. The Clerk is elected to serve a four-year term; the number of terms is not limited. The Receiver of Taxes, unless otherwise provided by law, has the duty to receive and collect all State, County, Town and school taxes and all assessments that may be levied in the Town. The Receiver of Taxes services a two-year term and the number of terms is without limit. Other offices of the Town include: two Town Justices, each elected to a four-year term; the Highway Superintendent, elected to a four-year term; and the Town Accountant and the Town Attorney who are appointed by and serve at the pleasure of the Town Board.

### **Services**

The Town is responsible for providing most governmental services to its residents.

Water and sewer services are furnished by various water and sewer districts which have been formed within the Town.

Highway construction and maintenance is also a Town function. In addition, recreation is provided and parks maintained through Town government. Other services performed at the Town level include: property assessment, building inspection, zoning administration and the local justice court system. The County Sheriff's Office and the New York State Police furnish police protection while fire protection is provided for through the three fire districts located in the Town. Education is the responsibility of the three independent school districts serving the Town. The County of Dutchess provides various social and health services.

## Education

Elementary and secondary education is the responsibility of the three independent school districts in the Town. Children of the Town attend one of the three school districts, determined by geography. Dutchess County Community College, a two-year co-educational college, offers four main programs of study leading to associate degrees in the arts, science, applied science. In addition, there are three four-year colleges located in the County. These institutions are Bard College, Marist College and Vassar College.

## Financial Institutions

Numerous banking facilities are available in and around the Town. Many of the State's major commercial banks have branch offices located in the area. Bank of America, Citizens Bank, JPMorgan Chase, Key Bank, HSBC, M&T Bank and TD Bank, N.A. are located within the Town or nearby.

## Transportation

The Town maintains its own interior road network. Interstate 84 (providing access east to Danbury, Connecticut and west to Scranton, Pennsylvania) and several U.S. and State Highways serve the Town, including U.S. Route 9 and N.Y.S. Routes 9D, 82, and 376. Frequent bus service is available by the Dutchess County Loop System which provides intra-county service. Metro North Railroad provides a commuter service to New York City via the Hudson Line, with stops at Poughkeepsie, New Hamburg and Beacon. Commercial air transportation is available at nearby Stewart Airport located in Orange County.

## Utilities

Electricity and natural gas are supplied throughout the Town by CH Energy Corp. Telephone service is provided by Verizon.

## Culture and Recreation

Several libraries are available to residents of the Town. Grinnell Library, a member of the Mid-Hudson Library System, located within the Town, offers a variety of services. The library at Dutchess County Community College is open to the public for reference work.

The Town has several recreation areas open to residents. There are facilities for baseball, soccer, tennis, skills and crafts and picnic areas. Activities for special groups including senior citizens are available.

## Employees

The Town employs approximately 47 full-time and 8 part-time workers. There are two collective bargaining organizations representing Town employees as follows:

<u>Name of Union</u>	<u>Approximate Membership</u>	<u>Contract Expiration Date</u>
Civil Service Employees Association	17	12/31/2017
Teamsters	21	12/31/2017

### Selected Wealth and Income Indicators

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015<sup>a</sup></u>
Town of Wappinger	\$18,609	\$25,817	\$31,490	\$34,564
County of Dutchess	17,420	23,940	31,642	33,923
State of New York	16,501	23,389	30,791	33,236
	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015<sup>a</sup></u>
Town of Wappinger	\$48,659	\$58,079	\$73,078	\$76,628
County of Dutchess	42,250	53,086	69,838	71,904
State of New York	32,965	43,393	55,217	59,269

a. Based on American Community Survey 5-Year Estimates (2011-2015)  
 Source: United States Bureau of the Census

### Population

<u>Year</u>	<u>Town of Wappinger</u>	<u>County of Dutchess</u>	<u>State of New York</u>
1990	25,837	241,725	17,990,455
2000	26,274	280,150	18,976,457
2010	27,073	296,152	19,378,102
2015	27,147	296,928	19,673,174

a. Based on American Community Survey 5-Year Estimates (2011-2015)  
 Source: United States Bureau of the Census

**Major Employers in the County<sup>a</sup>**  
(400 or more employees)

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number Of Employees</u>
Local Government	Government	13,871
International Business Machine Corp.	Manufacturing	11,590
State of New York	Government	6,826
Wappingers Central School District	Schools	1,834
Taconic Developmental Services Office	Rehabilitation Services	1,796
Health Quest (Vassar Brothers)	Hospital	1,746
Arlington Central School District	Schools	1,500
Dutchess Community College	College	1,200
Vassar College	College	1,170
Marist College	College	1,137
MidHudson Regional Hospital	Hospital	1,117
NYS Department of Transportation	Administration	1,100
Central Hudson Gas & Electric Corp.	Electric Services	852
Gap, Old Navy	Warehousing/Distribution	834
Astor Home for the Children	Child Care Services	777
Hudson Valley Federal Credit Union	Consumer Lending	753
Culinary Institute of America	College	719
Bard College	College	651
Anderson Foundation for Autism	Schools	549
Abilities First, Inc.	Rehabilitation Services	450

a. Some of the employment figures include part-time positions.  
Source: Dutchess County Official Statement dated October 19, 2016.

**Unemployment Rate Statistics**

<u>Annual Averages:</u>	<u>Town of Wappinger (%)</u>	<u>County of Dutchess (%)</u>	<u>State of New York (%)</u>
2011	7.3	7.5	8.0
2012	7.8	7.8	8.6
2013	6.4	6.6	7.7
2014	5.1	5.3	6.4
2015	4.3	4.6	5.3
2016 (11 Month Average)	4.0	4.1	4.9

Source: New York State Department of Labor.

## INDEBTEDNESS OF THE TOWN

### Constitutional Requirements

The State Constitution limits the power of the Town (as well as other municipalities and school districts of the State) to issue obligations and contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the Town and the Bonds:

**Purpose and Pledge.** The Town shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Town may contract indebtedness only for a Town purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

**Payment and Maturity.** Except for certain short-term indebtedness contracted in anticipation of taxes, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Town has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Town is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

**General.** The Town is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Town so as to prevent abuses in the exercise of such powers; however, as has been noted under "*Security and Source of Payment*", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Town's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limitation Law. (See "*Tax Levy Limitation Law*" herein).

### Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Town to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Town Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Town authorizes the issuance of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Town Board, the finance board of the Town. Customarily, the Town Board has delegated to the Town Supervisor, as chief fiscal officer of the Town, the power to authorize and sell bonds and bond anticipation notes in anticipation of the sale of authorized bonds.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Town has complied with such requirement with respect to the bond resolutions authorizing the issuance of the Bonds.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, bonds issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such bonds were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*" herein).

In addition, under each bond resolution, the Town Board may delegate, and has delegated, power to issue and sell bonds and notes, to the Town Supervisor, the chief fiscal officer of the Town.

In general, the Local Finance Law contains similar provisions providing the Town with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

**Debt Limit.** The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the Office of Real Property Tax Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the Town to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limitation Law. (See "*Tax Levy Limitation Law*," herein).

**Computation of Debt Limit and Calculation of Net Debt Contracting Margin**  
(As of February 23, 2017)

Fiscal Year Ending <u>December 31:</u>	<u>Assessed</u> <u>Valuation</u>	State Equalization <u>Rate (%)</u>	<u>Full</u> <u>Valuation</u>
2013	2,653,351,326	100	2,653,351,326
2014	2,529,322,511	100	2,529,322,511
2015	2,534,497,408	100	2,534,497,408
2016	2,529,891,164	100	2,529,891,164
2017	2,543,976,073	100	<u>2,543,976,073</u>
Total Five Year Full Valuation			\$12,791,038,482
Average Five Year Full Valuation			2,558,207,696
Debt Limit - 7% of Average Full Valuation			179,074,539
Inclusions:			
Outstanding Bonds:			
	General Bonds		7,537,813
	Sewer Bonds		4,118,457
	Water Bonds		<u>9,389,340</u>
	Sub-Total		21,045,610
	General Bond Anticipation Notes		1,645,000
	Water Bond Anticipation Notes		<u>1,793,000</u>
Total Inclusions			<u>24,483,610</u>
Exclusions:			
	Water Debt (Outstanding Bonds & BANs)		11,182,340
	Bond Appropriations		1,408,071
	Note Appropriations		<u>50,000</u>
Total Exclusions			12,640,411
Total Net Indebtedness Prior to the Issuance of the Bonds			<u>11,843,199</u>
The Bonds			3,370,000
Less: BANs to be redeemed by the Issuance of the Bonds			<u>3,370,000</u>
Net Effect of the Bonds			<u>0</u>
Total Net Indebtedness After the Issuance of the Bonds and Notes			<u>11,843,199</u>
Net Debt Contracting Margin			<u>\$167,231,340</u>
Percent of Debt Limit Exhausted			6.61%

**Debt Service Requirements - Outstanding Bonds**

FYE December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,890,610	\$773,779	\$2,664,389
2018	2,020,000	633,975	2,653,975
2019	2,050,000	560,632	2,610,632
2020	2,115,000	483,927	2,598,927
2021	2,025,000	402,733	2,427,733
2022	1,430,000	340,178	1,770,178
2023	1,150,000	297,909	1,447,909
2024	1,025,000	262,250	1,287,250
2025	905,000	229,087	1,134,087
2026	940,000	196,819	1,136,819
2027	980,000	159,747	1,139,747
2028	1,020,000	121,197	1,141,197
2029	1,050,000	88,312	1,138,312
2030	320,000	68,550	388,550
2031	330,000	58,800	388,800
2032	340,000	48,750	388,750
2033	350,000	38,400	388,400
2034	360,000	27,750	387,750
2035	365,000	16,875	381,875
2036	380,000	5,700	385,700
<b>Totals</b>	<u><u>\$21,045,610</u></u>	<u><u>\$4,815,371</u></u>	<u><u>\$25,860,981</u></u>

a. The subsidies received from the Environmental Facilities Corporation (EFC) have not been deducted from the interest due on approximately \$2.9 million in loans through EFC. Does not reflect payments made to date.

**Trend of Town Indebtedness**

	Fiscal Year Ending December 31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Outstanding End of Year:					
Subject to Debt Limit:					
Bonds	\$22,665,000	\$20,480,000	\$19,548,000	\$17,500,000	\$21,045,610
BANs	<u>1,663,375</u>	<u>3,127,843</u>	<u>5,451,000</u>	<u>9,224,610</u>	<u>3,438,000</u>
Total Debt Outstanding	<u><u>\$24,328,375</u></u>	<u><u>\$23,607,843</u></u>	<u><u>\$24,999,000</u></u>	<u><u>\$26,724,610</u></u>	<u><u>\$24,483,610</u></u>

### Details of Short-Term Indebtedness Outstanding

The Town has \$3,438,000 in bond anticipation notes outstanding for various public improvements within the Town due March 24, 2017. The issuance of the Bonds, along with \$68,000 in available funds, will be used to redeem such notes.

#### Authorized but Unissued Indebtedness

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Unissued</u>
06/23/2008	Carnwarth Farms Improvements	\$4,000,000	\$2,790,000
04/22/2013	United Wappinger Water District	<u>4,040,000</u>	<u>419,000</u>
Total:		<u><u>\$8,040,000</u></u>	<u><u>\$3,209,000</u></u>

#### Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Dutchess	09/16/2016	7.90	\$9,448,400	\$8,107,375
Village of Wappinger Falls	05/31/2015	77.75	12,750,552	12,750,552
School District:				
Wappinger CSD	11/18/2016	92.42	61,285,421	25,249,593
Arlington CSD	10/18/2016	1.98	2,314,309	772,979
Beacon City CSD	03/16/2016	6.53	<u>2,880,455</u>	<u>953,430</u>
Totals			<u><u>\$88,679,136</u></u>	<u><u>\$47,833,929</u></u>

Sources: State Comptroller's Special Report on Municipal Affairs for 2015 or more recently published Official Statements.

**Debt Ratios**  
(As of February 23, 2017)

	<u>Amount</u>	<u>Per Capita<sup>a</sup></u>	<u>Percentage Of Full Value (%)<sup>b</sup></u>
Total Direct Debt	\$24,483,610	\$900	0.96
Net Direct Debt	11,843,199	436	0.47
Total Direct & Applicable Total Overlapping Debt	113,162,746	4,161	4.45
Net Direct & Applicable Net Overlapping Debt	59,677,128	2,194	2.35

a. The current estimated population of the Town is 27,194.

b. The full valuation of taxable real property in the Town for 2016-17 is \$2,543,976,073.

**FINANCES OF THE TOWN**

**Independent Audit Procedures**

The financial statements of the Town are audited annually by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2015, and is attached as Appendix B. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller (“OSC”) to ascertain whether the Town has complied with the requirements of various State and Federal statutes.

The Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Statement are based on the audited Annual Financial Reports of the Town for the 2011-2015 fiscal years.

*Fund Structure and Accounts*

The Town utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) enterprise funds that account for operations of a commercial nature; and, (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Town presently maintains the following major governmental funds: General Fund, Police District, Town Outside Village, Community Preservation, Highway, Public Safety and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are three enterprise funds - golf course, beaches and marinas, and waste management. Account groups are maintained for fixed assets and long-term debt.

*Basis of Accounting*

The Town’s governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual - that is, when they become “measurable” and “available” to finance expenditures to the current period. Revenues are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting that is when the related fund liability is incurred. Exceptions to this general rule are (1) payments to employee retirement systems, which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due, and (2) un-matured interest on general long-term debt, which is recognized when due.

## **Investment Policy**

Pursuant to the statutes of the State of New York and its adopted Investment Policy, the Town is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State of New York; (5) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town. Any investments made by the Town pursuant to law are required to be payable or redeemable at the option of the Town within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. These statutes also require that the Town's investments, unless registered or inscribed in the name of the Town, must be purchased through, delivered to and held in custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance and the eligible securities utilized for such collateral must be held by a third party financial institution, pursuant to security and custodial agreements. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

## **Financial Operations**

The Town Supervisor functions as the chief fiscal officer as provided in Section 2 of the Local Finance Law; in this role, the Supervisor is responsible for the Town's accounting and financial reporting activities. In addition, the Town Supervisor is the Town's budget officer and must therefore prepare the annual tentative budget for submission to the Town Board. Budgetary control during the year is the responsibility of the Supervisor. Pursuant to Section 30.00 of the Local Finance Law, the Supervisor has been authorized to issue or renew certain specific types of notes. As required by law, the Supervisor must execute an authorizing certificate which then becomes a matter of public record.

The Town Board, as a whole, serves as the finance board of the Town and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Town finances are operated primarily through the General Fund. All real property taxes and most of the other Town revenues are credited to this fund. Current operating expenditures are paid from these funds subject to available appropriations. The Town also has water and sewer departments, which are accounted for within separate funds. Capital projects and equipment purchases are accounted for in special capital projects funds. The Town observes a calendar year for operating and reporting purposes.

## **Revenues**

The Town receives most of its revenues from real property taxes and assessments. A summary of such revenues for the five recently completed fiscal years may be found in Appendix A.

### *Real Property Taxes*

See "Real Property Tax Information", herein.

## State Aid

The Town receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in this year of future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the audited Financial Statements of the Town, the Town received approximately 17.8% of its total General Fund operating revenue from State aid in 2015. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the Town cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years or whether there will be additional Federal Stimulus Act monies made available to pay State aid in future years, the Town may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

The following table sets forth the percentage of the Town's General Fund revenue comprised of State Aid for each of the fiscal years 2011 through 2015, unaudited for 2016 and as budgeted for 2017.

Fiscal Year Ended <u>December 31:</u>	General Fund <u>Total Revenue</u>	<u>State Aid</u>	State Aid To <u>Revenues (%)</u>
2011	\$5,607,706	\$744,804	13.28
2012	5,562,955	833,447	14.98
2013	6,619,362	808,143	12.21
2014	5,675,873	694,573	12.24
2015	5,864,820	766,168	13.06
2016 (Unaudited)	5,879,089	710,900	12.09
2017 (Budgeted)	5,696,021	716,900	12.59

a. General Fund, Town Wide and Part Town. Exclusive of other financing sources. Summary table itself is not audited.

## Expenditures

The major categories of expenditure for the Town are General Government Support, Public Safety, Health, Transportation, Economic Assistance and Opportunity, Culture and Recreation, Home and Community Services, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

### 2017 Adopted Budget

The 2017 Budget of the Town as adopted called for total expenditures of \$18,290,093 which is an increase of \$353,790 over the 2016 Adopted Budget. The total budgeted tax levy increased from \$10,700,482 to \$10,899,457 in 2017.

### 2016 Adopted Budget

The 2016 Budget of the Town as adopted called for total expenditures of \$17,936,303 which is an increase of \$204,703 over the 2015 Adopted Budget. The total budgeted tax levy increased from \$10,630,556 in 2015 to \$10,700,482 in 2016.

### Results of Operations: 2015 (Audited)

The Town's revenues exceeded its expenditures by \$444,058 (after adjustments) in its General Fund for the fiscal year which ended December 31, 2014, which resulted in an increase in fund balance from \$2,484,072 at the beginning of the fiscal year to \$2,928,130 at the end of the fiscal year.

### Results of Operations: 2014 (Audited)

The Town's revenues exceeded its expenditures by \$743,617 (after adjustments) in its General Fund for the fiscal year which ended December 31, 2014, which resulted in an increase in fund balance from \$3,854,895 at the beginning of the fiscal year to \$4,598,512 at the end of the fiscal year.

### Results of Operations: 2013 (Audited)

The Town's revenues exceeded its expenditures by \$1,954,826 in its General Fund for the fiscal year which ended December 31, 2013, which resulted in an increase in fund balance after adjustments of \$15,615 from \$1,884,454 at the beginning of the fiscal year to \$3,854,895 at the end of the fiscal year.

### Sales Tax

The Town receives a share of the County sales tax. The County currently imposes a local 3.75% sales tax in addition to the 4.25% State tax. Such taxes are collected and administered by the State Tax Commission and the proceeds are paid monthly to the County.

The current 3.75% sales tax is a result of a 0.75% tax rate increase which became effective on June 1, 2005. Pursuant to Chapter 528 of the Laws of 2007, the State Legislature authorized a two-year extension of the 0.75% increase in the County's sales tax rate. The County Legislature amended the 1975 resolution enacting the County's sales tax by resolution 207259 which was signed by the County Executive on September 20, 2007. The additional 0.75% sales tax rate continues and has been extended through November 2017.

Pursuant to a 10-year agreement starting in 2014, the County capped the amount of sales tax that will be distributed to municipalities in the County to \$25 million for future fiscal years. This results in municipalities receiving approximately 85% of the sales tax previously received. To offset the impact to local municipalities, Dutchess County Government absorbed half of the 2011 and 2012 election costs due to be paid to the County and assumed full cost of elections starting in 2013.

The following table sets forth total general fund revenues and sale taxes received for each of the past five fiscal years ended December 31 and the amounts budgeted for the most recent fiscal year.

### General Fund Revenues & Sales Tax

Fiscal Year Ended December 31:	General Fund Total Revenue	Sales Tax	Sales Tax to Revenues (%)
2011	\$5,607,706	\$1,295,505	23.10
2012	5,562,955	1,280,031	23.01
2013	6,619,362	941,165	14.22
2014	5,675,873	1,229,853	21.67
2015	5,864,820	1,083,275	18.47
2016 (Unaudited)	5,879,089	1,240,254	21.10
2017 (Budgeted)	5,696,021	1,000,000	17.56

a. General Fund, Town Wide and Part Town. Exclusive of the financing sources.

Source: Audited Financial Statements and Adopted Budget of the Town. Summary itself not audited.

## **The State Comptroller's Fiscal Stress Monitoring System**

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the Town as "No Designation". (Fiscal Score: 3.3%). More information on the FSMS may be obtained from the Office of the State Comptroller.

See the State Comptroller's official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

In addition, the Office of the State Comptroller helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released in June, 2014. The purpose of such audit was to evaluate the financial condition and budgeting practices for the period January 1, 2013 to December 31, 2015. The complete report may be found on the State Comptroller's official website.

## **Pension Systems**

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS" or the "Retirement System"). The Retirement System is a cost-sharing multiple public employee retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. Members hired on or after January 1, 2010 must contribute toward the costs of retirement programs throughout employment.

On December 10, 2009, a Tier V pension was signed into law. The law is effective for new ERS employees hired after January 1, 2010 and before April 2, 2012. Tier V ERS employees contribute 3% of their salaries; however, there is no provision for these contributions to cease after a certain period of service.

On March 26, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a Tier VI for employees hired after April 1, 2012. The new pension tier has progressive contribution rates between 3% and 6% which must be made throughout employment, it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier VI, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter, vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more. No current employees were affected by this legislation.

The New York State Retirement System allows municipalities to make employer contribution payments in December, at a discount, or the following February, as required. The Town opted to make its pension payments in December 2013, 2014 and 2015 in order to take advantage of the discount.

Due to poor performance of the investment portfolio of the State Retirement System (“SRS”), the employer contribution rates for required pension contributions to the SRS have increased. To help mitigate the impact of such increases, legislation was enacted that permitted local governments to amortize a portion of such contributions. Under such legislation, local governments that choose to amortize will be required to set aside and reserve funds with the SRS for certain future rate increases. The Town has not and does not reasonably expect to amortize such contributions in the foreseeable future.

Beginning July 1, 2013, a voluntary defined contribution plan option was made available to all unrepresented employees of New York State public employers hired on or after that date, and who earn \$75,000 or more on an annual basis.

In Spring 2013, the State and ERS approved a Stable Contribution Option (“SCO”), which modified its existing SCO adopted in 2010, that gives municipalities the ability to better manage spikes in Actuarially Required Contributions rates (“ARCs”). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount. For ERS, the 2014-15 SCO rate is 12%. The rates applicable to 2016 and thereafter are subject to adjustment. The Town did not and has no plans to participate in the SCO.

For State Fiscal Year 2016-17, the average contribution rate for ERS will decrease by 2.7% of payroll, from 18.2% to 15.5% and the average contributions rate for PFRS will decrease by 0.4% of payroll from 24.7% to 24.3%. Projections of required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees amount the six retirement tiers. The employer contribution rates announced will apply to each employer’s salary base during the period of April 1, 2016 through March 31, 2017.

The Town is required to contribute an actuarially determined rate. The required contributions for the five most recently completed fiscal years are as follows:

**Contributions to the Retirement Systems**

<u>Fiscal Year Ending December 31:</u>	<u>Amount of Contribution</u>
2012	\$440,265
2013	508,861
2014	496,222
2015	498,906
2016 (Actual)	442,072
2017 (Budgeted)	430,765

**Other Post Employment Benefits**

The Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Town, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 45 (“GASB 45”) described below requires such accounting.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

The Town's change in net OPEB obligation amounted to \$456,883 for the year ended December 31, 2015. 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.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ended December 31, 2015</u>
Annual required contribution (ARC)	\$574,010
Interest on net OPEB obligation	78,795
Less: Adjustments to ARC	<u>(118,271)</u>
Annual OPEB cost (expense)	534,534
Less: Contributions made	<u>(77,651)</u>
Increase in net OPEB obligation	456,883
Net OPEB obligation-beginning of year	<u>3,151,793</u>
Net OPEB obligation-end of year	<u><u>\$3,608,676</u></u>
 Percent of annual OPEB Cost Contributed	 14.5%

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed (%)</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$534,534	14.50	\$3,608,676
12/31/2014	523,473	13.70	3,151,793
12/31/2013	512,858	12.70	2,700,042

Should the Town be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Town's finances and could force the Town to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Town to partially fund its actuarial accrued OPEB liability.

The OSC has proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. Under the State Comptroller’s proposal, there are no limits on how much a local government can deposit into the trust. The proposal was not entered into law in the last budgeted review. Whether it will be reintroduced is not known. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. The Town continues to fund the expenditure on a pay-as-you-go basis.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

**REAL PROPERTY TAX INFORMATION**

**Real Property Taxes**

The Town derives a significant portion of its annual revenue through a direct real property tax.

The following table presents the total tax levy, by purpose, with adjustments and collection performance for recent fiscal years.

**Tax Levy and Collection Record**

	Fiscal Year Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Taxable Value	\$2,653,351,326	\$2,529,322,511	\$2,534,497,408	\$2,529,891,164	\$2,543,976,073
Equalization Rate	100%	100%	100%	100%	100%
Full Value	2,653,351,326	2,529,322,511	2,534,497,408	2,529,891,164	2,543,976,073
<b>Property Taxes</b>					
General & Highway	5,133,191	5,323,279	5,709,559	6,064,436	5,980,606
Special Town <sup>a</sup>	5,265,405	5,284,757	4,972,598	4,636,045	4,918,851
Amount Uncollected <sup>b</sup>	None	None	None	None	None
<b>Tax Rate<sup>c</sup></b>					
<b>General &amp; Highway</b>					
Homestead	\$1.72	\$1.84	\$1.95	\$2.10	\$2.07
Non-Homestead	3.07	3.41	3.73	4.02	3.93

a. Includes Water, Sewer, Lighting, Park, Drainage, Ambulance, Library and Fire.

b. See Tax Collection Procedures on the following page.

c. Town outside Village tax rate per \$1,000 assessed value.

Source: Office of the Town Supervisor and the State Office of Real Property Tax Services (the “ORPTS”).

The following table sets forth the percentage of the Town's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2011 through 2015, unaudited for 2016, and, as budgeted, for the year ending December 31, 2017.

**General Fund Revenues & Real Property Taxes**

<u>Fiscal Year Ended December 31:</u>	<u>General Fund Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2011	\$5,607,706	\$2,420,765	43.17
2012	5,562,955	2,502,596	44.99
2013	6,619,362	2,442,658	36.90
2014	5,675,873	2,452,097	43.20
2015	5,864,820	2,668,229	45.50
2016 (Unaudited)	5,879,089	2,795,153	47.54
2017 (Budgeted)	5,696,021	2,849,185	50.02

a. General Fund, Town wide and Part Town. Exclusive of other financing sources.  
Source: The Audited Financial Statements and Adopted Budgets of the Town. The summary itself is not audited.

**Tax Collection Procedure**

Taxes may be paid in full or in three installments. No penalty is imposed on payments made by February 28<sup>th</sup>. Penalties on both delinquent taxes and installments paid subsequent to February 28<sup>th</sup> are imposed as follows: 2% on payments made from March 1<sup>st</sup> to May 31<sup>st</sup> and 4% on payments made from June 1<sup>st</sup> to August 31<sup>st</sup>. Unpaid tax bills are returned to the Dutchess County Commissioner of Finance in September. At such time, the Town retains the total amount of Town, Highway and Special Town levies from the total collections and returns the balance plus the uncollected items to the County, which assumes responsibility for ultimate collection and enforcement of delinquent taxes and holds annual tax sales.

**Large Taxable Properties  
2016 Assessment Roll<sup>a</sup>**

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Chelsea DHC, LLC.	Rental Apartments	\$60,000,000
Central Hudson Gas and Electric	Utility	57,703,501
Alpine Improvements	Large Retail	23,500,000
Riverbend at Wappinger Falls	Rental Apartments	20,500,000
HP Coolidge Maloney Road, LLC.	Rental Apartments	15,528,400
MYCOR Holdings	Office Building	14,000,000
Wappingers Shopping Center, LLC.	Retail	12,600,000
Con Edison of NY, Inc.	Utility	11,506,393
HD Development of MD, Inc.	Retail	11,382,400
Jaleli, LLC	Distribution Warehouse	9,200,000
	Total <sup>a</sup>	<u><u>\$235,920,694</u></u>

a. Represents 9.27% of the total taxable Assessed Valuation of the Town for 2017.

## **Tax Certiorari Claims**

In common with other municipalities, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of Town taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. A refund of excess taxes is also generally requested. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claimed. Many settlements provide for future adjustments with no direct outlay of money.

## **LITIGATION**

In common with other towns, the Town from time to time receives notices of claim and is party to litigation. In the opinion of the attorney for the Town, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Town has not asserted a substantial and adequate defense, nor which, if determined against the Town, would have a adverse material effect on the financial condition of the Town, in view of the Town's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the Town, threatened against or affecting the Town to restrain or enjoin sale or delivery of the Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the Town taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the Town.

## **MARKET AND RISK FACTORS**

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

The financial and economic condition of the Town as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Town's control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Town to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds could be adversely affected.

The Town is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the Town, in any year, the Town may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the Town. In some years, the Town has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

There are a number of general factors which could have a detrimental effect on the ability of the Town to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the Town. Unforeseen developments could also result in substantial increases in Town expenditures, thus placing strain on the Town's financial condition. These factors may have an effect on the market price of the Bonds.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bond and other debt issued by the Town. Any such future legislation would have an adverse effect on the market value of the Bonds (See “Tax Exemption” herein).

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Town and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the Town and hence upon the market price of the Bonds. See “Tax Levy Limitation Law” herein.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Town has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York and its political subdivisions (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds may otherwise affect a Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owners or the owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigations, as to which Bond Counsel expresses no opinion

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Recent proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

## **LEGAL MATTERS**

Legal matters incidental to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially in the form attached hereto as Appendix C.

## **BOND RATING**

The Town has applied to S&P Global Ratings ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, for a rating on the Bonds and such rating is pending at this time.

S&P Global Ratings has assigned a rating of "AA+" to the outstanding bonds of the Town. This rating reflects only the view of the rating agency furnishing the same, and an explanation of the significance of this rating may be obtained only from the rating agency. There is no assurance such rating will continue for any given period of time, or that such rating will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. Any such action could have an adverse effect on the market for and market price of the Bonds.

Moody's Investors Services, Inc. ("Moody's") has assigned a rating of "Aa3" to the outstanding bonds of the Town. The Town has not applied to Moody's for a rating on the Bonds. This rating reflects only the view of the rating agency furnishing the same, and an explanation of the significance of this rating may be obtained only from the rating agency. There is no assurance such rating will continue for any given period of time, or that such rating will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. Any such action could have an adverse effect on the market for and market price of the Bonds.

## **MUNICIPAL ADVISOR**

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the Town on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the Town and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Town or the information set forth in this Official Statement or any other information available to the Town with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## OTHER MATTERS

The Town is in compliance with the procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance.

There is no bond or note principal or interest past due.

The fiscal year of the Town is January 1 to December 31.

This Official Statement does not include the financial data of any political subdivision of the State of New York having power to levy taxes within the Town, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

## ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Town Accountant, Town Hall, 20 Middlebush Road, Wappingers Falls, New York 12590, telephone number 845/297-4158 or from the office of Munistat Services Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Bonds is to be construed as a contract with the holders of the Bonds.

To the extent any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

Munistat Services, Inc. may place a copy of this Official Statement on its website at [www.munistat.com](http://www.munistat.com). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Town nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Town disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Town also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the Town for use in connection with the offer and sale of the Bonds, including this Official Statement.

The preparation and distribution of this Official Statement have been approved by the Town Supervisor pursuant to the power delegated to him by the authorizing note resolutions to sell and deliver the Bonds.

This Official Statement has been duly executed and delivered by the Town Supervisor of the Town of Wappinger.

TOWN OF WAPPINGER, NEW YORK

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By: s/s LORI A. JIAVA  
Town Supervisor and Chief Fiscal Officer

February 23, 2017

**APPENDIX A**

**FINANCIAL INFORMATION**

**Statement of Revenues, Expenditures and Fund Balances  
General Fund - Town-Wide**

Fiscal Year Ending December 31:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 2,420,765	\$ 2,502,596	\$ 2,442,658	\$ 2,452,097	\$ 2,668,229
Real Property Tax Items	79,896	88,531	87,361	71,271	84,929
Departmental Income	103,554	171,829	177,081	145,949	129,350
Use of Money and Property	222,811	219,488	226,960	234,763	217,902
Licenses & Permits	9,270	7,821	5,685	5,672	5,144
Fines & Forfeitures	272,247	268,693	248,323	299,253	349,567
Sale of Property & Compensation for Loss	11,437	23,966	100	12,572	47,637
Miscellaneous	91,154	99,902	1,137,332	5,091	39,315
State & Federal Aid	744,804	833,447	808,143	694,573	766,168
<b>Total Revenues</b>	<u>3,955,938</u>	<u>4,216,273</u>	<u>5,133,643</u>	<u>3,921,241</u>	<u>4,308,241</u>
<b>Expenditures:</b>					
General Government Support	1,532,328	1,584,200	1,495,196	1,596,916	1,664,084
Public Safety	37,192	41,652	31,298	32,191	35,097
Health	3,432	3,100	1,803	4,190	4,838
Transportation	148,569	141,779	137,715	151,375	171,567
Economic Assistance	600	600	600	600	650
Culture and Recreation	703,372	541,701	509,068	632,627	751,696
Home and Community Services	277,730	220,215	214,339	213,994	219,686
Employee Benefits	622,411	610,955	625,664	623,586	622,478
Debt Service	521,095	520,869	525,130	552,935	394,087
<b>Total Expenditures</b>	<u>3,846,729</u>	<u>3,665,071</u>	<u>3,540,813</u>	<u>3,808,414</u>	<u>3,864,183</u>
<b>Other Financing Sources (Uses):</b>					
<b>Proceeds From:</b>					
Operating Transfers In				108,800	
Operating Transfers Out				(20,592)	
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>88,208</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Uses</b>	109,209	551,202	1,592,830	201,035	444,058
<b>Fund Balance Adjustments</b>			15,615		
<b>Fund Balance Beginning of Year</b>	14,181	123,390	674,592	2,283,037	2,484,072
<b>Fund Balance End of Year</b>	<u>\$ 123,390</u>	<u>\$ 674,592</u>	<u>\$ 2,283,037</u>	<u>\$ 2,484,072</u>	<u>\$ 2,928,130</u>

Sources: Audited Annual Financial Reports of the Town of Wappinger (2011-2015)

NOTE: This Schedule NOT audited.

**Statement of Revenues, Expenditures and Fund Balances  
General Fund - Part-Town**

	Fiscal Year Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues:</b>					
Non-Property Tax Items	1,203,553	960,833	1,062,792	1,235,674	1,108,670
Departmental Income	159,010	137,866	160,739	157,570	148,484
Use of Money and Property	846	707	1,029	1,410	949
Licenses & Permits	282,520	247,076	261,148	359,978	290,038
Sale of Property & Compensation for Loss	1,912	200			3,400
Miscellaneous	3,927		11		5,038
<b>Total Revenues</b>	<u>1,651,768</u>	<u>1,346,682</u>	<u>1,485,719</u>	<u>1,754,632</u>	<u>1,556,579</u>
<b>Expenditures:</b>					
General Government Support	216,498	133,657	107,876	159,509	152,548
Public Safety	364,801	397,684	412,632	406,868	425,258
Transportation	34,416	35,997	36,585	39,477	37,063
Economic Assistance	10,014	5,104	3,752	5,375	1,587
Culture and Recreation	112,812	74,563	58,252	57,377	70,115
Home and Community Services	170,421	177,549	154,840	175,044	142,127
Employee Benefits	169,907	208,585	221,684	221,015	226,946
Debt Service	317,078	195,221	128,102	147,385	122,226
<b>Total Expenditures</b>	<u>1,395,947</u>	<u>1,228,360</u>	<u>1,123,723</u>	<u>1,212,050</u>	<u>1,177,870</u>
<b>Other Financing Sources (Uses):</b>					
<b>Proceeds From:</b>					
Operating Transfers In					
Operating Transfers Out	(190,000)				
<b>Total Other Financing Sources (Uses)</b>	<u>(190,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Uses</b>	<u>65,821</u>	<u>118,322</u>	<u>361,996</u>	<u>542,582</u>	<u>378,709</u>
<b>Fund Balance Adjustments</b>					
Fund Balance Beginning of Year	1,025,719	1,091,540	1,209,862	1,571,858	2,114,440
<b>Fund Balance End of Year</b>	<u>\$ 1,091,540</u>	<u>\$ 1,209,862</u>	<u>\$ 1,571,858</u>	<u>\$ 2,114,440</u>	<u>\$ 2,493,149</u>

Sources: Audited Annual Financial Reports of the Town of Wappinger (2011-2015)

NOTE: This Schedule NOT audited.

**Statement of Revenues, Expenditures and Fund Balances  
Highway Fund**

Fiscal Year Ending December 31:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 2,077,580	\$ 2,084,363	\$ 2,641,219	\$ 2,767,890	\$ 2,998,806
Non-Property Tax Items	525,000	710,450	452,835	426,592	425,041
Use of Money and Property	1,092	866	1,298	1,413	910
Licenses and Permits		50	150	100	700
Sale of Property & Compensation for Loss		2,600	1,086	108	81
Miscellaneous	5,958	6,180	695	375	1,000
State & Federal Aid	197,837	153,023	244,688	219,133	224,850
<b>Total Revenues</b>	<u>2,807,467</u>	<u>2,957,532</u>	<u>3,341,971</u>	<u>3,415,611</u>	<u>3,651,388</u>
<b>Expenditures:</b>					
General Support	63,509	137,371	56,860	119,037	137,387
Transportation	1,603,603	1,813,629	1,785,789	2,083,424	2,086,395
Employee Benefits	576,449	653,690	712,203	723,074	771,729
Debt Service	287,172	293,913	359,907	362,437	409,100
<b>Total Expenditures</b>	<u>2,530,733</u>	<u>2,898,603</u>	<u>2,914,759</u>	<u>3,287,972</u>	<u>3,404,611</u>
<b>Other Financing Sources (Uses):</b>					
<b>Proceeds From:</b>					
Operating Transfers In	190,000			28,077	
Operating Transfers Out					
<b>Total Other Financing Sources (Uses)</b>	<u>190,000</u>	<u>0</u>	<u>0</u>	<u>28,077</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Uses</b>	466,734	58,929	427,212	155,716	246,777
<b>Fund Balance Adjustments</b>					
Fund Balance Beginning of Year	111,973	578,707	637,636	1,064,848	1,220,564
Transfers of Fund Balance					
Residual Equity Transfer - Risk Retention					
<b>Fund Balance End of Year</b>	<u>\$ 578,707</u>	<u>\$ 637,636</u>	<u>\$ 1,064,848</u>	<u>\$ 1,220,564</u>	<u>\$ 1,467,341</u>

Sources: Audited Annual Financial Reports of the Town of Wappinger (2011-2015)

NOTE: This Schedule NOT audited.

**Statement of Revenues, Expenditures and Fund Balances**  
**Water Fund**

Fiscal Year Ending December 31:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 723,102	\$ 676,388	\$ 719,434	\$ 725,130	\$ 733,261
Departmental Income	1,035,002	1,074,789	1,183,280	1,201,947	1,327,979
Use of Money and Property	8,718	2,926	3,052	3,072	2,113
Licenses and Permits			112,400		
Sale of Property and Comp. for Loss	<u>1,056</u>	<u>509</u>	<u>3,498</u>	<u>3,954</u>	<u>12,773</u>
<b>Total Revenues</b>	<u>1,767,878</u>	<u>1,754,612</u>	<u>2,021,664</u>	<u>1,934,103</u>	<u>2,076,126</u>
<b>Expenditures:</b>					
General Support	1,130	1,271	2,277	10,937	17,372
Home and Community Services	1,031,313	1,017,972	1,042,744	1,226,126	1,148,325
Employee Benefits	5,350	5,421	4,361	4,824	3,856
Debt Service	<u>719,396</u>	<u>679,363</u>	<u>673,786</u>	<u>676,005</u>	<u>690,438</u>
<b>Total Expenditures</b>	<u>1,757,189</u>	<u>1,704,027</u>	<u>1,723,168</u>	<u>1,917,892</u>	<u>1,859,991</u>
<b>Other Financing Sources (Uses):</b>					
<b>Proceeds From:</b>					
Operating Transfers In				86,694	
Operating Transfers Out				<u>(15,000)</u>	
<b>Total Other Financing Sources (Uses)</b>	0	0	0	71,694	0
<b>Excess (Deficiency) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Uses</b>	10,689	50,585	298,496	87,905	216,135
<b>Fund Balance Adjustments</b>					
Fund Balance Beginning of Year	<u>1,368,918</u>	<u>1,379,607</u>	<u>1,430,192</u>	<u>1,728,688</u>	<u>1,816,593</u>
Fund Balance End of Year	<u>\$ 1,379,607</u>	<u>\$ 1,430,192</u>	<u>\$ 1,728,688</u>	<u>\$ 1,816,593</u>	<u>\$ 2,032,728</u>

Sources: Audited Annual Financial Reports of the Town of Wappinger (2011-2015)

NOTE: This Schedule NOT audited.

**Statement of Revenues, Expenditures and Fund Balances**  
**Sewer Fund**

	Fiscal Year Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 1,916,426	\$ 1,943,577	\$ 1,543,301	\$ 1,529,629	\$ 1,194,901
Departmental Income	1,992,782	2,063,312	2,077,441	2,099,691	2,145,962
Use of Money and Property	207,305	182,763	189,638	162,654	137,874
Licenses and Permits	12,000		168,600	4,800	
Miscellaneous	<u>8</u>	<u>184,850</u>			
Total Revenues	<u>4,128,521</u>	<u>4,374,502</u>	<u>3,978,980</u>	<u>3,796,774</u>	<u>3,478,737</u>
<b>Expenditures:</b>					
Governmental Support	120	1,239	(672)	153	100
Home and Community Services	1,977,249	1,915,287	1,999,868	2,016,385	2,173,415
Employee Benefits	2,687	2,300	2,412	3,437	2,257
Debt Service	<u>2,069,281</u>	<u>2,029,749</u>	<u>1,615,262</u>	<u>1,596,595</u>	<u>1,236,041</u>
Total Expenditures	<u>4,049,337</u>	<u>3,948,575</u>	<u>3,616,870</u>	<u>3,616,570</u>	<u>3,411,813</u>
Transfers In	62,000	17,858		500,691	
Transfers Out		<u>(17,858)</u>		<u>(273,809)</u>	
Total Transfers	<u>62,000</u>	<u>0</u>	<u>0</u>	<u>226,882</u>	<u>0</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	141,184	425,927	362,110	407,086	66,924
Fund Balance Adjustments			186,633		
Fund Balance Beginning of Year	<u>632,294</u>	<u>773,478</u>	<u>1,199,405</u>	<u>1,748,148</u>	<u>2,155,234</u>
Fund Balance End of Year	<u>\$ 773,478</u>	<u>\$ 1,199,405</u>	<u>\$ 1,748,148</u>	<u>\$ 2,155,234</u>	<u>\$ 2,222,158</u>

Sources: Audited Annual Financial Reports of the Town of Wappinger (2011-2015)

NOTE: This Schedule NOT audited.

**BALANCE SHEET - GENERAL & MAJOR TOWN FUNDS**  
**Fiscal Year Ending December 31, 2015**

<u>Assets</u>	<u>General Fund Town-Wide</u>	<u>General Fund Part-Town</u>	<u>Highway Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Cash	\$ 1,840,168	\$ 1,416,419	1,165,955	\$ 1,550,517	\$ 1,061,128
Cash and Cash equivalents- Restricted	1,071,982	566,950	28,077	86,694	482,882
Charges for Services					
Other Receivables	68,121	148,202		471,252	823,697
Due from Other Funds	4,386			36	58,062
Due from Other Governments	39,715	366,841			
State and Federal Aid Receivables	94,722				
Inventory, at Cost			412,083		
Prepaid Expenses	<u>81,487</u>	<u>37,516</u>	<u>156,872</u>	<u>625</u>	<u>          </u>
<b>Total Assets</b>	<b>\$ <u>3,200,581</u></b>	<b>\$ <u>2,535,928</u></b>	<b><u>1,762,987</u></b>	<b>\$ <u>2,109,124</u></b>	<b>\$ <u>2,425,769</u></b>
 <u>Liabilities</u>					
Accounts Payable	\$ 185,190	\$ 32,060	91,089	\$ 44,418	\$ 171,913
Accrued Liabilities				13,375	
Due to Customers					
Due to Other Funds	57,669	10,719	204,403	6,413	23,130
Due to Other Governments	27,255		154	12,190	8,568
Deferred Revenues	<u>2,337</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<b><u>272,451</u></b>	<b><u>42,779</u></b>	<b><u>295,646</u></b>	<b><u>76,396</u></b>	<b><u>203,611</u></b>
 <u>Fund Equity</u>					
Fund Balance:					
Nonspendable	81,487	37,516	568,955	625	
Restricted	1,071,982	566,950	28,077	86,694	482,882
Assigned		1,888,683	870,309	1,945,409	1,739,276
Unassigned	<u>1,774,661</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Fund Equity</b>	<b><u>2,928,130</u></b>	<b><u>2,493,149</u></b>	<b><u>1,467,341</u></b>	<b><u>2,032,728</u></b>	<b><u>2,222,158</u></b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ <u>3,200,581</u></b>	<b>\$ <u>2,535,928</u></b>	<b><u>1,762,987</u></b>	<b>\$ <u>2,109,124</u></b>	<b>\$ <u>2,425,769</u></b>

Source: Audited Financial Statments of the Town of Wappinger (2015)

NOTE: This Schedule NOT audited

**Budget Summaries**

**Fiscal Year Ending December 31, 2016**

	<u>Appropriations</u>	<u>Less Estimated Revenues</u>	<u>Less Unexpected Balance</u>	<u>Amount To Be Raised By Tax</u>
General Fund - Townwide	\$ 4,135,703	\$ 1,340,550	\$ 0	\$ 2,795,153
General Fund - Town- Outside Village	1,420,044	1,420,044	0	0
Highway Fund-Townwide	3,813,239	543,956	0	3,269,283
Special District:				
Wappinger Ambulance District	395,000	0	0	395,000
Hughsonville Fire District	851,638	1,000	0	850,638
New Hackensack Fire District	1,105,100	6,000	0	1,099,100
Chelsea Fire District	375,429	273,618	0	101,811
Hughsonville Lighting District	36,179	0	0	36,179
Chelsea Lighting District	13,024	0	0	13,024
Cameli Lighting District	1,474	0	0	1,474
Fleetwood Water District	101,099	68,875	0	32,224
Watch Hill Water Impr Area	37,399	37,399	0	0
Tall Trees Water Impr Area	39,738	39,738	0	0
United Wappinger Water District	1,939,562	1,181,750	0	757,812
Fleetwood Sewer District	104,366	104,366	0	0
Watch Hill Sewer Impr Area	43,199	43,199	0	0
Wappinger Sewer Impr Area #1	17,687	0	0	17,687
Mid-Point Sewer Impr Area	124,195	124,195	0	0
Wappinger Sewer Trans/Treat #1&2	23,587	0	0	23,587
Wappinger Sewer Trans/Treat Phase 3A	749,491	67,059	0	682,432
Wildwood Sewer District	167,034	167,034	0	0
Wappinger Sewer Impr Area #5	17,687	17,687	0	0
United Wappinger Sewer District	1,749,466	1,680,008	0	69,458
Blackwatch Farms Drainage District	1,500	0	0	1,500
Keenan Acres Drainage District	1,500	0	0	1,500
Meadow Wood Drainage District	1,000	0	0	1,000
Tuscany Drainage District	1,000	0	0	1,000
Grinnell Library Association	669,963	119,343	0	550,620
Totals	\$ <u>17,936,303</u>	\$ <u>7,235,821</u>	\$ 0	\$ <u>10,700,482</u>

Source: Adopted Budget of the Town of Wappinger

## Budget Summaries

**Fiscal Year Ending December 31, 2017**

	<u>Appropriations</u>	<u>Less Estimated Revenues</u>	<u>Less Unexpected Balance</u>	<u>Amount To Be Raised By Tax</u>
General Fund - Townwide	\$ 4,155,635	\$ 1,374,450	\$ 0	\$ 2,781,185
General Fund - Town- Outside Village	1,540,386	1,540,386	0	0
Highway Fund-Townwide	3,683,835	484,414	0	3,199,421
Special District:				
Wappinger Ambulance District	395,000	0	0	395,000
Hughsonville Fire District	886,790	8,700	0	878,090
New Hackensack Fire District	1,177,308	6,500	0	1,170,808
Chelsea Fire District	381,105	274,005	0	107,100
Hughsonville Lighting District	36,179	0	0	36,179
Chelsea Lighting District	13,024	0	0	13,024
Cameli Lighting District	1,474	0	0	1,474
Fleetwood Water District	105,734	69,126	0	36,608
Watch Hill Water Impr Area	37,410	37,410	0	0
Tall Trees Water Impr Area	32,110	32,110	0	0
United Wappinger Water District	2,039,929	1,212,750	0	827,179
Fleetwood Sewer District	105,911	105,911	0	0
Watch Hill Sewer Impr Area	43,210	43,210	0	0
Wappinger Sewer Impr Area #1	14,590	0	0	14,590
Mid-Point Sewer Impr Area	126,251	126,251	0	0
Wappinger Sewer Trans/Treat #1&2	0	0	0	0
Wappinger Sewer Trans/Treat Phase 3A	739,227	67,059	0	672,168
Wildwood Sewer District	179,602	179,602	0	0
Wappinger Sewer Impr Area #5	14,590	14,590	0	0
United Wappinger Sewer District	1,806,293	1,678,929	0	127,364
Blackwatch Farms Drainage District	1,500	0	0	1,500
Keenan Acres Drainage District	1,500	0	0	1,500
Meadow Wood Drainage District	1,000	0	0	1,000
Tuscany Drainage District	1,000	0	0	1,000
Grinnell Library Association	769,500	135,233	0	634,268
Totals	\$ <u>18,290,093</u>	\$ <u>7,390,636</u>	\$ 0	\$ <u>10,899,457</u>

Source: Adopted Budget of the Town of Wappinger

**TOWN OF WAPPINGER**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MAY 31, 2015**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT.

**TOWN OF WAPPINGER, NEW YORK**  
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## **INDEPENDENT AUDITORS' 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, 2015, 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.

### ***Auditors' Responsibility***

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

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

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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 of Wappinger, New York, as of December 31, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

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

### ***Prior Period Adjustment***

As more further described in Note N, the Town has re-stated beginning net position to reflect the recording of additional infrastructure assets.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of 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.

### ***Merger***

The financial statements of the Town of Wappinger, New York for the year ended December 31, 2015, were audited by Sedore & Company, C.P.A.'s, P.C., independent auditors, whose partners merged with Vanacore, DeBenedictus, DiGiovanni & Weddell, C.P.A.'s LLP on July 1, 2016. Sedore & Company, C.P.A.'s P.C.'s report dated August 19, 2016, stated that they were not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2016, 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.

*Vanacore, DeBenedictus, DiGiovanni & Weddell, CPAs*  
*Limited Liability Partnership*

Poughkeepsie, New York  
August 19, 2016



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

To the Supervisor and  
Members of the Town Board  
Town of 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, 2015, 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 19, 2016.

**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.

## **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 and 4).

## **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.

*Vanacore, DeBenedictus, DiGiovanni & Weddell, CPAs*  
*Limited Liability Partnership*

Poughkeepsie, New York  
August 19, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplemental Information**  
**For the Year Ended December 31, 2015**  
**(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	2015	2014	Change
Non-Capital		\$ 16,564,719	\$ 14,516,207	\$ 2,048,512
Capital		65,355,616	57,171,179	8,184,437
	<b>Total Assets</b>	81,920,335	71,687,386	10,232,949
Deferred Outflow of Resources		939,091	618,304	320,787
	<b>Total Assets and Deferred Outflow of Resources</b>	\$ 82,859,426	\$ 72,305,690	\$ 10,553,736
<b>Liabilities</b>				
Current		\$ 12,749,033	\$ 9,669,828	\$ 3,079,205
Non-Current		20,256,195	21,203,360	(947,165)
	<b>Total Liabilities</b>	33,005,228	30,873,188	2,132,040
Deferred Inflow of Resources		22,046	25,196	(3,150)
	<b>Total Liabilities and Deferred Inflow of Resources</b>	33,027,274	30,898,384	2,128,890
<b>Net Position</b>				
Capital		42,398,583	36,742,794	5,655,789
Restricted		963,182	1,113,162	(149,980)
Unrestricted		6,470,387	3,551,350	2,919,037
	<b>Total Net Position</b>	49,832,152	41,407,306	8,424,846
	<b>Total Liabilities and Net Position</b>	\$ 82,859,426	\$ 72,305,690	\$ 10,553,736

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

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

<b>SUMMARY OF STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION</b>			
<b>Revenues</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Program</b>			
Fines, Fees & Charges	\$ 4,397,224	\$ 4,274,960	\$ 122,264
Operating Grants	5,215	-	5,215
Capital Grants	481,915	3,308,980	(2,827,065)
<b>General Revenues</b>			
Property Taxes	8,125,786	7,989,913	135,873
Other Taxes	2,027,764	2,089,939	(62,175)
Investment Earnings	361,787	407,241	(45,454)
Other Grants and Contributions	266,900	268,400	(1,500)
Other Revenues	135,827	162,120	(26,293)
<b>Total Revenues</b>	<u>15,802,418</u>	<u>18,501,553</u>	<u>(2,699,135)</u>
<b>Expenses</b>			
General Government Support	2,362,489	2,667,278	(304,789)
Public Safety	684,766	673,991	10,775
Health	403,119	402,492	627
Transportation	3,860,403	4,089,383	(228,980)
Economic Assistance	2,237	5,975	(3,738)
Culture and Recreation	914,285	659,494	254,791
Home and Community Service	5,345,476	4,845,160	500,316
Interest on Long Term Debt	765,965	840,045	(74,080)
<b>Total Expenses</b>	<u>14,338,740</u>	<u>14,183,818</u>	<u>154,922</u>
<b>Change in Net Position</b>	1,463,678	4,317,735	(2,854,057)
<b>Net Position - beginning</b>	41,407,306	18,608,802	22,798,504
<b>Implementation of GASB 68</b>	(30,395)	-	(30,395)
<b>Prior Period Adjustment</b>	<u>6,991,563</u>	<u>18,480,769</u>	<u>(11,489,206)</u>
<b>Net Position - beginning, restated</b>	<u>48,368,474</u>	<u>37,089,571</u>	<u>11,278,903</u>
<b>Net Position - ending</b>	<u>\$ 49,832,152</u>	<u>\$ 41,407,306</u>	<u>\$ 8,424,846</u>

**Governmental Funds:**

**GENERAL FUND**

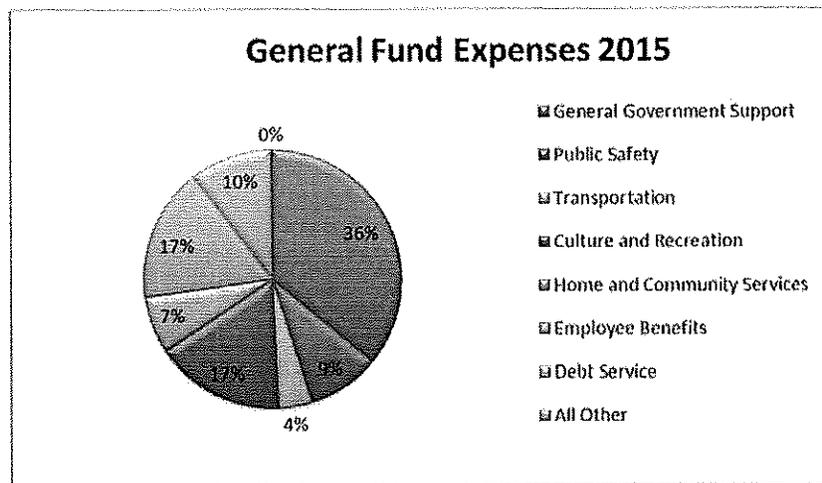
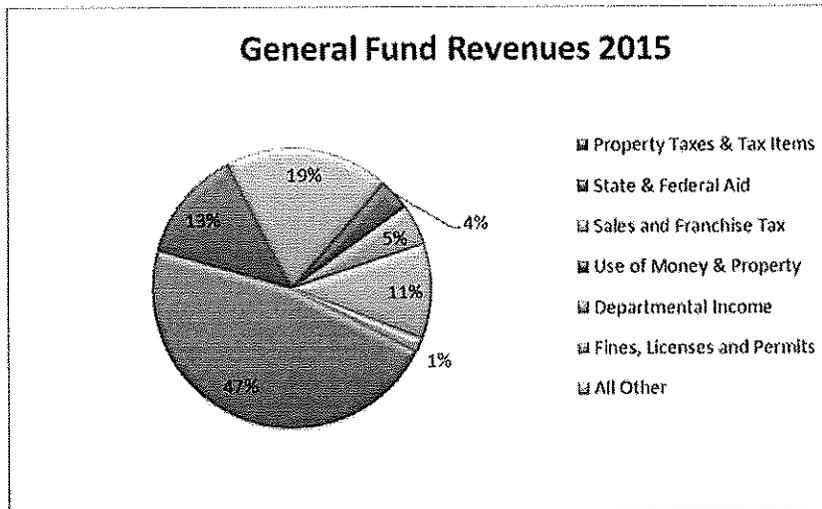
The General Fund consists of the General Town-Wide Fund and the General Part-Town Fund. The General Town-Wide includes activities of the Parklands Trust Fund, Friends of Carnwath and the 9-11 Memorial Fund. The General Fund is the chief operating fund of the Town. At the end of the year, the total fund balance of the General Town-Wide Fund was \$2,928,130, an increase of \$444,058 from the prior year. \$81,487 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, 2015**  
**(Un-audited)**

**GENERAL FUND (Continued)**

The remaining \$2,846,643 is in spendable form as follows: \$108,800 is restricted for debt service payment, \$963,182 is restricted for recreation, and the remaining \$1,774,661 represents spendable, unassigned fund balance. The total fund balance in the General Part-Town Fund at the end of the year was \$2,493,149, an increase of \$378,709 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, fines & fees from the Justice court, and mortgage tax.

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

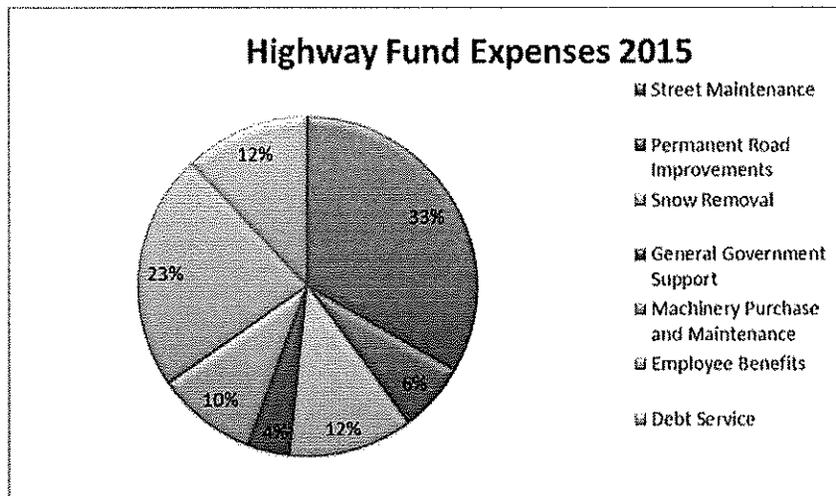
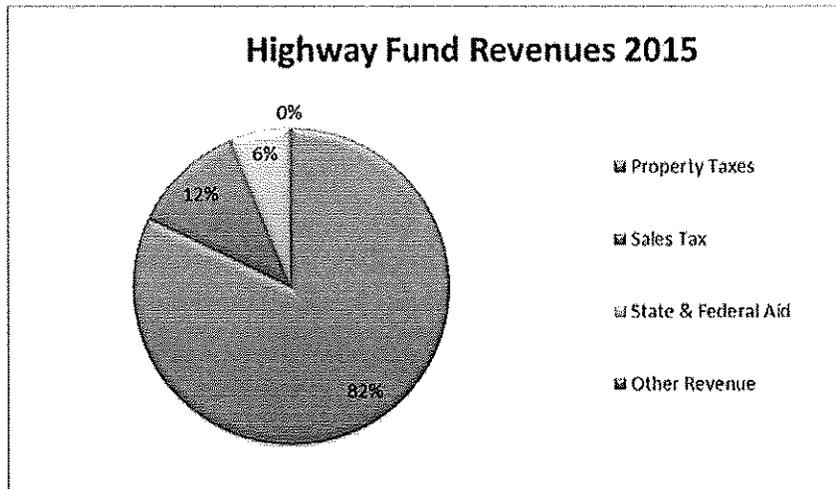


**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplemental Information (Continued)**  
**For the Year Ended December 31, 2015**  
**(Un-audited)**

**HIGHWAY FUND**

The Highway Fund ended the year with \$1,467,341 in Fund Balance, of which \$568,955 is non-spendable, \$28,077 is restricted for debt service payment and \$870,309 is assigned for highway activities.

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



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Required Supplemental Information (Continued)**

**For the Year Ended December 31, 2015**

**(Un-audited)**

## **WATER FUNDS**

The Town operated four water districts during 2015 with an overall Fund Balance of \$2,032,728. Operating revenues totaled \$2,076,126 with operating expenses totaling \$1,859,991 resulting in an excess of revenues over expenditures in the amount of \$216,135. The excess is the result of strong and prudent budgeting practices.

## **SEWER AND DRAINAGE FUNDS**

The Town operated fourteen sewer and drainage districts during 2015, with an overall fund balance of \$2,222,158, the main sewer district being the United Wappinger Sewer District, with a fund balance of \$1,802,557. Operating revenues for the combined sewer and drainage districts totaled \$3,478,737 with operating expenses totaling \$3,411,813 resulting in a modest excess of revenues over expenditures in the amount of \$66,924.

## **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 \$3.3 million on ten capital projects in 2015. The top five projects were: Filtration of Atlas & Hilltop wells and the Meadowwood and Route 9 loops, United Wappinger Water Meter Replacement, Replacement of Town Hall Roof, resurfacing of various town roads, and the Wappinger Water Main Extension project sponsored by New York City Department of Environmental Protection (NYCDEP). The five projects accounted for ninety-seven percent (97%) of the total capital expenditures.

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 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 Meadowwood well field and the Route 9 area was initially estimated to cost \$4,040,000 but later revised to \$3,621,000 by the Town's Engineer. The project is currently in progress.

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

**3. Activities regarding capital assets, long and short term debt (Continued)**

**Long Term Debt**

The Town improved its credit rating in June 2015 to Aa3 from A1 by Moody's Investors Service. 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 Aa3 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. In March 2016, Standards and Poor's assigned a rating of AA to the Town's refunding bonds of 2016 citing the Town's strong liquidity and budgetary flexibility, supported by strong performance.

Total long term serial bond debt at the end of 2015 was \$17,500,000. Of this debt, \$3,228,476 is attributable to the General Fund and \$3,398,146 to the Highway Fund. The majority of the Town's debt is attributable to its water and sewer districts amounting to \$6,613,941 and \$4,259,437, respectively. Water and sewer debt is paid by the property owners in the respective districts.

In September 2015, the Town issued a Bond Anticipation Note in the amount of \$3,788,610. Out of this, \$650,000 was borrowed for the purpose of resurfacing various roads within the Town, \$945,000 was borrowed on behalf of the United Wappinger Sewer District, being the district's share of the cost of the replacement of the existing mechanical agitation aeration system at the Tri-Municipal Sewerage Treatment Plant, \$1,793,000 to pay for the purchase and installation of replacement water meters in the United Wappinger Water District after a series of meter reading equipment failure, and \$400,610 for the replacement of the Town hall roof.

In December 2015, the Town Board authorized the issuance of bonds to purchase heavy duty trucks and tractors for the Highway Department at a cost of \$505,000 for maintenance purposes. 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 the new \$8,520,000 refunding serial bonds, 2016. Repayments for the refunded bonds will begin in 2016 and continue until 2029.

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

**Short Term Debt**

The town had total Bond Anticipation Notes (BAN) Outstanding of \$9,224,610 and the end of 2015 made up of a \$5,436,000 BAN Series A issued in March 2015, and \$3,788,610 BAN Series B issued in September, 2015. Bond Anticipation Notes totaling \$3,438,000 were renewed in March 2016, and a \$5,840,610 Public Improvement (Serial) Bond issued at the same time for the balance of outstanding Bond Anticipation Notes.

**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 CAP has and will continue to deliver cost savings to the Town.

The assessment roll established in 2015 for 2016 taxes resulted in homestead assessments decreasing by an average of 0.42%. However, there was no change in the proportion of non-homestead to homestead assessments. Non-homestead assessments for 2016 are 43% of the total and homestead assessments are 57%, remaining steady as in 2015. The Town adopted an overall tax levy increase of 0.73% in 2016 down from 1.53% in 2015.

The Town signed a Memorandum of Agreement 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 is currently negotiating with both Unions.

**TOWN OF WAPPINGER, NEW YORK**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 11,488,229
Cash and cash equivalents - restricted	2,236,585
Receivables (net)	2,277,748
Inventories	412,083
Prepaid expenses	150,074
<b>Total current assets</b>	<b>16,564,719</b>
Capital assets:	
Land	8,162,217
Infrastructure, net of depreciation	42,606,826
Buildings, machinery and equipment, net of depreciation	6,725,611
Construction in progress	7,860,962
<b>Total capital assets</b>	<b>65,355,616</b>
<b>Total assets</b>	<b>81,920,335</b>
Deferred outflow of resources	939,091
<b>Total assets and deferred outflow of resources</b>	<b>\$ 82,859,426</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 602,193
Accrued liabilities and retainage payable	323,071
Bond anticipation notes payable	9,224,610
Deferred revenue	830,359
Due to customers	13,375
Due to other governments	48,167
Current portion of long-term liabilities	
Landfill remediation liability	7,258
Bonds payable - Capital	1,028,617
Bonds payable - Non-capital	671,383
<b>Total current liabilities</b>	<b>12,749,033</b>
Non-current liabilities:	
Judgment and claims	80,000
Compensated absence liabilities	317,854
Other postemployment benefits liability	3,608,676
Landfill remediation liability	148,487
Bonds payable - Capital	11,851,401
Bonds payable - Non-capital	3,948,599
Net employee retirement system liability	301,178
<b>Total non-current liabilities</b>	<b>20,256,195</b>
<b>Total liabilities</b>	<b>33,005,228</b>
Deferred inflow of resources	22,046
<b>Total liabilities and deferred inflow of resources</b>	<b>33,027,274</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	42,398,583
Restricted for recreation	963,182
Unrestricted	6,470,387
<b>Total net position</b>	<b>49,832,152</b>
<b>Total liabilities and net position</b>	<b>\$ 82,859,426</b>

See independent auditors' report.

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

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
					GOVERNMENTAL ACTIVITIES
<b>Governmental Activities:</b>					
General government support	\$ 2,362,489	\$ 15,920	\$ 5,215	\$ -	\$ (2,341,354)
Public safety	684,766	675,609	-	-	(9,157)
Health	403,119	5,493	-	-	(397,626)
Transportation	3,860,403	700	-	228,000	(3,631,703)
Economic assistance & opportunity	2,237	-	-	-	(2,237)
Culture and recreation	914,285	73,969	-	-	(840,316)
Home and community services	5,345,476	3,625,533	-	253,915	(1,466,028)
Interest on long-term debt	765,965	-	-	-	(765,965)
<b>Total governmental activities</b>	<b>14,338,740</b>	<b>4,397,224</b>	<b>5,215</b>	<b>481,915</b>	<b>(9,454,386)</b>
<b>General revenues</b>					
Taxes:					
Real property taxes					8,039,624
Real property tax items					86,162
Sales tax distribution					1,083,275
Mortgage tax distribution					494,053
Franchise taxes					450,436
Unrestricted investment earnings					361,787
Grants and contributions not restricted to specific programs					266,900
Special item-Gain on sale of property and compensation for loss					63,891
Refund of prior year's expenditures					39,085
Miscellaneous					32,851
Total general revenues, special items and transfers					<u>10,918,064</u>
Change in net position					<u>1,463,678</u>
Net position - beginning					41,407,306
Implementation of GASB 68 adjustment					(30,395)
Prior period adjustments					<u>6,991,563</u>
Net position - beginning, restated					<u>48,368,474</u>
Net position - ending					<u>\$ 49,832,152</u>

See independent auditors' report.

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

	<b>GENERAL TOWN-WIDE FUND</b>	<b>GENERAL PART-TOWN FUND</b>	<b>HIGHWAY FUND</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,840,168	\$ 1,416,419	\$ 1,165,955
Cash and cash equivalents - restricted	1,071,982	566,950	28,077
Receivables:			
Charges for services	-	-	-
Other	68,121	148,202	-
Due from other funds	4,386	-	-
Due from other governments	39,715	366,841	-
State and federal aid receivables	94,722	-	-
Inventory, at cost	-	-	412,083
Prepaid expenses	81,487	37,516	156,872
<b>Total assets</b>	<b><u>\$ 3,200,581</u></b>	<b><u>\$ 2,535,928</u></b>	<b><u>\$ 1,762,987</u></b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 185,190	\$ 32,060	\$ 91,089
Due to customers	-	-	-
Bond anticipation notes payable	-	-	-
Due to other funds	57,669	10,719	204,403
Due to other governments	27,255	-	154
Deferred revenues	2,337	-	-
<b>Total liabilities</b>	<b><u>272,451</u></b>	<b><u>42,779</u></b>	<b><u>295,646</u></b>
<b>FUND BALANCE</b>			
Nonspendable:			
Prepays and inventory	81,487	37,516	568,955
Restricted:			
Debt service	108,800	164,050	28,077
Miscellaneous	-	402,900	-
Recreation	963,182	-	-
Assigned	-	1,888,683	870,309
Unassigned	1,774,661	-	-
<b>Total fund balance</b>	<b><u>2,928,130</u></b>	<b><u>2,493,149</u></b>	<b><u>1,467,341</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 3,200,581</u></b>	<b><u>\$ 2,535,928</u></b>	<b><u>\$ 1,762,987</u></b>

See independent auditors' report.

<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NON- MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 1,550,517	\$ 1,061,128	\$ 4,356,756	\$ 97,286	\$ 11,488,229
86,694	482,882	-	-	2,236,585
471,252	823,697	-	-	1,294,949
-	-	-	-	216,323
36	58,062	239,850	-	302,334
-	-	-	-	406,556
-	-	-	-	94,722
-	-	-	-	412,083
625	-	-	-	276,500
<u>\$ 2,109,124</u>	<u>\$ 2,425,769</u>	<u>\$ 4,596,606</u>	<u>\$ 97,286</u>	<u>\$ 16,728,281</u>
\$ 44,418	\$ 171,913	\$ 74,018	\$ 3,505	\$ 602,193
13,375	-	-	-	13,375
-	-	9,224,610	-	9,224,610
6,413	23,130	-	-	302,334
12,190	8,568	-	-	48,167
-	-	828,022	-	830,359
<u>76,396</u>	<u>203,611</u>	<u>10,126,650</u>	<u>3,505</u>	<u>11,021,038</u>
625	-	-	-	688,583
86,694	482,882	-	-	870,503
-	-	-	-	402,900
-	-	-	-	963,182
1,945,409	1,739,276	-	93,781	6,537,458
-	-	(5,530,044)	-	(3,755,383)
<u>2,032,728</u>	<u>2,222,158</u>	<u>(5,530,044)</u>	<u>93,781</u>	<u>5,707,243</u>
<u>\$ 2,109,124</u>	<u>\$ 2,425,769</u>	<u>\$ 4,596,606</u>	<u>\$ 97,286</u>	<u>\$ 16,728,281</u>

See independent auditors' report.

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

Total fund equity for governmental funds	\$ 5,707,243
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.	65,355,616
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.	(21,963,453)
Grants received for capital assets are deferred and amortized over the life of the asset.	(22,046)
Residual fund balance and related receivables from the Tri-Municipal Sewer Commission is not reported in the funds.	587,953
Deferred outflows related to the employee retirement system liability are not reported in the funds.	616,336
Prepaid expenses related to the employee retirement system are reported in the funds, but are adjusted in the government wide statements.	(126,426)
Retainage payable is not reported in the funds.	(72,234)
Accrued interest is not reported in the funds.	<u>(250,837)</u>
Total net position of governmental activities	<u>\$ 49,832,152</u>

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

	<u>GENERAL TOWN-WIDE FUND</u>	<u>GENERAL PART-TOWN FUND</u>	<u>HIGHWAY FUND</u>
<b>REVENUES</b>			
Real property taxes	\$ 2,668,229	\$ -	\$ 2,998,806
Real property taxes items	84,929	-	-
Non property taxes items	-	1,108,670	425,041
Departmental income	129,350	148,484	-
Use of money and property	217,902	949	910
Licenses and permits	5,144	290,038	700
Fines and forfeitures	349,567	-	-
Sale of property and compensation for loss	47,637	3,400	81
Miscellaneous local sources	39,315	5,038	1,000
State aid	766,168	-	224,850
<b>Total revenues</b>	<u>4,308,241</u>	<u>1,556,579</u>	<u>3,651,388</u>
<b>EXPENDITURES</b>			
General government support	1,664,084	152,548	137,387
Public safety	35,097	425,258	-
Health	4,838	-	-
Transportation	171,567	37,063	2,086,395
Economic assistance & opportunity	650	1,587	-
Culture and recreation	751,696	70,115	-
Home and community services	219,686	142,127	-
Employee benefits	622,478	226,946	771,729
Debt service	394,087	122,226	409,100
<b>Total expenditures</b>	<u>3,864,183</u>	<u>1,177,870</u>	<u>3,404,611</u>
<b>Excess of revenues over expenditures</b>	444,058	378,709	246,777
<b>Other financing sources:</b>			
BANs redeemed from appropriations	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses</b>	<u>444,058</u>	<u>378,709</u>	<u>246,777</u>
<b>Fund Balance, December 31, 2014</b>	<u>2,484,072</u>	<u>2,114,440</u>	<u>1,220,564</u>
<b>Fund Balance, December 31, 2015</b>	<u>\$ 2,928,130</u>	<u>\$ 2,493,149</u>	<u>\$ 1,467,341</u>

See independent auditors' report.

<b>WATER FUND</b>	<b>SEWER FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>NON- MAJOR FUNDS</b>	<b>TOTAL FUNDS</b>
\$ 733,261	\$ 1,194,901	\$ -	\$ 444,427	\$ 8,039,624
-	-	-	1,233	86,162
-	-	-	-	1,533,711
1,327,979	2,145,962	-	-	3,751,775
2,113	137,874	1,928	111	361,787
-	-	-	-	295,882
-	-	-	-	349,567
12,773	-	-	-	63,891
-	-	280,500	-	325,853
-	-	-	-	991,018
<u>2,076,126</u>	<u>3,478,737</u>	<u>282,428</u>	<u>445,771</u>	<u>15,799,270</u>
17,372	100	691,226	-	2,662,717
-	-	-	-	460,355
-	-	-	395,000	399,838
-	-	368,437	45,148	2,708,610
-	-	97	-	2,334
-	-	-	-	821,811
1,148,325	2,173,415	2,220,683	-	5,904,236
3,856	2,257	-	-	1,627,266
690,438	1,236,041	-	-	2,851,892
<u>1,859,991</u>	<u>3,411,813</u>	<u>3,280,443</u>	<u>440,148</u>	<u>17,439,059</u>
216,135	66,924	(2,998,015)	5,623	(1,639,789)
-	-	15,000	-	15,000
-	-	15,000	-	15,000
<u>216,135</u>	<u>66,924</u>	<u>(2,983,015)</u>	<u>5,623</u>	<u>(1,624,789)</u>
<u>1,816,593</u>	<u>2,155,234</u>	<u>(2,547,029)</u>	<u>88,158</u>	<u>7,332,032</u>
<u>\$ 2,032,728</u>	<u>\$ 2,222,158</u>	<u>\$ (5,530,044)</u>	<u>\$ 93,781</u>	<u>\$ 5,707,243</u>

See independent auditors' report.

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

Net change in fund balance - total government funds \$(1,624,789)

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. 1,192,874

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

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	(15,000)		
Repayments:			
Bond anticipation note principal	15,000		
Bond principal	<u>2,048,000</u>		
			2,048,000

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 2015. 22,927

Change in residual fund balance due from the Tri-Municipal Sewer Commission is not reported in the funds. (30,351)

Change in net employee retirement system liability and related deferred outflows is not reported in the funds. 219,130

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 2015. (367,263)

Net change in net position of governmental activities \$ 1,463,678

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

	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 429,009</u>
<b>Total assets</b>	<u><u>\$ 429,009</u></u>
<b>LIABILITIES</b>	
Escrow funds returnable and other liabilities	<u>\$ 429,009</u>
<b>Total liabilities</b>	<u>429,009</u>
<b>NET POSITION</b>	<u>-</u>
<b>Total liabilities and net position</b>	<u><u>\$ 429,009</u></u>

See independent auditors' report.

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

**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 Interpretations). The Town is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements, in preparing its government-wide financial statements.

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

**1. The Reporting Entity**

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of 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, 2015**

**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.

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

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

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

**A. Governmental Funds (Continued)**

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.
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 are reported using accounting principles similar to proprietary funds.

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

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

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

**B. Fiduciary Funds (Continued)**

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

**4. Basis of Accounting**

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

**A. Accrual**

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

**B. Modified Accrual**

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

**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.

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

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

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

**A. Cash and Cash Equivalents (Continued)**

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

	GENERAL FUNDS	HIGHWAY FUND	WATER FUND	SEWER FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL
Non-Interest Bearing Accounts	\$ 850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850
Interest Bearing Accounts	4,894,669	1,194,032	1,637,211	1,544,010	4,356,756	97,286	13,723,964
<b>TOTALS</b>	<b>\$ 4,895,519</b>	<b>\$ 1,194,032</b>	<b>\$ 1,637,211</b>	<b>\$ 1,544,010</b>	<b>\$ 4,356,756</b>	<b>\$ 97,286</b>	<b>\$ 13,724,814</b>

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.

**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

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

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

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

**C. Capital Assets (Continued)**

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2007. The Town implemented the general provisions of GASB Statement No. 34 in 2003 but had not implemented the retroactive reporting of infrastructure assets by the end of 2007 as required. However, in 2014 and 2015, the Town implemented the retroactive infrastructure provisions and provided a basis for cost and related depreciation for roads, water infrastructure, and sewer infrastructure.

**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.

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.

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

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

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

**D. Fund Balance Classifications (Continued)**

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

The following details the allocations and amounts of fund balance following the implementation of GASB 54 as of December 31, 2015:

The Town has \$963,182 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. These amounts are accounted for in the Trust and Agency fund and transferred to the General Fund when released from restriction. For government-wide financial presentation purposes, these amounts are completely reclassified to the General Fund and restricted.

**E. Deficit Fund Balances**

The capital projects fund had a deficit fund balance at December 31, 2015. 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.

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, 2015, in the amount of \$317,854. 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.

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

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

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

**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, 2015, material over-expenditures occurred in the United Wappinger Sewer District totaling over \$64,000 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.

**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.

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

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

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

**K. Risk Management**

The Town of 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 19, 2016.

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

**NOTE B - 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, 2015. 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. There were no interfund transfers to report for the year ended December 31, 2015.

<u>FUND</u>	<u>AMOUNT RECEIVABLE</u>	<u>AMOUNT PAYABLE</u>
General - Town-Wide	\$ 4,386	\$ 57,669
General - Part-Town	-	10,719
Highway	-	204,403
Water	36	6,413
Sewer	58,062	23,130
Capital Projects	239,850	-
<b>TOTALS</b>	<b>\$ 302,334</b>	<b>\$ 302,334</b>

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

**NOTE C – Capital Assets**

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

	<b>BALANCE JANUARY 1, 2015</b>	<b>ADDITIONS</b>	<b>(DISPOSALS)</b>	<b>BALANCE DECEMBER 31, 2015</b>
Land	\$ 8,162,217	\$ -	\$ -	\$ 8,162,217
Buildings	8,026,353	317,311	-	8,343,664
Improvements Other Than Buildings	1,365,266	381,045	-	1,746,311
Roads	9,667,275	476,275	(320,297)	9,823,253
Infrastructure	152,164,000	339,851	-	152,503,851
Machinery and Equipment	6,471,662	130,582	(334,712)	6,267,532
Construction in Progress	5,725,476	3,067,534	(932,048)	7,860,962
<b>Total</b>	<u>191,582,249</u>	<u>4,712,598</u>	<u>(1,587,057)</u>	<u>194,707,790</u>
<b>Less accumulated depreciation</b>				
Buildings	3,557,167	241,435	-	3,798,602
Improvements Other Than Buildings	723,694	53,427	-	777,121
Roads	7,054,600	370,579	(311,430)	7,113,749
Infrastructure	111,094,679	1,511,850	-	112,606,529
Machinery and Equipment	4,989,367	385,447	(318,641)	5,056,173
<b>Total accumulated depreciation</b>	<u>127,419,507</u>	<u>2,562,738</u>	<u>(630,071)</u>	<u>129,352,174</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 64,162,742</u>	<u>\$ 2,149,860</u>	<u>\$ (956,986)</u>	<u>\$ 65,355,616</u>

\*Depreciation was charged to governmental activities as follows:

General government support	\$ 194,123
Public safety	48,333
Transportation	683,410
Culture and recreation	77,131
Home and community services	1,559,741
<b>Total depreciation expense</b>	<u>\$ 2,562,738</u>

**NOTE D – 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).

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

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

**1. Plan Description (Continued)**

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:

2015	2014	2013
\$493,940	\$496,222	\$508,861

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, 2015, the Town reported a liability of \$301,178 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2015, the Town's proportion was .0089152 percent of the Employers' Retirement System liability, which is the initial determination. Therefore, this is the initial year for implementation of GASB 68. See Note M.

For the year ended December 31, 2015, the Town recognized pension expense of \$284,742. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,641	\$ -
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	52,311	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,694	-
Employer contributions subsequent to the measurement date	<u>505,690</u>	<u>-</u>
Total	<u>\$ 616,336</u>	<u>\$ -</u>

\$505,690 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2016	\$27,661
2017	\$27,661
2018	\$27,661
2019	\$27,661

**Actuarial Assumptions**

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

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

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

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

**NOTE D – 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)

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

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

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7%
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

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

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

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

Discount Rate

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

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

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net ERS pension liability	\$2,007,477	\$ 301,177	\$(1,139,363)

Pension plan fiduciary net position

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

	Dollars in Thousands Employees' Retirement System
Employers' total pension liability	\$ 164,591,504
Plan net position	(161,213,259)
Employers' net pension liability	\$ 3,378,245
Ratio of plan net position to the employers' total pension liability	97.9%

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

**NOTE E – 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.

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.

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

**NOTE E – Other Post-Employment Benefits (Continued)**

**2. Annual Other Postemployment Benefit Cost**

The Town's change in net OPEB obligation amounted to \$456,883 for the year ended December 31, 2015. 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.

Total Actuarial Accrued Liability	<b>\$</b>	<b><u>6,114,097</u></b>
Past Service Costs	\$	236,314
Normal Costs		<u>337,696</u>
Annual Required Contribution (ARC)	<b>\$</b>	<b><u>574,010</u></b>
Net OPEB Obligation - beginning of the year	\$	<u>3,151,793</u>
Annual Required Contribution (ARC)		574,010
Interest on Net OPEB Obligation		78,795
Adjustment to Annual Required Contribution		<u>(118,271)</u>
Annual OPEB cost		534,534
Age Adjusted Contributions Made*		<u>(77,651)</u>
Increase in Net OPEB Obligation		<u>456,883</u>
Net OPEB Obligation - end of the year	<b>\$</b>	<b><u>3,608,676</u></b>
Percent of annual OPEB cost contributed		14.5%

\*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>
12/31/2015	\$ 534,534	14.50%	\$ 3,608,676
12/31/2014	523,473	13.70%	3,151,793
12/31/2013	512,858	12.70%	2,700,042

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

**NOTE E – Other Post-Employment Benefits (Continued)**

**2. Annual Other Postemployment Benefit Cost (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the 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.

**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, 2013, 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%

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

**NOTE F - 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 authorized the issuance of \$5,436,000 in bond anticipation notes dated March 25, 2015, and maturing on March 25, 2016, at 1% interest. The notes were issued for the purpose of renewing outstanding notes for various improvements, construction projects, and equipment purchases.

The Town also authorized the issuance of \$3,788,610 in bond anticipation notes dated September 22, 2015, and maturing on March 25, 2016, at 0.57% interest. The notes were issued for the purpose of paying for the cost of the Town hall roof reconstruction, water and sewer improvements, and road reconstruction.

The bond anticipation notes outstanding as of December 31, 2015, are as follows:

<u>PURPOSE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>ORIGINAL AMOUNT OF ISSUE</u>	<u>AMOUNT OUTSTANDING AT DECEMBER 31, 2015</u>
United Wappinger Water District Improvements	09/26/13	03/25/16	1.00%	\$ 500,000	\$ 495,000
United Wappinger Sewer District Improvements	09/26/13	03/25/16	1.00%	580,000	575,000
Wildwood Dr and Granger Pl Improvements	09/26/13	03/25/16	1.00%	500,000	495,000
Meadowood & Route 9 Loop - Filtration Systems (1)	06/18/14	03/25/16	1.00%	700,000	700,000
Resurfacing Various Town Roads (1)	06/18/14	03/25/16	1.00%	520,000	520,000
Highway Equipment	06/18/14	03/25/16	1.00%	230,000	230,000
Meadowood & Route 9 Loop - Filtration Systems (2)	11/19/14	03/25/16	1.00%	2,421,000	2,421,000
Water Meter Replacement	09/22/15	03/25/16	0.57%	1,793,000	1,793,000
Tri-Municipal Sewer Commission	09/22/15	03/25/16	0.57%	945,000	945,000
Resurfacing Various Town Roads (2)	09/22/15	03/25/16	0.57%	650,000	650,000
Town Hall Roof Replacement	09/22/15	03/25/16	0.57%	400,610	400,610
<b>TOTAL BOND ANTICIPATION NOTES</b>				<b>\$ 9,239,610</b>	<b>\$ 9,224,610</b>

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

<u>PURPOSE</u>	<u>BALANCE JANUARY 1, 2015</u>	<u>NEW ISSUES</u>	<u>PAYDOWNS</u>	<u>BALANCE DECEMBER 31, 2015</u>
	United Wappinger Water District Improvements	\$ 500,000	\$ -	\$ (5,000)
United Wappinger Sewer District Improvements	580,000	-	(5,000)	575,000
Wildwood Dr and Granger Pl Improvements	500,000	-	(5,000)	495,000
Meadowood & Route 9 Loop - Filtration Systems (1)	700,000	-	-	700,000
Resurfacing Various Town Roads (1)	520,000	-	-	520,000
Highway Equipment	230,000	-	-	230,000
Meadowood & Route 9 Loop - Filtration Systems (2)	2,421,000	-	-	2,421,000
Water Meter Replacement	-	1,793,000	-	1,793,000
Tri-Municipal Sewer Commission	-	945,000	-	945,000
Resurfacing Various Town Roads (2)	-	650,000	-	650,000
Town Hall Roof Replacement	-	400,610	-	400,610
<b>TOTALS</b>	<b>\$ 5,451,000</b>	<b>\$ 3,788,610</b>	<b>\$ (15,000)</b>	<b>\$ 9,224,610</b>

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

**NOTE G - 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, 2015, are as follows:

PURPOSE	ORIGINAL	FINAL	INTEREST	ORIGINAL	AMOUNT
	ISSUE	MATURITY		AMOUNT	OUTSTANDING
	DATE	DATE	RATE	OF ISSUE	AT
					DECEMBER 31,
					2015
Sewer - Tri-Municipal	03/14/02	04/15/21	1.21%-4.98%	\$ 9,836,556	\$ 3,400,000
Sewer - Tri-Municipal	11/26/02	05/15/15	3.18%-5.99%	8,519,786	-
Sewer - Tri-Municipal	06/01/95	11/15/15	3.70%-5.55%	2,610,054	-
Water - Fleetwood	07/30/98	10/15/18	3.70%-5.15%	510,000	100,000
Sewer - Home & Community Services	06/02/11	04/01/21	2.75%-3.50%	316,000	205,000
Greystone Property Purchase	06/02/11	10/01/20	2.00%-3.50%	2,085,000	730,000
Emergency Services Building	06/01/95	11/15/15	3.70%-5.55%	1,275,000	-
				<u>25,152,396</u>	<u>4,435,000</u>
Highway - Transportation				1,184,640	1,076,175
General - General Government Support				50,000	45,422
General - Culture & Recreation				163,360	148,403
	03/27/14	03/15/24	1.50-2.75%	<u>1,398,000</u>	<u>1,270,000</u>
General - General Government Support				662,400	484,568
Water/Sewer - Home & Community Services				8,674,300	6,404,628
Highway - Transportation				2,243,300	1,660,804
	08/01/07	08/01/27	4.00%-5.00%	<u>11,580,000</u>	<u>8,550,000</u>
General - Culture & Recreation				1,070,000	658,852
Highway - Transportation				1,074,000	661,167
General - Home & Community Services				1,218,000	749,981
	04/02/09	04/01/22	2.00%-5.00%	<u>3,362,000</u>	<u>2,070,000</u>
Water - Home & Community Services				360,000	293,750
Sewer - Home & Community Services				576,000	470,000
General - Culture & Recreation/Lighting				504,000	411,250
	03/05/13	03/01/23	2.00%-2.25%	<u>1,440,000</u>	<u>1,175,000</u>
<b>TOTALS</b>				<u><b>\$ 42,932,396</b></u>	<u><b>\$ 17,500,000</b></u>

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

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

**2. Changes**

The changes in the Town's indebtedness during the year ended December 31, 2015, are summarized as follows:

	<u>BALANCE JANUARY 1, 2015</u>	<u>INCREASE</u>	<u>(DECREASE)</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Judgement & Claims Note H.1.	\$ 80,000	\$ -	\$ -	\$ 80,000	\$ -
Compensated Absences Note A.5.E.	299,793	18,061	-	317,854	-
Landfill Remediation Note I	179,528	-	(23,783)	155,745	7,258
Serial Bonds Note G.1.	19,548,000	-	(2,048,000)	17,500,000	1,700,000
Other Postemployment Benefits Note E	3,151,793	456,883	-	3,608,676	-
Net Employee Retirement System Note D	402,866	-	(101,688)	301,178	-
<b>TOTALS</b>	<u>\$ 23,661,980</u>	<u>\$ 474,944</u>	<u>\$ (2,173,471)</u>	<u>\$ 21,963,453</u>	<u>\$ 1,707,258</u>

**3. Debt Service Requirements**

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

<u>YEAR ENDING DECEMBER 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 1,700,000	\$ 679,936	\$ 2,379,936
2017	1,770,000	610,957	2,380,957
2018	1,830,000	535,835	2,365,835
2019	1,855,000	461,613	2,316,613
2020	1,920,000	386,335	2,306,335
2021-2025	5,445,000	1,121,114	6,566,114
2026-2030	2,980,000	323,002	3,303,002
<b>TOTALS</b>	<u>\$ 17,500,000</u>	<u>\$ 4,118,792</u>	<u>\$ 21,618,792</u>

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

**NOTE H - 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 \$322,755 at December 31, 2015.

**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 2016. 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 \$8,391,266 as of December 31, 2015. The Town is expected to supply approximately 160,000 gallons of water per day to NYC DEP for approximately \$180,000.

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

**NOTE H - Commitments and Contingent Liabilities (Continued)**

**4. Authorized Debt**

As of December 31, 2015, 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>
Refunding Bonds	02/01/99	\$ 4,700,000	\$ 1,430,000
Central Wappinger Water	02/12/01	8,590,000	100,000
Road Improvement	05/27/03	3,300,000	1,220,000
Computer Hardware and Software	03/12/03	550,000	200,000
United Wappinger Water District Improvements	04/22/13	4,040,000	419,000
Maintenance Equipment	12/14/15	505,000	505,000
<b>TOTALS</b>		<u>\$ 21,685,000</u>	<u>\$ 3,874,000</u>

**NOTE I – 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 \$57,499. The Town has recorded the long term liability of \$53,076 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 2015. 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, 2015, amounted to \$3,331.

The following is a summary of unaudited financial information at December 31, 2015, which is included in the separate financial statements available from the Joint Landfill Board of Governors, Town of Poughkeepsie, One Overocker Road, Poughkeepsie, New York, 12603:

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

**NOTE I – Municipal Landfills (Continued)**

**2. Poughkeepsie-Wappingers-LaGrange Joint Landfill (Continued)**

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

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 re-financed in 2009 into a serial bond and the amount outstanding as of December 31, 2015 is \$838,747. Remaining post closure and monitoring costs, which commenced in 2007 and continue for 30 years, are estimated to amount to \$693,200 as of December 31, 2015, with the Town's share being \$98,246.

**NOTE J - 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 \$40,917, and there were no capital lease expenditures for the year ended December 31, 2015.

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

<b><u>YEAR ENDING</u></b> <b><u>DECEMBER 31,</u></b>	<b><u>OPERATING</u></b> <b><u>LEASES</u></b>
2016	\$ 40,917
2017	31,044
2018	11,848
2019	10,515
2020	3,603
Total minimum lease payments	<u>\$ 97,927</u>

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

**NOTE K – 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 \$229,426 for the year ended December 31, 2015. The minimum future rental income for each of the years ending December 31, is as follows:

<u>YEAR ENDING</u> <u>DECEMBER 31,</u>	<u>RENTAL</u> <u>INCOME</u>
2016	\$ 63,733
2017	65,645
2018	39,571
2019	31,410
2020	<u>5,261</u>
Total minimum rental income	<u>\$205,620</u>

**NOTE L – Subsequent Events**

The Town authorized the issuance of \$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, in part, outstanding notes for various improvements and construction projects, as well as new money to pay the cost of acquisition of equipment for maintenance purposes.

On April 26, 2016, the Town issued public improvement refunding serial bonds totaling \$8,520,000 at 1.00-5.00% interest and maturing on April 1, 2029. The bonds will refund all or a portion of the all or a portion of \$8,095,000 of the outstanding \$11,580,000 Public Improvement (Serial) Bonds, 2007 and \$1,815,000 of the outstanding \$2,070,000 Public Improvement (Serial) Bonds, 2009.

On March 24, 2016, the Town issued public improvement serial bonds totaling \$5,840,610 at 2.25-3.00% interest and maturing on March 15, 2036. The bonds, along with \$71,000 in available funds, will be used to redeem \$5,911,610 outstanding bond anticipation notes for certain projects.

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

**NOTE M – Implementation of GASB 68**

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

<u>Account Description</u>	<u>Change Due to GASB 68 Implementation</u>
Net Position - January 1 - Decrease	\$ (30,395)
Net Employee Retirement System Liability - Increase	\$ 301,178
Employee Retirement Benefits Expense - Increase	\$ 219,130
Deferred Outflows - Employee Retirement System - Increase	\$ 616,336
Prepaid Expenses - Decrease	\$ (126,423)

**NOTE N – Prior Period Adjustment**

In 2014 and 2015, the Town developed an infrastructure listing of their roads, water infrastructure, and sewer infrastructure in accordance with the retroactive reporting of assets under GASB Statement No. 34. A prior period adjustment was recorded to properly state these asset balances, related accumulated depreciation, and net position at December 31, 2014. An additional adjustment was recorded as of December 31, 2015, which increased the government wide net position and capital assets, net of depreciation, by \$6,991,563.

**NOTE O – New Reporting Standards**

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

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

**REQUIRED SUPPLEMENTAL INFORMATION**

EXHIBIT I

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

GENERAL FUND - TOWN-WIDE				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>				
Real property taxes	\$ 2,668,229	\$ 2,668,229	\$ 2,668,229	\$ -
Real property tax items	70,000	70,000	84,929	14,929
Non property tax items	-	-	-	-
Departmental income	149,475	149,475	129,350	(20,125)
Use of money and property	173,100	173,100	216,105	43,005
Licenses and permits	7,100	7,100	5,144	(1,956)
Fines and forfeitures	250,900	250,900	349,567	98,667
Sale of property and compensation for loss	-	41,724	47,637	5,913
Miscellaneous local sources	-	-	2,726	2,726
State aid	710,900	710,900	766,168	55,268
<b>Total revenues</b>	<b>4,029,704</b>	<b>4,071,428</b>	<b>4,269,855</b>	<b>198,427</b>
Appropriation of prior year's fund balance	-	-	-	-
<b>Total revenues and appropriation of prior year's fund balance</b>	<b>4,029,704</b>	<b>4,071,428</b>	<b>4,269,855</b>	<b>198,427</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General government support	1,778,172	1,773,641	1,664,084	109,557
Public safety	35,066	37,566	35,097	2,469
Health	3,500	3,500	4,838	(1,338)
Transportation	248,067	249,998	171,567	78,431
Economic assistance & opportunity	600	600	650	(50)
Culture and recreation	530,823	572,647	509,437	63,210
Home and community service	230,000	230,000	219,686	10,314
Employee benefits	782,388	782,388	622,478	159,910
Debt service	421,088	421,088	394,087	27,001
<b>Total expenditures and encumbrances</b>	<b>4,029,704</b>	<b>4,071,428</b>	<b>3,621,924</b>	<b>449,504</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances</b>	<b>-</b>	<b>-</b>	<b>647,931</b>	<b>647,931</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 647,931</b>	<b>\$ 647,931</b>
<b>Explanation of differences between budgetary and GAAP basis</b>				
Excess of revenues over/(under) expenditures - budgetary basis			\$ 647,931	
Expenditures do not include GASB 34 adjustments			(203,873)	
<b>Excess of revenues over/(under) expenditures - GAAP basis</b>			<b>\$ 444,058</b>	

See independent auditors' report.

EXHIBIT I

**TOWN OF WAPPINGER, NEW YORK  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
DECEMBER 31, 2015**

	<u>GENERAL FUND - PART-TOWN</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES</b>				
Real property taxes	\$ -	\$ -	\$ -	\$ -
Real property tax items	-	-	-	-
Non property tax items	970,959	970,959	1,108,670	137,711
Departmental income	114,000	114,000	148,484	34,484
Use of money and property	500	500	949	449
Licenses and permits	228,000	228,000	290,038	62,038
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	3,400	3,400
Miscellaneous local sources	-	-	5,038	5,038
State aid	-	-	-	-
<b>Total revenues</b>	<u>1,313,459</u>	<u>1,313,459</u>	<u>1,556,579</u>	<u>243,120</u>
Appropriation of prior year's fund balance	-	106,000	-	(106,000)
<b>Total revenues and appropriation of prior year's fund balance</b>	<u>1,313,459</u>	<u>1,419,459</u>	<u>1,556,579</u>	<u>137,120</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General government support	208,373	208,373	152,548	55,825
Public safety	425,621	531,621	425,258	106,363
Health	-	-	-	-
Transportation	36,000	36,000	37,063	(1,063)
Economic assistance & opportunity	5,000	5,000	1,587	3,413
Culture and recreation	93,840	93,840	70,115	23,725
Home and community service	180,226	180,226	142,127	38,099
Employee benefits	242,173	242,173	226,946	15,227
Debt service	122,226	122,226	122,226	-
<b>Total expenditures and encumbrances</b>	<u>1,313,459</u>	<u>1,419,459</u>	<u>1,177,870</u>	<u>241,589</u>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances</b>	<u>-</u>	<u>-</u>	<u>378,709</u>	<u>378,709</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,709</u>	<u>\$ 378,709</u>

EXHIBIT I

**TOWN OF WAPPINGER, NEW YORK  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
DECEMBER 31, 2015**

	<b>HIGHWAY FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Real property taxes	\$ 2,998,806	\$2,998,806	\$ 2,998,806	\$ -
Real property tax items	-	-	-	-
Non property tax items	425,041	425,041	425,041	-
Departmental income	-	-	-	-
Use of money and property	800	800	910	110
Licenses and permits	-	-	700	700
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	81	81
Miscellaneous local sources	-	-	1,000	1,000
State aid	220,000	220,000	224,850	4,850
<b>Total revenues</b>	<b>3,644,647</b>	<b>3,644,647</b>	<b>3,651,388</b>	<b>6,741</b>
Appropriation of prior year's fund balance	-	187,359	-	(187,359)
<b>Total revenues and appropriation of prior year's fund balance</b>	<b>3,644,647</b>	<b>3,832,006</b>	<b>3,651,388</b>	<b>(180,618)</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General government support	189,900	136,500	137,387	(887)
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	2,215,122	2,455,881	2,362,749	93,132
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	-	-	-	-
Employee benefits	825,521	825,521	771,729	53,792
Debt service	414,104	414,104	409,100	5,004
<b>Total expenditures and encumbrances</b>	<b>3,644,647</b>	<b>3,832,006</b>	<b>3,680,965</b>	<b>151,041</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances</b>	<b>-</b>	<b>-</b>	<b>(29,577)</b>	<b>(29,577)</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (29,577)</b>	<b>\$ (29,577)</b>
<b>Explanation of differences between budgetary and GAAP basis</b>				
Excess of revenues over/(under) expenditures - budgetary basis			\$ (29,577)	
Expenditures do not include GASB 34 adjustments			276,354	
<b>Excess of revenues over/(under) expenditures - GAAP basis</b>			<b>\$ 246,777</b>	

See independent auditors' report.

EXHIBIT I

**TOWN OF WAPPINGER, NEW YORK  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
DECEMBER 31, 2015**

	WATER FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Real property taxes	\$ 733,261	\$ 733,261	\$ 733,261	\$ -
Real property tax items	-	-	-	-
Non property tax items	-	-	-	-
Departmental income	1,193,570	1,193,570	1,327,979	134,409
Use of money and property	1,219	1,219	2,113	894
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	12,773	12,773
Miscellaneous local sources	-	-	-	-
State aid	-	-	-	-
	1,928,050	1,928,050	2,076,126	148,076
<b>Total revenues</b>				
Appropriation of prior year's fund balance	-	-	-	-
<b>Total revenues and appropriation of prior year's fund balance</b>	1,928,050	1,928,050	2,076,126	148,076
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General government support	130,505	130,505	17,372	113,133
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	1,106,840	1,106,840	1,148,325	(41,485)
Employee benefits	6,550	6,550	3,856	2,694
Debt service	684,155	684,155	690,438	(6,283)
	1,928,050	1,928,050	1,859,991	68,059
<b>Total expenditures and encumbrances</b>				
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances</b>	-	-	216,135	216,135
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources</b>	-	-	-	-
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances</b>	\$ -	\$ -	\$ 216,135	\$ 216,135

**TOWN OF WAPPINGER, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE (CONTINUED)**  
**DECEMBER 31, 2015**

	SEWER FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Real property taxes	\$ 1,194,901	\$ 1,194,901	\$ 1,194,901	\$ -
Real property tax items	-	-	-	-
Non property tax items	-	-	-	-
Departmental income	2,084,489	2,084,489	2,145,962	61,473
Use of money and property	83,862	83,862	137,874	54,012
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	-	-
Miscellaneous local sources	-	-	-	-
State aid	-	-	-	-
<b>Total revenues</b>	<b>3,363,252</b>	<b>3,363,252</b>	<b>3,478,737</b>	<b>115,485</b>
Appropriation of prior year's fund balance	-	-	-	-
<b>Total revenues and appropriation of prior year's fund balance</b>	<b>3,363,252</b>	<b>3,363,252</b>	<b>3,478,737</b>	<b>115,485</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General government support	84,430	84,430	100	84,330
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic assistance & opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community service	2,039,589	2,039,589	2,173,415	(133,826)
Employee benefits	3,190	3,190	2,257	933
Debt service	1,236,043	1,236,043	1,236,041	2
<b>Total expenditures and encumbrances</b>	<b>3,363,252</b>	<b>3,363,252</b>	<b>3,411,813</b>	<b>(48,561)</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances</b>	<b>-</b>	<b>-</b>	<b>66,924</b>	<b>66,924</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures and encumbrances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 66,924</b>	<b>\$ 66,924</b>

EXHIBIT II

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

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Accrued Liability (UAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2015	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%
<b>12/31/2013</b>	<b>12/31/2013</b>	<b>\$ -</b>	<b>\$6,114,097</b>	<b>\$6,114,097</b>	<b>0.0%</b>	<b>\$2,182,044</b>	<b>280.20%</b>
12/31/2012	12/31/2011	\$ -	\$6,237,176	\$6,237,176	0.0%	\$2,271,310	274.61%
<b>12/31/2011</b>	<b>12/31/2011</b>	<b>\$ -</b>	<b>\$6,237,176</b>	<b>\$6,237,176</b>	<b>0.0%</b>	<b>\$2,196,774</b>	<b>283.92%</b>
12/31/2010	12/31/2009	\$ -	\$4,925,385	\$4,925,385	0.0%	\$2,326,424	211.71%
<b>12/31/2009</b>	<b>12/31/2009</b>	<b>\$ -</b>	<b>\$4,925,385</b>	<b>\$4,925,385</b>	<b>0.0%</b>	<b>\$2,117,550</b>	<b>232.60%</b>

**TOWN OF WAPPINGER, NEW YORK  
SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
DECEMBER 31, 2015**

NYSLRS Pension Plan  
Last 10 Fiscal Years\*

March 31, 2015

Town's proportion of the net pension liability (asset)	0.0089152%
Town's proportionate share of the net pension liability (asset)	\$ 301,177
Town's covered-employee payroll	\$ 2,850,368
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.57%
Plan fiduciary net position as a percentage of the total pension liability	97.90%

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

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

**TOWN OF WAPPINGER, NEW YORK  
SCHEDULE OF CONTRIBUTIONS  
DECEMBER 31, 2015**

NYSLRS Pension Plan  
Last 10 Fiscal Years\*

**March 31, 2015**

Contractually required contribution	\$ 497,076
Contributions in relation to the contractually required contribution	<u>497,076</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,850,368
Contributions as a percentage of covered- employee payroll	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**

EXHIBIT V

**TOWN OF WAPPINGER, NEW YORK  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<u>LIGHT FUND</u>	<u>MISC AMBULANCE FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 28,654	\$ 68,632	\$ 97,286
<b>Total assets</b>	<u>\$ 28,654</u>	<u>\$ 68,632</u>	<u>\$ 97,286</u>
 <b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 3,505	\$ -	\$ 3,505
<b>Total liabilities</b>	<u>3,505</u>	<u>-</u>	<u>3,505</u>
<b>FUND BALANCE</b>			
Unassigned	25,149	68,632	93,781
<b>Total fund balance</b>	<u>25,149</u>	<u>68,632</u>	<u>93,781</u>
<b>Total liabilities and fund balance</b>	<u>\$ 28,654</u>	<u>\$ 68,632</u>	<u>\$ 97,286</u>

See independent auditors' report.

EXHIBIT VI

**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, 2015**

	<u>LIGHT FUND</u>	<u>MISC AMBULANCE FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>			
Property taxes	\$ 49,427	\$ 395,000	\$ 444,427
Real property taxes items	-	1,233	1,233
Use of money and property	15	96	111
<b>Total revenues</b>	<u>49,442</u>	<u>396,329</u>	<u>445,771</u>
<b>EXPENDITURES</b>			
Health	-	395,000	395,000
Transportation	45,148	-	45,148
<b>Total expenditures</b>	<u>45,148</u>	<u>395,000</u>	<u>440,148</u>
<b>Excess of revenues over expenditures</b>	4,294	1,329	5,623
<b>Fund Balance, December 31, 2014</b>	<u>20,855</u>	<u>67,303</u>	<u>88,158</u>
<b>Fund Balance, December 31, 2015</b>	<u>\$ 25,149</u>	<u>\$ 68,632</u>	<u>\$ 93,781</u>

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

**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, 2015, the escrow subsidiary ledgers exceeded the general ledger balances by \$193,007.
- 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.

**TOWN OF WAPPINGER, NEW YORK  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**SECTION I - SIGNIFICANT DEFICIENCIES (CONTINUED):**

**PRIOR YEAR FINDINGS – CONTINUING (CONTINUED):**

**Finding 1 – Escrow Recordkeeping (Continued)**

**Response:** 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.

**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, 2015, 140 of a total 370 escrow accounts indicated debit/negative balances totaling \$167,099.

**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.

**Response:** 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.

**TOWN OF WAPPINGER, NEW YORK  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**SECTION II – OTHER MATTERS:**

**PRIOR YEAR FINDINGS – CONTINUING:**

**Finding 3 – Cash Disbursement Testing**

**Finding:** During fieldwork, the auditors selected a sample of cash disbursements and tested them for accuracy and adherence to the Town’s purchasing policy. The auditors noted invoices that required department head and supervisor approvals under the Town’s purchasing policy. However, some of these invoices did not have department head approval.

**Cause:** The Town did not get proper approvals for all invoices as described in the Town’s purchasing policy.

**Effect:** The Town may be paying for items that have not been properly approved by the department head and supervisor.

**Recommendation:** We recommend that the Town obtain proper approvals by the department heads and supervisor for all invoices prior to payment as dictated by the Town’s procurement policy. The auditors recommend that the Town update their procurement policy and put procedures and controls in place for items that may not fall under a particular department head.

**Response:** Some departments do not have a departmental head; therefore the departmental approval signature will not be the voucher. However, all vouchers are approved by the Town Supervisor before any payment is processed. In addition, two Town Board members also review all the vouchers before claims for payment are presented to the full Town Board for approval.

**TOWN OF WAPPINGER, NEW YORK  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**SECTION II – OTHER MATTERS (CONTINUED):**

**CURRENT YEAR FINDINGS:**

**Finding 4 – Capital Projects in Trust and Agency**

**Finding:** The auditors noted that certain capital projects were tracked in trust and agency accounts. 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.

**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.

**Response:** 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.

**STATUS OF PRIOR YEAR FINDINGS:**

**Satisfied:** Prior Year Finding 4 – Payroll Testing

**APPENDIX C**

**BOND COUNSEL OPINION**

## FORM OF BOND COUNSEL'S OPINION

March 23, 2017

Town of Wappinger  
County of Dutchess,  
State of New York

Re: Town of Wappinger, Dutchess County, New York  
\$3,370,000 Public Improvement (Serial) Bonds, 2017

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$3,370,000 Public Improvement (Serial) Bonds, 2017 (the "Obligation"), of the Town of Wappinger, Dutchess County, New York (the "Obligor"), dated the date of delivery, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_\_ and \_\_\_\_\_ hundredths per centum (\_\_\_\_\_ %) per annum as to bonds maturing in each of the years 20\_\_\_\_\_ to 20\_\_\_\_\_, both inclusive, and at the rate of \_\_\_\_\_ per centum (\_\_\_\_\_ %) per annum as to bonds maturing in each of the years 20\_\_\_\_\_ to 20\_\_\_\_\_, both inclusive, payable on March 15, 2018 and semi-annually thereafter September 15 and March 15 until maturity.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of revenues or moneys of the Obligor legally available will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP