

**COUNTY OF DUTCHESS,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information and Federal Awards Information
for the Year Ended December 31, 2017 and
Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable County Executive and County Legislature
County of Dutchess, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major discretely presented component units, the aggregate nonmajor discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Dutchess, New York (the "County"), as of and for the year ended December 31, 2017 (with the Dutchess Community College for the fiscal year ended August 31, 2017), and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dutchess County Local Development Corporation, which represents 8.1 percent of the assets and 8.8 percent of the revenues of the business-type activities. We did not audit the financial statements of the Dutchess Community College, the Dutchess County Resource Recovery Agency, or the Dutchess County Water and Wastewater Authority, which represent 54.8 percent, 11.8 percent, and 33.4 percent, respectively, of the assets, and 77.2 percent, 13.8 percent, and 9.0 percent, respectively, of the revenues of the major discretely presented component units. We did not audit the financial statements of the Dutchess County Industrial Development Agency, which is aggregated and presented as a nonmajor component unit, and represents 93.1 percent of the assets and 88.1 percent of the revenues of the aggregate nonmajor discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the governmental activities, the business-type activities, the major discretely presented component units, each major fund and aggregate remaining fund information; and (2) qualified audit opinion on the aggregate nonmajor discretely presented component units.

Basis for Qualified Opinion on the Aggregate Nonmajor Discretely Presented Component Units

The financial statements of the Dutchess County Soil and Water Conservation District have not been audited, and we were not engaged to audit the Dutchess County Soil and Water Conservation District's financial statements as part of our audit of the County's basic financial statements. The Dutchess County Soil and Water Conservation District's financial activities are included in the County's basic financial statements as a discretely presented component unit and represent 6.9 percent and 11.9 percent of the assets and revenues, respectively, of the County's aggregate nonmajor discretely presented component units.

Qualified Opinion on the Aggregate Nonmajor Discretely Presented Component Units

In our opinion, based on the reports of other auditors, except for the effects of the matter described in the Basis for Qualified Opinion on the Aggregate Nonmajor Discretely Presented Component Units paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the County, as of December 31, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Governmental Activities, Business-type Activities, Major Discretely Presented Component Units, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2017 the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 80, *Blending Requirements for Certain Component Units—and amendment of GASB Statement No. 14*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, 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 County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018 on our consideration of the County'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 solely 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

 Doreen E. Malachuk LLP

September 20, 2018

COUNTY OF DUTCHESS, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2017

As management of the County of Dutchess, New York (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2017. The information provided here should be read in conjunction with additional information that we have furnished in the County's financial statements and notes to the financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The liabilities and deferred inflows of resources of the County's primary government exceeded its assets and deferred outflows of resources at December 31, 2017 by \$38,845,959. This consists of \$97,753,063 net investment in capital assets, \$24,556,841 restricted for specific purposes, offset by an unrestricted net position of \$(161,155,863).
- The County's primary government net position decreased \$24,677,798 during the year ended December 31, 2017. Governmental activities decreased the County's net position by \$24,137,247, and the net position of business-type activities decreased by \$540,551.
- As of December 31, 2017, the County's governmental funds reported combined ending fund balances of \$106,863,445, a decrease of \$16,000,027 in comparison with the prior year. This decrease was primarily due to the County deferring the issuance of bonds to finance capital outlays in 2017. As a result, for 2017, capital outlays significantly exceeded bond proceeds for the year.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$55,387,539, or 12.5 percent of total General Fund expenditures and transfers out. This total amount is available for spending at the County's discretion and constitutes approximately 58.8 percent of the General Fund's total fund balance of \$94,189,819 at December 31, 2017.
- The County's governmental activities' serial bonds, excluding its blended component unit's serial bonds, decreased by \$9,448,434 during the current year as a result of a serial bond issuance of \$4,900,000 and scheduled principal payments of \$14,348,434. The serial bonds mature in 2037 and carry an interest rate ranging from 2.0 percent to 3.0 percent.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services. The business-type activities of the County include the Airport and Transportation enterprise funds, along with the Dutchess County Local Development Corporation blended component unit.

The government-wide financial statements include not only the County and its blended component units (known as the *primary government*), but also the Dutchess Community College, the Dutchess County Resource Recovery Agency, the Dutchess County Water and Wastewater Authority, the Dutchess County Industrial Development Agency and the Dutchess County Soil and Water Conservation District discretely presented component units, for which the County is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Dutchess Tobacco Asset Securitization Corporation ("DTASC"), which are considered to be major funds. Data

from the other three governmental funds, which include the County Road Fund, Road Machinery Fund and Community Development Fund, are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds—The County maintains two enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its Airport operations and Transportation operations. Additionally, the Dutchess County Local Development Corporation is reported as a blended component unit.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport and Transportation, both of which are considered to be major funds, and the Dutchess County Local Development Corporation.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of the funds are not available to support the County's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The County maintains two different types of fiduciary funds. The Private Purpose Trust Fund is used to account for trust arrangements for which cemetery plots are maintained. The Agency Fund reports resources held by the County in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

Major discretely presented component units—The combining statements of major discretely presented component units present the major component units in separate columns.

The combining statements of major discretely presented component units can be found on pages 28-29 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-89 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's progress in funding its obligation to provide postemployment benefits to its employees, the County's net pension liability, and the County's budgetary comparison for the General Fund. Required Supplementary Information and a related note to the Required Supplementary Information can be found on pages 90-98 of this report.

The Federal Awards Information section presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 99-109 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(38,845,959) at the close of the most recent fiscal year, as compared to a net position of \$(14,168,161), as restated, at the close of the fiscal year ended December 31, 2016. This deficit is the result of having long-term commitments including bonds, compensated absences, OPEB obligation and net pension liability, that are greater than currently available resources. Payments will be budgeted in the year actual payment will be made.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total Primary Government	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016 (as restated)	2017	2016 (as restated)
Current assets	\$ 232,786,011	\$ 251,747,744	\$ 8,649,230	\$ 9,809,385	\$ 241,435,241	\$ 261,557,129
Noncurrent assets	212,964,091	201,610,100	28,263,169	28,010,397	241,227,260	229,620,497
Total assets	445,750,102	453,357,844	36,912,399	37,819,782	482,662,501	491,177,626
Deferred outflows of resources	40,499,993	74,524,969	181,338	353,519	40,681,331	74,878,488
Current liabilities	89,966,702	94,281,425	765,440	839,303	90,732,142	95,120,728
Noncurrent liabilities	446,455,869	457,924,598	3,976,837	4,433,222	450,432,706	462,357,820
Total liabilities	536,422,571	552,206,023	4,742,277	5,272,525	541,164,848	557,478,548
Deferred inflows of resources	20,988,900	22,700,919	36,043	44,808	21,024,943	22,745,727
Net position:						
Net investment in capital assets	71,721,676	58,601,857	26,031,387	25,343,331	97,753,063	83,945,188
Restricted	24,556,841	28,479,757	-	-	24,556,841	28,479,757
Unrestricted	(167,439,893)	(134,105,743)	6,284,030	7,512,637	(161,155,863)	(126,593,106)
Total net position	\$ (71,161,376)	\$ (47,024,129)	\$ 32,315,417	\$ 32,855,968	\$ (38,845,959)	\$ (14,168,161)

The largest portion of the County's primary government net position, \$97,753,063, reflects its net investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt that was used to acquire these assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$24,556,841, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining portion of net position, \$(161,155,863) is considered to be unrestricted.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2017 and December 31, 2016.

Table 2—Condensed Statement of Changes in Net Position—Primary Government

	Governmental activities		Business-type activities		Total Primary Government	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016 (as restated)	2017	2016 (as restated)
Revenues:						
Program revenues	\$155,938,567	\$156,688,318	\$ 12,782,990	\$ 11,424,059	\$168,721,557	\$168,112,377
General revenues	310,101,377	305,914,511	411,649	220,930	310,513,026	306,135,441
Total revenues	<u>466,039,944</u>	<u>462,602,829</u>	<u>13,194,639</u>	<u>11,644,989</u>	<u>479,234,583</u>	<u>474,247,818</u>
Total program expenses	<u>488,761,544</u>	<u>466,439,454</u>	<u>15,150,837</u>	<u>12,483,905</u>	<u>503,912,381</u>	<u>478,923,359</u>
Transfers and special items	<u>(1,415,647)</u>	<u>997,126</u>	<u>1,415,647</u>	<u>3,873,328</u>	<u>-</u>	<u>4,870,454</u>
Change in net position	(24,137,247)	(2,839,499)	(540,551)	3,034,412	(24,677,798)	194,913
Net position—beginning, as restated	(47,024,129)	(44,184,630)	32,855,968	27,122,566	(14,168,161)	(17,062,064)
Restatement	-	-	-	2,698,990	-	2,698,990
Net position—ending	<u>\$(71,161,376)</u>	<u>\$(47,024,129)</u>	<u>\$ 32,315,417</u>	<u>\$ 32,855,968</u>	<u>\$(38,845,959)</u>	<u>\$(14,168,161)</u>

Governmental activities—Governmental activities decreased the County’s net position by \$24,137,247, primarily due to an increase in the estimate for the County’s other postemployment benefits obligation, as well as an increase in allocable employee benefits expenses.

A summary of sources of revenues for governmental activities for the years ended December 31, 2017 and 2016 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Charges for services	\$ 27,086,471	\$ 28,296,426	\$ (1,209,955)	(4.3)
Operating grants and contributions	119,896,780	119,788,542	108,238	0.1
Capital grants and contributions	8,955,316	8,603,350	351,966	4.1
Property taxes and tax items	117,564,117	118,173,556	(609,439)	(0.5)
Non-property taxes	188,319,641	183,746,151	4,573,490	2.5
Tobacco settlement revenues	2,950,058	3,649,857	(699,799)	(19.2)
Other	1,267,561	344,947	922,614	267.5
Total revenues	<u>\$ 466,039,944</u>	<u>\$ 462,602,829</u>	<u>\$ 3,437,115</u>	0.7

The most significant source of revenues is non-property taxes, which accounts for \$188,319,641, or 40.4 percent of total governmental activities revenues for the year ended December 31, 2017, and \$183,746,151, or 39.7 percent of total governmental activities revenues for the year ended December 31, 2016. The next largest source of revenues is operating grants and contributions, which comprises \$119,896,780, or 25.7 percent, and \$119,788,542, or 25.9 percent of total governmental activities revenues for the years ended December 31, 2017 and 2016, respectively. The third largest source of revenues is property taxes and tax items, which comprises \$117,564,117, or 25.2 percent, and \$118,173,556, or 25.5 percent of total governmental activities revenues for the years ended December 31, 2017 and 2016, respectively.

During the year ended December 31, 2017, non-property taxes increased \$4,573,490 due to better sales tax collections.

A summary of program expenses of governmental activities for the years ended December 31, 2017 and 2016 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
General government support	\$ 95,009,158	\$ 91,450,612	\$ 3,558,546	3.9
Education	16,460,944	14,895,858	1,565,086	10.5
Public safety	96,843,674	89,940,519	6,903,155	7.7
Health	67,282,956	61,151,275	6,131,681	10.0
Transportation	25,620,076	24,843,892	776,184	3.1
Economic assistance and opportunity	162,163,516	154,617,185	7,546,331	4.9
Culture and recreation	5,011,892	4,830,521	181,371	3.8
Home and community services	13,958,504	15,713,741	(1,755,237)	(11.2)
Interest and other fiscal charges	6,410,824	8,995,851	(2,585,027)	(28.7)
Total program expenses	<u>\$ 488,761,544</u>	<u>\$ 466,439,454</u>	<u>\$ 22,322,090</u>	4.8

The County's most significant expense items for governmental activities were economic assistance and opportunity of \$162,163,516, or 33.2 percent of total governmental activities expenses, public safety of \$96,843,674, or 19.8 percent of total governmental activities expenses, and general government support of \$95,009,158, or 19.4 percent of total governmental activities expenses for the year ended December 31, 2017. For the year ended December 31, 2016 significant expense items were economic assistance and opportunity of \$154,617,185, or 33.1 percent of total governmental activities expenses, general government support of \$91,450,612, or 19.6 percent of total governmental activities expenses, and public safety of \$89,940,519, or 19.3 percent of total governmental activities expenses.

During the year ended December 31, 2017, expenses increased considerably across all programs mainly due to increased allocable employee benefits expenses attributable to the County's other postemployment benefits obligation and workers' compensation liabilities.

Business-type activities—Business-type activities decreased the County's net position by \$540,551. The County's airport operations accounted for a \$804,259 decrease, while the transportation and Local Development Corporation activities increased net position by \$59,009 and \$204,699, respectively. For the year ended December 31, 2017, operating revenues decreased 0.4 percent, while expenses increased 12.6 percent.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2017 and 2016 is presented on the following page.

Table 5—Summary of Operating Revenues and Expenses—Business-type Activities

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollar	Percent (%)
Operating revenues:				
Charges for services	\$ 3,304,745	\$ 4,415,624	\$ (1,110,879)	(25.2)
Operating grants and revenues	5,220,946	4,303,406	917,540	21.3
Other revenue	231,047	71,296	159,751	224.1
Total operating revenues	<u>\$ 8,756,738</u>	<u>\$ 8,790,326</u>	<u>\$ (33,588)</u>	(0.4)
Operating expenses:				
Personal services and employee benefits	\$ 1,378,932	\$ 1,369,191	\$ 9,741	0.7
Depreciation	4,500,246	3,862,630	637,616	16.5
Contracted services	9,177,421	8,134,546	1,042,875	12.8
Total operating expenses	<u>\$ 15,056,599</u>	<u>\$ 13,366,367</u>	<u>\$ 1,690,232</u>	12.6

The County's business-type activities operating revenues for the year ended December 31, 2017 decreased 0.4 percent from the previous year, resulting primarily from a reduction of closing fees within the Local Development Corporation, offset by increased operating grants from state and federal transportation grants.

Additionally, the most significant expense items for the year ended December 31, 2017 were contracted services, which accounted for \$9,177,421, or 61.0 percent of total expenses, and depreciation expense of \$4,500,246, or 29.9 percent of total expenses. Similarly, for the year ended December 31, 2016, the most significant expense items were contracted services, which accounted for \$8,134,546, or 60.9 percent of total expenses, and depreciation expense of \$3,862,630, or 28.9 percent of total expenses. Operating expenses increased 12.7% from the year ended December 31, 2016 due primarily to increases in transportation expenses related to matching grant activity.

Financial Analysis of the Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds—The focus of the County's *governmental funds* is to provide information on *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government's net resources available for discretionary use, as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the County Legislature.

At December 31, 2017, the County's governmental funds reported combined ending fund balances of \$106,863,445, a decrease of \$16,000,027 in comparison with the prior year. The County had fund balances of \$57,576,853, which constitutes *unassigned fund balance* and *assigned to specific use* in special revenue funds, which is available for spending at the County's discretion or amounts within special revenue funds that are not restricted or committed. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$4,719,534; (2) restricted for particular purposes, \$25,695,612; or (3) assigned for particular purposes, \$18,871,446.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$55,387,539, while total fund balance was \$94,189,819. The General Fund fund balance decreased \$4,183,298 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures and transfers out. Unassigned fund balance represents 12.5 percent of General Fund expenditures and transfers out, while total fund balance represents 21.3 percent of that same amount.

The fund balance in the Capital Projects Fund decreased \$12,557,533 from the prior year, resulting in fund balance of \$4,432,914 as of December 31, 2017. The increased capital outlay utilizing the public improvement serial bonds issued in prior years attributed to this decrease.

At December 31, 2017, the DTASC Fund reported restricted fund balance of \$3,327,805 to be used for upcoming payments of principal and interest; and the remaining fund balance, \$52,857, constitutes assigned fund balance, which is available for spending towards DTASC activities.

Proprietary funds—The County's proprietary funds provide the same type of information found in business-type activities of the governmental-wide financial statements, but in more detail.

Net position of the Airport Fund at December 31, 2017 totaled \$14,451,081, which included \$13,526,678 net investment in capital assets and an unrestricted net position of \$924,403. The Airport Fund net position decreased \$804,259 during the year ended December 31, 2017 as a result of decreased County contributions.

Net position of the Transportation Fund at December 31, 2017 totaled \$14,960,647, which included \$12,437,162 net investment in capital assets and unrestricted net position of \$2,523,485. The Transportation Fund net position increased \$59,009 as a result of revenues slightly exceeding costs of operation.

Net position of the Dutchess County Local Development Corporation at December 31, 2017 totaled \$2,903,689, which included \$67,547 net investment in capital assets and unrestricted net position of \$2,836,142. The Dutchess County Local Development Corporation net position increased \$204,699 as a result of revenues exceeding costs of operation.

General Fund Budgetary Highlights

The County's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the County has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2017 is presented in Table 6 below.

Table 6—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 426,972,091	\$ 432,516,777	\$ 438,119,093	\$ 5,602,316
Expenditures and other financing uses	443,041,868	452,105,707	442,302,391	9,803,316
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (16,069,777)	\$ (19,588,930)	\$ (4,183,298)	\$ 15,405,632

Original budget compared to final budget—During the year, the budget is modified, primarily to reflect the acceptance of new state and federal grants. These grants explain the majority of increases in revenues and expenditures from the original adopted budget to the final budget. Additionally, significant transfers and amendments to the budget included \$4,682,501 supplemental appropriations within transfers out to provide funding for ongoing capital projects.

Final budget compared to actual results—The General Fund had a favorable variance from the final budget of \$15,405,632. The primary positive variances were realized in economic assistance and opportunity and public safety due to lower than anticipated costs related to public safety grants and programs, as well as lower than expected costs related to the administration of social services programs. There was also a significant positive variance related to employee benefits throughout various County departments.

Capital Assets and Debt Administration

Capital assets—The County’s investment in capital assets for its governmental activities and business-type activities as of December 31, 2017 amounted to \$205,183,460 and \$28,259,834, respectively (net of accumulated depreciation). This investment in capital assets includes land, right of way easements, construction in progress, infrastructure, buildings and building improvements and machinery and equipment. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets, net of depreciation, for the governmental activities and business-type activities at the years ended December 31, 2017 and 2016 are presented in Table 7 below.

Table 7—Summary of Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
				(as restated)		(as restated)
Land	\$ 12,440,941	\$ 12,136,559	\$ 3,385,364	\$ 3,385,364	\$ 15,826,305	\$ 15,521,923
Right of way and easements	14,326,702	14,040,718	-	-	14,326,702	14,040,718
Construction in progress	16,816,391	15,737,952	745,117	120,611	17,561,508	15,858,563
Infrastructure	93,519,587	87,371,478	11,056,148	12,701,357	104,575,735	100,072,835
Buildings and improvements	49,972,222	45,876,204	3,397,005	3,808,767	53,369,227	49,684,971
Improvements other than buildings	3,768,595	3,558,414	-	-	3,768,595	3,558,414
Machinery and equipment	14,339,022	14,933,653	9,676,200	7,994,298	24,015,222	22,927,951
Total	\$ 205,183,460	\$ 193,654,978	\$ 28,259,834	\$ 28,010,397	\$ 233,443,294	\$ 221,665,375

The County's infrastructure assets are recorded at historical cost in the government-wide and proprietary fund financial statements. The County has elected to depreciate its infrastructure assets. Additional information on County's capital assets can be found in Note 5 to the basic financial statements.

Long-term debt—The New York State Local Finance Law limits the County's power to contract indebtedness to 7% of the five-year average full valuation of taxable real estate. At the end of 2017, the County's governmental activities outstanding bonded debt totaled \$89,671,554 (excluding DTASC) and represents approximately 4.3% of the County's debt limit.

A summary of the County's long-term liabilities at December 31, 2017 and December 31, 2016 is presented below in Table 8:

Table 8—Summary of Long-Term Liabilities

	Governmental activities		Business-type activities		Total Primary Government	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
Bonds payable	\$ 155,746,521	\$ 165,666,715	\$ 2,228,447	\$ 2,665,012	\$ 157,974,968	\$ 168,331,727
Compensated absences	9,437,501	9,121,129	39,265	41,079	9,476,766	9,162,208
Environmental clean up	124,000	32,500	-	-	124,000	32,500
Workers' compensation and general claims	30,454,247	27,904,529	-	-	30,454,247	27,904,529
Other postemployment benefits	207,444,273	186,417,690	1,512,552	1,393,715	208,956,825	187,811,405
Net pension liability	43,249,327	68,782,035	196,573	333,416	43,445,900	69,115,451
Total	<u>\$ 446,455,869</u>	<u>\$ 457,924,598</u>	<u>\$ 3,976,837</u>	<u>\$ 4,433,222</u>	<u>\$ 450,432,706</u>	<u>\$ 462,357,820</u>

Total outstanding long-term liabilities decreased by \$11,925,114 from prior year. Major factors that contributed to this decrease include:

- The net pension liability decreased in the governmental and business-type activities by \$25,532,708 and \$136,843, respectively. The liability is based on actuarial results related to the New York State retirement contribution programs.
- Bonds payable decreased in the governmental and business-type activities by \$9,920,194 and \$436,565, respectively. During the year ended December 31, 2017, the County's primary government made \$14,884,999 of scheduled principal payments, offset by a \$5,000,000 serial bond issuance.
- Obligations for other postemployment benefits ("OPEB") increased in the governmental and business-type activities by \$21,026,583 and \$118,837, respectively. This obligation is a commitment the County has made to its employees pursuant to contract negotiations. As health costs have risen dramatically over the past several years, County management has attempted to address these costs as new contracts have been negotiated. Newer contracts require greater employee contributions and increased length of employment to qualify for retiree health benefits.

Additional information on the County's long-term liabilities can be found in Note 13 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Dutchess County, like other counties in New York State, is challenged on a fiscal level by State and Federal imposed mandates. Medicaid is a federally mandated program that provides health benefits to low income individuals and their families. Medicaid continues to be one of the single largest mandated programs for counties.

The following summarizes the County's spending in this area:

<u>Year Ended December 31,</u>	
2018 (budgeted)	\$ 41,339,688
2017	41,285,244
2016	41,321,812

In addition to Medicaid costs, Dutchess County participates in the New York State Employees' Retirement System, a cost-sharing, multiple public employers system. The County is required to contribute at an actuarially determined rate. The following summarizes the County's spending for this appropriation:

<u>Year Ended December 31,</u>	
2018 (budgeted)	\$ 18,048,957
2017	17,855,418
2016	18,021,539

The County has appropriated \$12.50 million in fund balance to finance the 2018 budget within the General Fund. The unassigned fund balance is \$55.4 million in the General Fund as of December 31, 2017.

The total tax levy for the 2018 budget is \$106.4 million, resulting in a property tax rate of \$3.54 per thousand of assessed value, which is 1.12% lower than \$3.58 in 2017. The true value assessment for the County has increased from \$29.75 billion for the 2017 budget to \$30.04 billion for the 2018 budget; an increase of 0.97%.

Dutchess County contains a diverse mix of industries, including microelectronics, life sciences, high-tech manufacturing, distribution, higher education, agriculture, tourism and retail trades.

There is currently \$3.9 billion in rolling development in Dutchess County, including the establishment of the recently announced new medical college in Poughkeepsie. Dutchess County has experienced ten consecutive months of private sector job growth, with many months besting the regional, state and national rates.

A majority of the County's labor force is employed in the service related sector or in government jobs. According to preliminary information released by the New York State Department of Labor (the Quarterly Census of Employment and Wages, developed through a cooperative program between the State of New York and the U.S. Bureau of Labor Statistics), for 2016, service related positions accounted for approximately 51.1% of the County's workforce. Other major industries of the County workforce for this same time frame included retail trade, retail trade and manufacturing, which, when combined, were estimated to employ approximately 21.9% of the area workforce. Government related positions for 2016 were estimated to account for approximately 17.7% of the County's workforce. According to the New York State Department of Labor (the Quarterly Census of Employment and Wages), for 2016, farm related positions (agriculture, forestry, fishing and hunting) accounted for approximately 0.5% of the County's workforce.

Wealth levels for Dutchess County residents are above State and National averages. According to the U.S. Census Bureau (American Community Survey – 5 Year Estimate), the per capita income of County residents in 2016 was \$35,101, which was higher than the State and National averages by 2.6% and 17.8%, respectively. State and National income averages reported on this basis were \$34,212 and \$29,829, respectively. Median family income for 2016 in the County, State and nation were estimated to be \$90,856, \$74,036 and \$67,871, respectively.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Heidi Seelbach, Commissioner of Finance, 22 Market Street, Poughkeepsie, New York 12601.

BASIC FINANCIAL STATEMENTS

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COUNTY OF DUTCHESS, NEW YORK
Statement of Net Position
December 31, 2017

	Primary Government			Major Discretely Presented Component Units	Aggregate Nonmajor Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 27,826,268	\$ 6,132,272	\$ 33,958,540	\$ 29,207,676	\$ 4,647,704
Restricted cash and cash equivalents	47,406,602	-	47,406,602	15,016,761	28,555
Investments	34,916,889	-	34,916,889	-	-
Receivables (net of allowances):					
Taxes	41,662,854	-	41,662,854	-	-
Accounts receivable	5,148,741	421,620	5,570,361	10,818,762	-
Intergovernmental receivables	69,892,152	3,013,921	72,906,073	-	112,706
Due from component unit (to primary government)	351,125	-	351,125	(351,125)	-
Internal balances	961,927	(961,927)	-	-	-
Prepaid items	4,619,453	43,344	4,662,797	48,844	9,712
Inventories	100,081	3,335	103,416	1,135,473	-
Other assets	7,680,550	-	7,680,550	6,143,467	-
Capital assets, not being depreciated	43,584,034	4,130,481	47,714,515	11,225,119	-
Capital assets, net of accumulated depreciation	<u>161,599,426</u>	<u>24,129,353</u>	<u>185,728,779</u>	<u>145,560,912</u>	<u>-</u>
Total assets	<u>445,750,102</u>	<u>36,912,399</u>	<u>482,662,501</u>	<u>218,805,889</u>	<u>4,798,677</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows—relating to pensions	38,917,504	181,338	39,098,842	6,924,474	-
Deferred outflows—relating to capital	-	-	-	263,668	-
Deferred charge on refunding	1,582,489	-	1,582,489	691,509	-
Total deferred outflows of resources	<u>40,499,993</u>	<u>181,338</u>	<u>40,681,331</u>	<u>7,879,651</u>	<u>-</u>
LIABILITIES					
Accounts payable	50,152,401	691,460	50,843,861	9,457,325	37,020
Retainages payable	449,951	-	449,951	-	-
Accrued liabilities	3,502,302	28,495	3,530,797	5,013,675	11,890
Bond anticipation notes payable	-	-	-	2,732,941	-
Intergovernmental payables	31,826,369	-	31,826,369	-	251
Unearned revenue	4,035,679	45,485	4,081,164	4,569,945	-
Noncurrent liabilities:					
Due within one year	17,371,230	493,618	17,864,848	5,763,415	-
Due in more than one year	<u>429,084,639</u>	<u>3,483,219</u>	<u>432,567,858</u>	<u>147,116,918</u>	<u>-</u>
Total liabilities	<u>536,422,571</u>	<u>4,742,277</u>	<u>541,164,848</u>	<u>174,654,219</u>	<u>49,161</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	7,930,147	36,043	7,966,190	1,839,549	-
Unavailable revenue—bond premium	-	-	-	330,478	-
Deferred gain on refunding	13,058,753	-	13,058,753	26,442,825	84
Total deferred inflows of resources	<u>20,988,900</u>	<u>36,043</u>	<u>21,024,943</u>	<u>28,612,852</u>	<u>84</u>
NET POSITION					
Net investment in capital assets	71,721,676	26,031,387	97,753,063	59,473,396	-
Restricted for:					
Debt service	13,823,535	-	13,823,535	-	-
Workers' compensation	5,696,788	-	5,696,788	-	-
Other	5,036,518	-	5,036,518	24,507,083	28,555
Unrestricted	<u>(167,439,893)</u>	<u>6,284,030</u>	<u>(161,155,863)</u>	<u>(60,562,010)</u>	<u>4,720,877</u>
Total net position	<u>\$ (71,161,376)</u>	<u>\$ 32,315,417</u>	<u>\$ (38,845,959)</u>	<u>\$ 23,418,469</u>	<u>\$ 4,749,432</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Statement of Activities
Year Ended December 31, 2017

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position							Major Discretely Presented Component Units	Aggregate Nonmajor Discretely Presented Component Units
		Program Revenues			Primary Government					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total			
Primary government:										
Governmental activities:										
General government support	\$ 95,009,158	\$ 8,670,017	\$ 2,161,643	\$ 315,962	\$ (83,861,536)	\$ -	\$ (83,861,536)	\$ -	\$ -	
Education	16,460,944	-	-	-	(16,460,944)	-	(16,460,944)	-	-	
Public safety	96,843,674	4,095,237	3,590,576	1,121,871	(88,035,990)	-	(88,035,990)	-	-	
Health	67,282,956	3,084,271	33,089,841	-	(31,108,844)	-	(31,108,844)	-	-	
Transportation	25,620,076	2,118,690	2,728,887	7,453,719	(13,318,780)	-	(13,318,780)	-	-	
Economic assistance and opportunity	162,163,516	8,115,394	74,946,160	-	(79,101,962)	-	(79,101,962)	-	-	
Culture and recreation	5,011,892	529,917	496,087	63,764	(3,922,124)	-	(3,922,124)	-	-	
Home and community services	13,958,504	472,945	2,883,586	-	(10,601,973)	-	(10,601,973)	-	-	
Interest and other fiscal charges	6,410,824	-	-	-	(6,410,824)	-	(6,410,824)	-	-	
Total governmental activities	<u>488,761,544</u>	<u>27,086,471</u>	<u>119,896,780</u>	<u>8,955,316</u>	<u>(332,822,977)</u>	<u>-</u>	<u>(332,822,977)</u>	<u>-</u>	<u>-</u>	
Business-type activities:										
Airport	2,810,136	926,125	-	464,799	-	(1,419,212)	(1,419,212)	-	-	
Transportation	11,377,813	1,225,944	5,220,946	3,792,500	-	(1,138,423)	(1,138,423)	-	-	
Local Development Corporation	962,888	1,152,676	-	-	-	189,788	189,788	-	-	
Total business-type activities	<u>15,150,837</u>	<u>3,304,745</u>	<u>5,220,946</u>	<u>4,257,299</u>	<u>-</u>	<u>(2,367,847)</u>	<u>(2,367,847)</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 503,912,381</u>	<u>\$ 30,391,216</u>	<u>\$ 125,117,726</u>	<u>\$ 13,212,615</u>	<u>(332,822,977)</u>	<u>(2,367,847)</u>	<u>(335,190,824)</u>	<u>-</u>	<u>-</u>	
Component units:										
Dutchess Community College	\$ 89,013,823	\$ 48,871,149	\$ 18,859,768	\$ -				(21,282,906)	-	
Resource Recovery Agency	15,545,122	13,697,264	442,428	-				(1,405,430)	-	
Water and Wastewater Authority	8,880,561	6,110,298	21,829	-				(2,748,434)	-	
Nonmajor component units	1,113,299	4,164,158	209,001	-				-	3,259,860	
Total component units	<u>\$ 114,552,805</u>	<u>\$ 72,842,869</u>	<u>\$ 19,533,026</u>	<u>\$ -</u>				<u>(25,436,770)</u>	<u>3,259,860</u>	
General revenues:										
Property taxes, levied for general purpose					103,215,683	-	103,215,683	-	-	
Property taxes, levied for debt service					14,348,434	-	14,348,434	-	-	
Sales and use taxes					184,155,859	-	184,155,859	-	-	
Other taxes					4,163,782	-	4,163,782	-	-	
Use of money and property					966,248	333,693	1,299,941	1,322,162	1,873	
Tobacco settlement revenues					2,950,058	-	2,950,058	-	-	
Miscellaneous					301,313	77,956	379,269	1,883,551	-	
Payments from primary government					-	-	-	15,431,729	295,800	
Transfers					(1,415,647)	1,415,647	-	-	-	
Total general revenues and transfers					<u>308,685,730</u>	<u>1,827,296</u>	<u>310,513,026</u>	<u>18,637,442</u>	<u>297,673</u>	
Change in net position					(24,137,247)	(540,551)	(24,677,798)	(6,799,328)	3,557,533	
Net position—beginning, as restated					(47,024,129)	32,855,968	(14,168,161)	30,217,797	1,191,899	
Net position—ending					<u>\$ (71,161,376)</u>	<u>\$ 32,315,417</u>	<u>\$ (38,845,959)</u>	<u>\$ 23,418,469</u>	<u>\$ 4,749,432</u>	

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>DTASC</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 22,701,215	\$ -	\$ 52,857	\$ 5,072,196	\$ 27,826,268
Restricted cash and cash equivalents	25,971,384	18,107,413	3,327,805	-	47,406,602
Investments	34,916,889	-	-	-	34,916,889
Receivables (net of allowances):					
Taxes	41,662,854	-	-	-	41,662,854
Accounts receivable	4,939,884	200,000	-	8,857	5,148,741
Due from other funds	14,932,838	-	-	-	14,932,838
Intergovernmental receivables	38,522,679	7,859,578	-	1,940,915	48,323,172
Prepaid items	4,395,860	-	-	223,593	4,619,453
Inventories	100,081	-	-	-	100,081
Total assets	<u>\$188,143,684</u>	<u>\$ 26,166,991</u>	<u>\$ 3,380,662</u>	<u>\$ 7,245,561</u>	<u>\$224,936,898</u>
LIABILITIES					
Accounts payable	\$ 40,176,992	\$ 7,797,794	\$ -	\$ 2,177,615	\$ 50,152,401
Accrued liabilities	2,566,335	-	-	173,268	2,739,603
Due to other funds	-	13,936,283	-	34,628	13,970,911
Intergovernmental payables	31,826,369	-	-	-	31,826,369
Unearned revenue	4,035,679	-	-	-	4,035,679
Total liabilities	<u>78,605,375</u>	<u>21,734,077</u>	<u>-</u>	<u>2,385,511</u>	<u>102,724,963</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue—property taxes	15,348,490	-	-	-	15,348,490
Total deferred inflows of resources	<u>15,348,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,348,490</u>
FUND BALANCES					
Nonspendable	4,495,941	-	-	223,593	4,719,534
Restricted	17,934,893	4,432,914	3,327,805	-	25,695,612
Assigned	16,371,446	-	52,857	4,636,457	21,060,760
Unassigned	55,387,539	-	-	-	55,387,539
Total fund balances	<u>94,189,819</u>	<u>4,432,914</u>	<u>3,380,662</u>	<u>4,860,050</u>	<u>106,863,445</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$188,143,684</u>	<u>\$ 26,166,991</u>	<u>\$ 3,380,662</u>	<u>\$ 7,245,561</u>	<u>\$224,936,898</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2017

Amounts reported for governmental activities in the statement of net position (page 16) are different because:

Total fund balances—governmental funds (page 18)		\$ 106,863,445
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$519,989,145 and the accumulated depreciation is \$314,805,685.		205,183,460
Other noncurrent assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		7,680,550
Certain revenues are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows of resources in the funds.		15,348,490
Certain accrued revenues reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds.		21,920,105
Deferred outflows and inflows of resources associated with refunding bond issuances are not reported in the governmental funds. The charge is reported as a deferred outflow of resources, while the gain is reported as a deferred inflow of resources on the statement of net position, and the net amounts are recognized as a component of interest expense over the life of the related debt.		
	Deferred charge on refunding—County	\$ 1,582,489
	Deferred gain on refunding—DTASC	377,130
	Deferred gain on refunding—County	<u>(13,435,883)</u>
		(11,476,264)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements.		
	Deferred outflows related to employer contributions	\$ 13,368,908
	Deferred outflows related to experience, changes in assumptions, and investment earnings	25,548,596
	Deferred inflows related to pension plans	<u>(7,930,147)</u>
		30,987,357
Net accrued interest expense for general obligation bonds of \$538,352 and DTASC bonds of \$224,347 are not reported in the funds.		(762,699)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.		(449,951)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
	Serial bonds—County	\$(89,671,554)
	Unamortized bond premiums on County serial bonds	(7,201,102)
	DTASC bonds	(49,345,000)
	Unamortized bond premiums on DTASC bonds	(3,649,691)
	DTASC subordinate turbo CABs	(5,879,174)
	Compensated absences	(9,437,501)
	Environmental clean up	(124,000)
	Workers' compensation and general claims	(30,454,247)
	Other postemployment benefits obligation	(207,444,273)
	Net pension liability	<u>(43,249,327)</u>
		<u>(446,455,869)</u>
Net position of governmental activities		<u>\$ (71,161,376)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>DTASC</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 105,596,222	\$ -	\$ -	\$ 11,967,895	\$ 117,564,117
Sales and use taxes	184,155,859	-	-	-	184,155,859
Other taxes	4,163,782	-	-	-	4,163,782
Departmental income	23,086,093	-	-	1,990,716	25,076,809
Use of money and property	1,783,022	-	35,050	6,330	1,824,402
Miscellaneous	3,476,537	200,290	3,004,417	108,767	6,790,011
Grants and aid	<u>115,269,357</u>	<u>8,755,027</u>	<u>-</u>	<u>4,117,369</u>	<u>128,141,753</u>
Total revenues	<u>437,530,872</u>	<u>8,955,317</u>	<u>3,039,467</u>	<u>18,191,077</u>	<u>467,716,733</u>
EXPENDITURES					
Current:					
General government support	67,724,418	-	58,697	-	67,783,115
Education	16,447,819	-	-	-	16,447,819
Public safety	60,522,521	-	-	264,827	60,787,348
Health	56,779,391	-	-	-	56,779,391
Transportation	2,807,813	-	-	9,160,682	11,968,495
Economic assistance and opportunity	141,443,220	-	-	1,587,139	143,030,359
Culture and recreation	1,979,961	-	-	-	1,979,961
Home and community services	10,082,525	-	-	2,298,488	12,381,013
Employee benefits	60,670,306	-	-	4,005,857	64,676,163
Debt service:					
Principal	14,348,434	-	175,000	-	14,523,434
Interest and other fiscal charges	3,572,836	-	2,952,650	-	6,525,486
Capital outlay	-	30,361,668	-	-	30,361,668
Total expenditures	<u>436,379,244</u>	<u>30,361,668</u>	<u>3,186,347</u>	<u>17,316,993</u>	<u>487,244,252</u>
Excess (deficiency) of revenues over expenditures	<u>1,151,628</u>	<u>(21,406,351)</u>	<u>(146,880)</u>	<u>874,084</u>	<u>(19,527,519)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	545,082	4,443,900	-	13,600	5,002,582
Transfers out	(5,923,147)	(495,082)	-	-	(6,418,229)
Proceeds of serial bonds	-	4,900,000	-	-	4,900,000
Premium on serial bonds issued	43,139	-	-	-	43,139
Total other financing sources (uses)	<u>(5,334,926)</u>	<u>8,848,818</u>	<u>-</u>	<u>13,600</u>	<u>3,527,492</u>
Net change in fund balances	(4,183,298)	(12,557,533)	(146,880)	887,684	(16,000,027)
Fund balances—beginning	<u>98,373,117</u>	<u>16,990,447</u>	<u>3,527,542</u>	<u>3,972,366</u>	<u>122,863,472</u>
Fund balances—ending	<u>\$ 94,189,819</u>	<u>\$ 4,432,914</u>	<u>\$ 3,380,662</u>	<u>\$ 4,860,050</u>	<u>\$ 106,863,445</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities (page 17) are different because:

Net change in fund balances—total governmental funds (page 20) \$ (16,000,027)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these 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.

Capital asset additions	\$ 31,410,748	
Loss on disposal	(12,750)	
Depreciation expense	<u>(19,869,516)</u>	11,528,482

In the statement of activities, the cost of other noncurrent assets is allocated and amortized over their estimated useful lives. (274,572)

Certain tax and other revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year-end to pay for the current period's expenditures in the governmental funds when it is due. However, on the statement of activities, this is recognized as revenue regardless of when it is collected.

Change in deferred inflows of resources—property taxes	\$ (1,090,293)	
Change in long-term receivable—grants and aid	2,032,680	
Change in long-term receivable—DTASC	<u>(52,592)</u>	889,795

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Direct pension contributions	\$ 17,759,949	
Cost of benefits earned net of employee contributions	<u>(24,664,403)</u>	(6,904,454)

For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge/gain on the government-wide statements and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 124,205

In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid. 563,303

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Proceeds from serial bonds—County	\$ (4,900,000)	
Repayment of serial bonds—County	14,348,434	
Premium on serial bonds issued—County	(43,139)	
Amortization of bond premiums—County	709,895	
Repayment of serial bonds—DTASC	175,000	
Amortization of bond premiums—DTASC	12,943	
Accreted interest on DTASC bonds	(382,939)	
Change in compensated absences	(316,372)	
Change in environmental clean up	(91,500)	
Change in workers' compensation and general claims	(2,549,718)	
Change in other postemployment benefits obligation	<u>(21,026,583)</u>	<u>(14,063,979)</u>

Change in net position of governmental activities \$ (24,137,247)

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Statement of Net Position—Proprietary Funds
December 31, 2017

	<u>Business-type Activities</u>			<u>Total Enterprise Funds</u>
	<u>Airport</u>	<u>Transportation</u>	<u>Dutchess County LDC</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,383,478	\$ 1,007,611	\$ 2,741,183	\$ 6,132,272
Receivables	249,613	15,394	156,613	421,620
Intergovernmental receivables	137,053	2,876,868	-	3,013,921
Due from other funds	318	-	-	318
Prepaid items	18,085	3,653	21,606	43,344
Inventories	3,335	-	-	3,335
Total current assets	<u>2,791,882</u>	<u>3,903,526</u>	<u>2,919,402</u>	<u>9,614,810</u>
Noncurrent assets:				
Capital assets not being depreciated:				
Land	3,136,399	248,965	-	3,385,364
Construction in progress	745,059	58	-	745,117
Capital assets, net of accumulated depreciation:				
Infrastructure	8,925,538	2,130,610	-	11,056,148
Buildings and building improvements	1,001,549	2,395,456	-	3,397,005
Machinery and equipment	687,696	8,920,957	67,547	9,676,200
Total noncurrent assets	<u>14,496,241</u>	<u>13,696,046</u>	<u>67,547</u>	<u>28,259,834</u>
Total assets	<u>17,288,123</u>	<u>17,599,572</u>	<u>2,986,949</u>	<u>37,874,644</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	<u>147,889</u>	<u>33,449</u>	-	<u>181,338</u>
Total deferred outflows of resources	<u>147,889</u>	<u>33,449</u>	-	<u>181,338</u>
LIABILITIES				
Current liabilities:				
Accounts payable	169,153	478,047	44,260	691,460
Accrued liabilities	21,142	7,353	-	28,495
Due to other funds	103,643	858,602	-	962,245
Unearned revenue	6,485	-	39,000	45,485
Current portion of long-term debt	<u>267,615</u>	<u>226,003</u>	-	<u>493,618</u>
Total current liabilities	<u>568,038</u>	<u>1,570,005</u>	<u>83,260</u>	<u>2,221,303</u>
Noncurrent liabilities:				
Bonds payable	703,911	1,032,881	-	1,736,792
Other postemployment benefits obligation	1,488,114	24,438	-	1,512,552
Net pension liability	158,503	38,070	-	196,573
Compensated absences	37,302	-	-	37,302
Total noncurrent liabilities	<u>2,387,830</u>	<u>1,095,389</u>	-	<u>3,483,219</u>
Total liabilities	<u>2,955,868</u>	<u>2,665,394</u>	<u>83,260</u>	<u>5,704,522</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows—relating to pensions	<u>29,063</u>	<u>6,980</u>	-	<u>36,043</u>
Total deferred inflows of resources	<u>29,063</u>	<u>6,980</u>	-	<u>36,043</u>
NET POSITION				
Net investment in capital assets	13,526,678	12,437,162	67,547	26,031,387
Unrestricted	924,403	2,523,485	2,836,142	6,284,030
Total net position	<u>\$ 14,451,081</u>	<u>\$ 14,960,647</u>	<u>\$ 2,903,689</u>	<u>\$ 32,315,417</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds
Year Ended December 31, 2017

	Business-type Activities			Total Enterprise Funds
	Airport	Transportation	Dutchess County LDC	
Operating revenues:				
Charges for services	\$ 926,125	\$ 1,225,944	\$ 1,152,676	\$ 3,304,745
Operating grants and revenues	-	5,220,946	-	5,220,946
Other	147,591	77,956	5,500	231,047
Total operating revenues	<u>1,073,716</u>	<u>6,524,846</u>	<u>1,158,176</u>	<u>8,756,738</u>
Operating expenses:				
Personal services	443,983	104,879	338,508	887,370
Employee benefits	381,004	42,598	67,960	491,562
Depreciation	1,630,101	2,855,404	14,741	4,500,246
Contracted services	309,663	8,326,079	541,679	9,177,421
Total operating expenses	<u>2,764,751</u>	<u>11,328,960</u>	<u>962,888</u>	<u>15,056,599</u>
Operating (loss) income	<u>(1,691,035)</u>	<u>(4,804,114)</u>	<u>195,288</u>	<u>(6,299,861)</u>
Nonoperating revenues (expenses):				
Interest income	169,651	1,540	6,917	178,108
Interest expense	(45,385)	(48,853)	-	(94,238)
Other	-	-	2,494	2,494
Total nonoperating revenues (expenses)	<u>124,266</u>	<u>(47,313)</u>	<u>9,411</u>	<u>86,364</u>
(Loss) income before capital contributions and transfers	(1,566,769)	(4,851,427)	204,699	(6,213,497)
Capital contributions	464,799	3,792,500	-	4,257,299
Transfers in	297,711	1,167,936	-	1,465,647
Transfers out	-	(50,000)	-	(50,000)
Change in net position	(804,259)	59,009	204,699	(540,551)
Net position—beginning, as restated	15,255,340	14,901,638	2,698,990	32,855,968
Net position—ending	<u>\$14,451,081</u>	<u>\$ 14,960,647</u>	<u>\$ 2,903,689</u>	<u>\$ 32,315,417</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2017

	<u>Business-type Activities</u>			
	<u>Airport</u>	<u>Transportation</u>	<u>Dutchess County LDC</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from services provided	\$ 686,111	\$ 2,059,333	\$ 1,320,972	\$ 4,066,416
Receipts from operating grants and revenue	-	3,480,521	-	3,480,521
Receipts from other operating revenue	147,591	77,956	-	225,547
Payments to employees	(691,807)	(145,606)	(407,507)	(1,244,920)
Payments to suppliers of contracted services	(254,800)	(8,491,567)	(532,177)	(9,278,544)
Net cash provided by (used for) operating activities	<u>(112,905)</u>	<u>(3,019,363)</u>	<u>381,288</u>	<u>(2,750,980)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash donations	-	-	2,494	2,494
Operating transfers in	297,711	1,167,936	-	1,465,647
Operating transfers out	-	(50,000)	-	(50,000)
Net cash provided by noncapital financing activities	<u>297,711</u>	<u>1,117,936</u>	<u>2,494</u>	<u>1,418,141</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions to noncurrent assets	464,799	3,792,500	-	4,257,299
(Acquisition)/disposal of capital assets, net	(639,505)	(4,106,839)	(3,339)	(4,749,683)
Proceeds from issuance of debt	-	100,000	-	100,000
Principal payments on bonds	(255,964)	(280,601)	-	(536,565)
Interest payments	(45,385)	(48,853)	-	(94,238)
Net cash used for capital and related financing activities	<u>(476,055)</u>	<u>(543,793)</u>	<u>(3,339)</u>	<u>(1,023,187)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income earned	<u>169,651</u>	<u>1,540</u>	<u>6,917</u>	<u>178,108</u>
Net cash provided by investing activities	<u>169,651</u>	<u>1,540</u>	<u>6,917</u>	<u>178,108</u>
(Decrease) increase in cash and cash equivalents	(121,598)	(2,443,680)	387,360	(2,177,918)
Cash and cash equivalents—beginning	<u>2,505,076</u>	<u>3,451,291</u>	<u>2,353,823</u>	<u>8,310,190</u>
Cash and cash equivalents—ending	<u>\$ 2,383,478</u>	<u>\$ 1,007,611</u>	<u>\$ 2,741,183</u>	<u>\$ 6,132,272</u>

(continued)

COUNTY OF DUTCHESS, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2017

(concluded)

	Business-type Activities			
			Dutchess	Total
	Airport	Transportation	County LDC	Enterprise Funds
Reconciliation of operating (loss) income to net cash provided by (used for) operating activities:				
Operating (loss) income	\$ (1,691,035)	\$ (4,804,114)	\$ 195,288	\$ (6,299,861)
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:				
Depreciation expense	1,630,101	2,855,404	14,741	4,500,246
(Increase) decrease in receivables	(12,575)	(1,672,095)	129,296	(1,555,374)
Decrease (increase) in other assets	150	(179)	(1,055)	(1,084)
Decrease in deferred outflows of resources	148,582	23,599	-	172,181
Increase (decrease) in accounts payable	54,863	(165,488)	4,018	(106,607)
(Decrease) in accrued liabilities	(3,089)	(5,427)	-	(8,516)
(Decrease) in compensated absences	(1,814)	-	-	(1,814)
(Decrease) increase in due to/from other funds	(229,699)	765,059	-	535,360
Increase in unearned revenue	2,260	-	39,000	41,260
(Decrease) in deferred inflows of resources	(8,500)	(265)	-	(8,765)
(Decrease) in net pension liability	(121,004)	(15,839)	-	(136,843)
Increase (decrease) in other postemployment benefit	118,855	(18)	-	118,837
Total adjustments	<u>1,578,130</u>	<u>1,784,751</u>	<u>186,000</u>	<u>3,548,881</u>
Net cash provided by (used for) operating activities	<u>\$ (112,905)</u>	<u>\$ (3,019,363)</u>	<u>\$ 381,288</u>	<u>\$ (2,750,980)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Statement of Net Position—Fiduciary Funds
December 31, 2017

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Restricted cash and cash equivalents	\$ 5,852	\$8,585,052
Accounts receivable	<u>-</u>	<u>526,612</u>
Total assets	<u>5,852</u>	<u>\$9,111,664</u>
LIABILITIES		
Agency liabilities	<u>-</u>	<u>\$9,111,664</u>
Total liabilities	<u>-</u>	<u>\$9,111,664</u>
NET POSITION		
Restricted for cemetery plots	<u>\$ 5,852</u>	

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Statement of Changes in Net Position—Fiduciary Funds
Year Ended December 31, 2017

	<u>Private Purpose Trust</u>
ADDITIONS	
Total additions	\$ - <u> </u>
DEDUCTIONS	
Economic assistance and opportunity	- <u> </u>
Change in net position	-
Net position—beginning	<u> 5,852</u>
Net position—ending	<u><u> \$ 5,852</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Combining Statement of Net Position—Major Component Units
December 31, 2017

	Dutchess Community College (August 31, 2017)	Dutchess County Resource Recovery Agency	Dutchess County Water and Wastewater Authority	Total Major Discretely Presented Component Units
ASSETS				
Cash and cash equivalents	\$ 24,081,750	\$ 1,585,589	\$ 3,540,337	\$ 29,207,676
Restricted cash and investments	11,459,453	2,603,005	954,303	15,016,761
Receivables (net of allowances)	6,902,667	1,504,672	2,411,423	10,818,762
Prepaid items	-	26,405	22,439	48,844
Inventories	1,135,473	-	-	1,135,473
Other assets	1,845,752	1,897,940	2,399,775	6,143,467
Capital assets, not being depreciated	1,195,405	-	10,029,714	11,225,119
Capital assets, net of accumulated depreciation	<u>73,500,837</u>	<u>18,225,927</u>	<u>53,834,148</u>	<u>145,560,912</u>
Total assets	<u>120,121,337</u>	<u>25,843,538</u>	<u>73,192,139</u>	<u>219,157,014</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	6,239,508	101,663	583,303	6,924,474
Deferred outflows—relating to capital	-	263,668	-	263,668
Deferred charge on refunding	-	-	691,509	691,509
Total deferred outflows of resources	<u>6,239,508</u>	<u>365,331</u>	<u>1,274,812</u>	<u>7,879,651</u>
LIABILITIES				
Accounts payable	8,291,791	244,218	921,316	9,457,325
Accrued liabilities	1,978,954	2,094,345	940,376	5,013,675
Due to primary government	-	351,125	-	351,125
Bond anticipation notes payable	-	-	2,732,941	2,732,941
Unearned revenues	4,569,945	-	-	4,569,945
Noncurrent liabilities:				
Due within one year	1,409,744	1,570,000	2,783,671	5,763,415
Due in more than one year	<u>99,034,694</u>	<u>12,512,283</u>	<u>35,569,941</u>	<u>147,116,918</u>
Total noncurrent liabilities	<u>100,444,438</u>	<u>14,082,283</u>	<u>38,353,612</u>	<u>152,880,333</u>
Total liabilities	<u>115,285,128</u>	<u>16,771,971</u>	<u>42,948,245</u>	<u>175,005,344</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows—relating to pensions	1,762,258	11,858	65,433	1,839,549
Unavailable revenue—bond premium	-	-	330,478	330,478
Deferred gain on refunding	<u>1,002,975</u>	<u>1,424,709</u>	<u>24,015,141</u>	<u>26,442,825</u>
Total deferred inflows of resources	<u>2,765,233</u>	<u>1,436,567</u>	<u>24,411,052</u>	<u>28,612,852</u>
NET POSITION				
Net investment in capital assets	48,034,115	4,934,886	6,504,395	59,473,396
Restricted	13,534,967	4,500,945	6,471,171	24,507,083
Unrestricted	<u>(53,258,598)</u>	<u>(1,435,500)</u>	<u>(5,867,912)</u>	<u>(60,562,010)</u>
Total net position	<u>\$ 8,310,484</u>	<u>\$ 8,000,331</u>	<u>\$ 7,107,654</u>	<u>\$ 23,418,469</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF DUTCHESS, NEW YORK
Combining Statement of Activities—Major Component Units
Year Ended December 31, 2017

	Dutchess Community College (August 31, 2017)	Dutchess County Resource Recovery Agency	Dutchess County Water and Wastewater Authority	Total Major Discretely Presented Component Units
Program expenses:				
Disposal fees	\$ -	\$ 2,133,144	\$ -	\$ 2,133,144
Service fees	-	9,335,745	-	9,335,745
Administrative expenses	8,306,269	769,857	1,859,740	10,935,866
Interest expenses	71,693	552,655	1,466,973	2,091,321
Depreciation	2,407,714	1,830,928	1,602,700	5,841,342
Instruction	36,118,953	-	-	36,118,953
Academic support	3,827,837	-	-	3,827,837
Libraries	1,453,008	-	-	1,453,008
Student services	8,424,902	-	-	8,424,902
General institution	8,032,442	-	-	8,032,442
Operation and maintenance of plant	7,845,416	-	3,885,312	11,730,728
Student aid	7,278,781	-	-	7,278,781
Other	5,246,808	922,793	65,836	6,235,437
Total program expenses	<u>89,013,823</u>	<u>15,545,122</u>	<u>8,880,561</u>	<u>113,439,506</u>
Program revenues:				
Charges for services:				
Tipping fees	-	11,090,779	-	11,090,779
Energy sales	-	1,976,311	-	1,976,311
Other charges for services	4,388,157	583,618	6,099,082	11,070,857
Student tuition and fees	21,337,146	-	-	21,337,146
Grants and contracts	13,908,812	-	-	13,908,812
Other	9,237,034	46,556	11,216	9,294,806
Operating grants and contributions	18,859,768	442,428	21,829	19,324,025
Total program revenues	<u>67,730,917</u>	<u>14,139,692</u>	<u>6,132,127</u>	<u>88,002,736</u>
Net expense	(21,282,906)	(1,405,430)	(2,748,434)	(25,436,770)
General revenues:				
Use of money and property	1,071,151	40,862	210,149	1,322,162
Miscellaneous	-	1,883,551	-	1,883,551
Payments from (to) primary government	13,537,898	(1,333,474)	3,227,305	15,431,729
Total general revenues	<u>14,609,049</u>	<u>590,939</u>	<u>3,437,454</u>	<u>18,637,442</u>
Change in net position	(6,673,857)	(814,491)	689,020	(6,799,328)
Net position—beginning	14,984,341	8,814,822	6,418,634	30,217,797
Net position—ending	<u>\$ 8,310,484</u>	<u>\$ 8,000,331</u>	<u>\$ 7,107,654</u>	<u>\$ 23,418,469</u>

The notes to the financial statements are an integral part of this statement.

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COUNTY OF DUTCHESS, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County of Dutchess, New York (the “County”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting principles are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The County is a municipal corporation which performs local governmental functions within its jurisdiction, including public safety, transportation, health and economic assistance and opportunity. The County charter was adopted April 17, 1967 and became effective January 1, 1968. The County is governed by an elected County Executive and a twenty-five member County Legislature.

The County’s financial statements include those entities for which the County has clear oversight responsibility. This responsibility is determined through a review of such factors as the selecting of governing boards, financial interdependency and the ability to influence management and operations on a continuing basis. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units—The component unit columns in the government-wide financial statements include the financial data of the County’s discretely presented component units. The combining statements of discretely presented component units present the major component units in separate columns and the nonmajor component units aggregated into a single column. These statements are presented separately from the financial data of the primary government to emphasize that they are legally separate from the County.

Dutchess Community College (Major Component Unit)—The Dutchess Community College (“DCC” or the “College”) was established under Article 126 of the Education Act of the State of New York under the sponsorship of the County and is operated by a Board of Trustees under Paragraph I of Subdivision 6 of Section 6304 of the Education Act of the State of New York. DCC’s fiscal year end is August 31. The Dutchess Community College Association, Inc. (the “Association”) is

organized under the not-for-profit laws of New York State to supplement and conduct activities and services for the students, faculty, staff and alumni of the College. The Association is presented as a component unit of the College, and its fiscal year end is June 30. The Dutchess Community College Foundation, Inc. (the “Foundation”) is organized under the not-for-profit laws of New York State to raise funds to provide scholarships and to provide support for initiatives that will have a significant and measurable impact on the students, faculty and staff of the College. The Foundation is a component unit of the College and its fiscal year end is August 31.

Pursuant to New York State Education Law relating to community colleges, title to real property is held by the County in trust for the use of the College in carrying out its institutional purposes. The accompanying debt is also a legal obligation of the County. No revenues or assets of the College have been pledged or will be available to pay the principal and interest on this debt. Principal and interest payments on the debt are payable from amounts appropriated each year by the State of New York pursuant to the State Education Law, and the County in the case of County-related debt through the College’s budget, and from monies in the debt service reserve fund held by the DASNY trustees. Capital appropriations include the annual debt service requirements on the Dutchess County debt. The provisions of the State Education Law regarding the State appropriations for principal and interest payments do not constitute a legally enforceable obligations of the State.

Equipment made available to the College from its inception are stated at cost and were purchased from appropriations of the County and New York State, designated for that purpose, and from Federal grants.

Dutchess County Resource Recovery Agency (Major Component Unit)—The Dutchess County Resource Recovery Agency (“RRA” or the “Agency”) was established as a public benefit corporation to perform the function of solid waste management. The Agency constructed a solid waste disposal resource recovery plant to be used for that purpose. The construction of the plant was financed primarily by the issuance of Dutchess County Resource Recovery Agency revenue bonds and New York State Environmental Quality Bond Act (“EQBA”) grant proceeds. The New York State Environmental Quality Bond Act grant proceeds have been recorded as contributed capital in these financial statements. In fulfilling its function, the Agency also operates a materials recycling facility. The Dutchess County Executive and/or members of the County Legislature appoint all of the Agency’s board members.

Dutchess County Water and Wastewater Authority (Major Component Unit)—The Dutchess County Water and Wastewater Authority (“WWA” or the “Authority”) is a public benefit corporation established under Section 1123 of the New York Local Water and Sewer Act, duly enacted into law as Chapter 592 of the Laws of the State of New York. The Act was requested by the Dutchess County Legislature to assist the County and its municipalities with managing water supplies and wastewater disposal. The legislation empowers the Authority to make plans and studies; develop, construct or maintain projects; acquire or lease real and personal property; to issue bonds and notes for financing; and fix rates and collect charges for the purpose of supplying and selling water and to collect, treat and discharge sewage in Dutchess County. The governing body of the Authority consists of eight members – five voting and three nonvoting. Voting members serve five year terms with two members appointed by the County Executive, two appointed by the Chairman of the County Legislature and the fifth being a joint appointment confirmed by the entire Legislature. The nonvoting members include the Director of the Dutchess County Environmental Management Council, the Director of the Dutchess County Soil and Water Conservation District, and the Commissioner of the Dutchess County Department of Planning and Economic Development.

Revenues are derived generally from quarterly billing of user fees to customers and are considered to be operating revenues. Non-operating revenues include Dutchess County-funded revenues based on a contract with the Dutchess County Division of Water Resources to provide countywide water and wastewater planning and management. The Authority also derives revenues from service fee payments from the County pursuant to several service agreements, which are used to pay debt service and related expenses pertaining to debt obligations incurred for specific districts and/or systems.

Receivables represent outstanding user fees. The Authority has an agreement with Dutchess County that provides for collection of outstanding user fees through the real property tax levy. Therefore, the Authority has not established an allowance for uncollectible accounts.

Dutchess County Industrial Development Agency (Nonmajor Component Unit)—The Dutchess County Industrial Development Agency (“IDA”) is a public benefit corporation established June 28, 1977 under the mandate of Article 18-A, “New York State Industrial Development Agency Act,” of New York State general municipal law. The seven member board is appointed by the County Legislature subject to confirmation of the County Executive. The IDA was established to promote and assist in acquiring or constructing various business and recreational facilities and, in the process, advances the job opportunities, health, general prosperity and economic welfare of the people of Dutchess County. The IDA’s function is to authorize the issuance of industrial revenue bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing, such fees are recorded when earned.

Dutchess County Soil and Water Conservation District (Nonmajor Component Unit)—The Dutchess County Soil and Water Conservation District (“SWCD”) (including the Dutchess County Environmental Management Council) is a nonprofit organization set up to coordinate state and federal conservation programs on a local level. The SWCD provides education and technical assistance on managing soil, water and related natural resources to municipalities, farmers, business owners and homeowners. The SWCD financial statements are not audited by an independent external auditor; however, they are internally audited annually by the Dutchess County Comptroller’s office.

Blended Component Units—The following blended component units are legally separate entity from the County, but are, in substance, part of the County’s operations and therefore data from these units is combined with data of the primary government.

Dutchess Tobacco Asset Securitization Corporation—The Dutchess Tobacco Asset Securitization Corporation (“DTASC”) is a special purpose local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, created by Dutchess County for the purposes of: (i) purchasing from the County all rights, title and interest in certain litigation awards under the Consent Decree and Final Judgment of the Supreme Court of the State of New York dated December 23, 1998 and in all portions due to the County under the Master Settlement Agreement with respect to tobacco related litigation among various settling states and participating manufacturers, (ii) to purchase, acquire, own, hold, sell, dispose of tobacco assets and any future rights of tobacco assets, and (iii) to issue and sell bonds to pay for the acquisition of such tobacco assets. The sole member of the Corporation is the County Attorney. There are three directors, one appointed by the County Executive, one appointed by the Chairman of the Dutchess County Legislature and one jointly appointed by the County Executive and Chairman of the County Legislature.

Dutchess County Local Development Corporation—The Dutchess County Local Development Corporation (“LDC”) is a public benefit corporation established in 2010 under Section 1411 of the New York Not-for-Profit Corporation Law to act as an “on behalf of” issuer of conduit tax exempt bonds. In January 2008, civic facility legislation expired and industrial development agencies no longer had the authority to issue tax exempt bonds or provide other financial assistance to 501c(3) organizations. The LDC was established to address the capital needs of these organizations. The LDC’s function is via the issuance of industrial revenue bonds and other means to promote economic development. The LDC reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The LDC receives fees from applicants and closing fees from those accepted for industrial revenue financing. The seven member board is appointed by the County Legislature with approval by the County Executive. The County is the sole member of the LDC.

Separately issued financial statements for all component units except the Dutchess County Soil and Water Conservation District may be obtained from Dutchess County Finance Office at 22 Market Street, Poughkeepsie, New York, 12601.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As discussed earlier, the County has five discretely presented component units. Three of the component units, Dutchess Community College, the Dutchess County Resource Recovery Agency and the Dutchess County Water and Wastewater Authority, are considered to be major component units. They are presented in separate columns in the Combining Statement of Net Position—Major Component Units and the Combining Statement of Activities—Major Component Units, and are aggregated in a single column in the government-wide Statement of Net Position and the Statement of Activities. The remaining two are considered nonmajor component units and are combined and presented in a single column in the government-wide Statement of Net Position and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the County. Elimination of these changes would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation—Fund Financial Statements

The fund financial statements provide information about the County’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

- **General Fund**—The General Fund is the primary operating fund of the County and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The principal sources of revenue for the General Fund are sales and use taxes and real property taxes.

- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by enterprise funds. The principal source of revenue for the Capital Projects Fund is grants and aid.
- *Dutchess Tobacco Asset Securitization Corporation (“DTASC”)*—The DTASC Fund is used to account for the receipt and disbursement of resources related to tobacco assets and related obligations.

The County reports the following major proprietary funds:

- *Dutchess County Airport Fund (“Airport”)*—The Airport Fund accounts for the activities of the Dutchess County airport. The intent of the County is that the costs of operations of the airport will be financed through charges to users.
- *Dutchess County Bus Transportation System (“Transportation”)*—The Transportation Fund accounts for the activities of the County’s public transportation system. The transportation system operates for the residents of the County.
- *Dutchess County Local Development Corporation (the “Dutchess County LDC”)*—The Dutchess County LDC is used to account for the economic development and administrative services provided by the Dutchess County LDC.

These entities are financed and operated in a manner similar to a private business enterprise. The intent of the County is that the operating expenses (including depreciation and amortization expense) of providing goods or services to the general public on a continuous basis are to be financed or recovered primarily through user charges. The County may provide administrative, legal and operational assistance to the proprietary funds, which are not charged. Additionally, the General Fund periodically provides advances to the proprietary funds for operational needs.

Additionally, the County reports the following fund types:

Special Revenue Funds—These nonmajor governmental funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following special revenue funds are utilized:

- *County Road Fund*—The County Road Fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law. The principal source of revenue for the County Road Fund is property taxes.
- *Road Machinery Fund*—The Road Machinery Fund is used to account for the purchase, repair, maintenance and storage of highway machinery, tools and equipment pursuant to Section 133 of the Highway Law. The principal source of revenue for the Road Machinery Fund is property taxes.
- *Community Development Fund*—The Community Development Fund is used to account for funds received under the Job Training Partnership Act/Workforce Investment Act and for Community Block Grant funds received from the Department of Housing and Urban Development. The principal source of revenue for the Community Development Fund is federal aid.

Fiduciary Funds—These funds are used to account for assets held by the County in a trustee or custodial capacity, and therefore are not available to support the County’s programs. The following are the County’s fiduciary funds:

- *Private Purpose Trust Fund*—The Private Purpose Trust Fund represents a trust arrangement under which cemetery plots are maintained.
- *Agency Fund*—The Agency Fund is used to account for assets held by the County in a trustee capacity or as an agent for individuals or other governmental units.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/due to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are recorded at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period; all other revenues are deemed to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period of availability. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary and private purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—Cash and cash equivalents include cash on hand, demand deposits, time deposits, and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The County’s short-term investments consist of certificates of deposit, obligations of New York State, the United States Government and its agents. State statutes and various resolutions of the County Legislature govern the County’s investment policies. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Investments are recorded at fair values in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions, unearned revenues, debt proceeds set aside for a specific purpose and cash held on behalf of others.

Receivables—Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

Inventories—Inventories are valued at cost using the first in, first out method. Inventories largely consist of office supplies and fuel reported within governmental and business-type activities, respectively.

Other Assets—Represents the County’s share of municipal wastewater systems and waterlines, which is recorded at historical cost and depreciated over 40 years. At December 31, 2017, the County reported \$7,680,550 related to other assets.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads and bridges), are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as within the individual proprietary funds. Capital assets, except for infrastructure assets, are defined by the County as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure assets, the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$100,000 are reported as capital assets. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Infrastructure	10-50
Buildings and building improvements	5-40
Improvements other than buildings	5-30
Machinery and equipment	3-15

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new highway vehicle included as part of *expenditures—transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At December 31, 2017, the primary government reported unearned revenues within the General Fund, Airport Fund and Dutchess County LDC of \$4,035,679, 6,485 and \$39,000, respectively. These funds received overpayments and cash in advance but has not performed the services and therefore recognizes a liability.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2017, the County’s primary government has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements as well as within the individual proprietary funds. This item represents the effect of the net change in the County’s proportion of the collective net pension liability, the difference during the measurement period between the County’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is a deferred charge on refunding which the County reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2017, the primary government of the County has three items that qualify for reporting in this category. One of the items arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported as deferred inflows of resources only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes that will not be realized within the period of availability. These amounts are deferred and recognized in the period that the amounts become available. The second item represents the effect of the net change in the County’s proportion of the collective net pension liability and the difference during the measurement periods between the County’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements as well as within the individual proprietary funds. The final item is a deferred gain on refunding, which the County reports within its governmental activities. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Net Position Flow Assumption—Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s position to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund Balance Flow Assumptions—Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The County Legislature is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Legislature has by resolution authorized the Commissioner of Finance to assign amounts for specific purposes. The Legislature may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—The County levies its real property taxes on December 31st, prior to the year of collection and attached as an enforceable lien on January 1st. On March 1st, interest is accrued on all unpaid taxes in accordance with real property tax law. Property tax is only recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or 60 days thereafter in the governmental fund financial statements.

Tax collections are the responsibility of either the city tax collectors for the cities of Poughkeepsie and Beacon or the town receivers or collectors for the towns in the County and are collected through May 31st or August 31st, the later date being for certain towns that pay in installments. After these dates, uncollected real property taxes receivables of the towns are turned over for collection by the County. The towns satisfy the full amount of their tax levies from the first monies collected and remit all amounts thereafter to the County.

A local law provides for the collection, by the County, of delinquent village taxes. This law requires the amount of returned delinquent village taxes remaining unpaid, be paid to the village by the County by the first day of April following the return.

Tax rates are calculated using assessments prepared by individual city and town assessors utilizing the equalization rates established by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable equalized assessed value of real property included in the tax levy of 2017 is \$29,752,447,165. The effective tax rate on this value is \$3.54 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2017 levy represents approximately 19.8% of the constitutional tax limit.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues of enterprise funds consist of charges for services and operating grants. Operating expenses of enterprise funds consist of salaries, wages and benefits, contractual services and depreciation. Transactions related to capital and financing activities, non-capital financing activities, investing activities and interfund transfers from other funds and State appropriations are components of nonoperating income. Subsidies and grants to proprietary funds which finance capital activities are reported as nonoperating revenue.

Local Development Revenue Bonds—Bonds authorized by the Dutchess County LDC and issued through various lending institutions, are designated as special obligations of the Dutchess County LDC and payable solely from the revenues and other assets pledged as collateral against the bonds. The Dutchess County LDC does not act as guarantor in the event of collateralized properties and revenues, as specified in the applicable financing agreement, that are insufficient to meet debt service requirements. Additionally, in each of these financings, the Dutchess County LDC has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the local development revenue bonds. As a consequence, the Dutchess County LDC does not reflect such bonds or related properties on its financial statements. Local development revenue bonds authorized by the Dutchess County LDC and outstanding at December 31, 2017 total \$967,952,537.

Compensated Absences—The County employees are entitled, with certain limitations, to accrue sick leave and vacation time. Estimated sick leave and vacation time is accumulated by governmental fund type employees and reported as a liability and expenditure in the government-wide financial statements under governmental activities. For proprietary fund type employees, the accumulation is recorded as a noncurrent liability of the proprietary fund type. The compensated absences liability for the County's governmental and business-type activities at December 31, 2017 totaled \$9,437,501 and \$39,265, respectively, and are reported in the government-wide financial statements and proprietary fund financial statements.

Pensions—The County is mandated by New York State law to participate in the New York State Local Employees’ Retirement System (“ERS”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the County provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement, as discussed in Note 8.

Workers’ Compensation and General Claims—Estimated costs associated with workers’ compensation and general claims and judgments for both reported and unreported events totaled \$30,454,247 at December 31, 2017. Estimates of both future payment of losses and related claim adjustment expenses are recorded as long-term liabilities in the government-wide financial statements, as discussed in Note 10.

Other

Estimates—The preparation of the 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 reported amounts of assets, deferred outflows/inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses/expenditures during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2017, the County implemented GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ended December 31, 2017. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The implementation of GASB Statement No. 80 resulted in a material impact on the County’s financial position as discussed in Note 2. GASB Statements No. 74, 81, and 82 did not have a material impact on the County’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018, No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests*—an

amendment of GASB Statements No. 14 and No. 61, effective for the year ending December 31, 2019, and No. 87, *Leases*; and No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for the year ending December 31, 2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, 88, 89 and 90 will have on its financial position and results of operations.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The County’s annual procedures in establishing the budgetary data reflected in the basic financial statements are described below.

- No later than November 1st, the County Executive submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- After public hearings are conducted to obtain taxpayer comments, no later than December 21st, the governing board adopts the budget.
- All modifications of the budget must be approved by the governing board. (However, the Budget Officer is authorized to transfer certain budgeted amounts within departments, upon request of the department head).
- Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.

Additional information regarding the County’s budgets can be found in the Required Supplementary Information section of this report.

2. RESTATEMENT OF NET POSITION

For the fiscal year ended December 31, 2017, the County implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The implementation of GASB Statement No. 80 resulted in the Dutchess County Local Development Corporation (“LDC”), previously presented within aggregate nonmajor discretely presented component units, to be presented as a blended component unit because the County serves as sole member.

For the fiscal year ended December 31, 2017, the Dutchess County LDC has restated beginning net position to account for an accrual of payroll expense as of December 31, 2016 not accrued in the financial statements. As a result, net position of the Dutchess County LDC decreased by \$16,452.

The primary government and total discretely presented component units’ net position have been restated as follows:

	<u>Primary Government</u>	Aggregate
	Business-type	Nonmajor
	Activities	Discretely
	Dutchess	Presented
	County LDC	Component Units
Net Position—December 31, 2016, as previously stated	\$ -	\$ 3,907,341
GASB Statement No. 80 implementation	2,715,442	(2,715,442)
Payroll accrual adjustment - LDC	(16,452)	-
Net Position—December 31, 2016, as restated	<u>\$ 2,698,990</u>	<u>\$ 1,191,899</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The County’s investment policies are governed by State statutes. In addition, the County has its own written investment policy. County monies must be deposited in Federal Deposit Insurance Corporation (“FDIC”) insured commercial banks or trust companies located within the State. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The County has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash, cash equivalents and investments at December 31, 2017 are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 21,515	\$ 700	\$ -	\$ 22,215
Deposits	71,883,550	6,131,572	8,590,904	86,606,026
Securities and money market funds	17,592	-	-	17,592
Discount note	3,310,213	-	-	3,310,213
Investments	34,916,889	-	-	34,916,889
Total	<u>\$ 110,149,759</u>	<u>\$ 6,132,272</u>	<u>\$ 8,590,904</u>	<u>\$ 124,872,935</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at December 31, 2017 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 2,194,061	\$ 2,194,061
Uninsured:		
Collateral held by pledging bank's agent in the County's name	<u>92,960,327</u>	<u>84,411,965</u>
Total	<u>\$ 95,154,388</u>	<u>\$ 86,606,026</u>

Custodial Credit Risk—Deposits and Cash Equivalents—Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits and cash equivalents may not be returned to it. As noted above, by State Statute all deposits and cash equivalents in excess of FDIC insurance coverage must be collateralized. As of December 31, 2017, the County’s deposits and cash equivalents were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the County’s name.

Restricted Cash and Cash Equivalents—Restricted cash of the County consists of unexpended debt proceeds restricted for capital projects in the Capital Projects Fund in the amount of \$18,107,413, and cash restricted for future debt service within both the General Fund and DTASC Fund of \$7,201,587 and \$3,327,805, respectively. Also included within restricted cash is General Fund (including self-insurance) balances subject to externally enforceable legal purpose restrictions, totaling \$10,733,306, unearned revenues of \$4,035,679, and intergovernmental payables of \$4,000,812 related to overpayments. These deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County or were cash equivalent discount notes.

Investments and Fair Value Measurements—At December 31, 2017, the County has investments in securities of \$34,916,889, which consist of U.S. Treasury notes with maturities of six, nine and twelve months. Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The investments of the County at December 31, 2017 are considered level 1 inputs.

Custodial Credit Risk—Investments—For investments, this is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Underlying securities must have a market value of at least the cost of the repurchase agreement

Credit Risk—In compliance with the State law, County investments are limited to obligations of the Federal government, obligations guaranteed by the Federal government where the payment of principal and interest are guaranteed by the Federal government, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

Concentration of Credit Risk—To promote competition in rates and service cost, and to limit the risk of institutional failure, County deposits and investments are placed with multiple institutions.

Interest Rate Risk—The County investment policy limits investment maturities to two years as a means of managing its exposure to fair value losses arising from increasing interest rates.

A. Discretely presented component units

i) Dutchess Community College

Cash and Cash Equivalents—Cash and cash equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with maturities of less than three months at the time of purchase. At August 31, 2017, the College reports \$24,081,750 of cash and cash equivalents.

The College's investment policies are governed by State statutes. The College has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The College is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, and obligations of New York State or its municipalities.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the College's name. The College's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at August 31, 2017.

Investments—Investments consist of certificates of deposit with initial maturities of greater than three months. At August 31, 2017, the College reports \$11,459,453 of investments at fair value in accordance with GASB, of which \$10,708,538 represent Level 1 and \$750,915 represent Level 2 categories with respect to the fair value hierarchy.

The College was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate risk or credit risk.

ii) **Dutchess County Resource Recovery Agency**

Cash and Cash Equivalents—Statutes authorize the Agency to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States of America Government and its agencies, and repurchase agreements collateralized by U.S. Obligations.

In addition, the Agency, through the General Bond Resolution adopted August 6, 1998, is authorized to invest funds held under the Resolution in "Qualified Investments". Qualified investments include the above described investments as well as certain types of commercial paper, money market accounts and investment agreements.

In January 1999, the Agency entered into a Flexible Draw Investment Agreement between the Agency, a commercial entity, and the Bond Trustee, which provides for the investment of certain restricted funds until the maturity date of the bonds. The Agency has obtained a financial guaranty insurance policy, which provides for payment of amounts due under the agreement, if not made when due.

As of December 31, 2017, the Agency had cash deposited in various banks aggregating approximately \$250,000, which is classified as Custodial Credit Risk Category 1, the lowest risk, as defined by GASB, as insured by the FDIC or collateralized with securities held by the entity's agent in the entity's name. As of December 31, 2017, the Agency had additional cash and cash equivalents and investments of \$5,836,534 in various accounts, which are not covered by FDIC. The cash balances are collateralized with securities held by the counter party's trust department or agent in the entity's name and the investments are held by the counter party's trust department in

the entity's name which are considered Custodial Credit Risk Category 2, as defined by the GASB.

Cash, cash equivalents and investments are as follows at December 31, 2017:

Bank balance	\$ 2,660,556
U.S. Government money market	<u>3,175,978</u>
Total custodial credit risk Category 2	<u>\$ 5,836,534</u>

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

Restricted Cash and Investments—In accordance with the terms of the general bond resolution, bond and note proceeds, accrued interest receivable, the initial collection of tipping fees and energy revenues, and investments are administered and reported upon by a trustee on behalf of the Agency and are restricted.

The Debt Service Reserve Funds are funded in an amount equal to the greater of any annual principal and interest or sinking fund payments, but limited to 10% of the original principal amount of the 2007 Series bonds. The Reserve and Contingency Fund is funded in an amount at least equal to 10% of the debt service payments required for the current year. However, since these funds are not anticipated to be used in the subsequent year, they have been classified as restricted noncurrent assets in the statement of net position.

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1st bond principal and interest payments, amounted to \$2,603,005 at December 31, 2017, and are included in restricted cash.

Restricted assets as of December 31, 2017 are summarized as follows:

Current restricted assets	
Series 2017	\$ 1,278,038
Energy revenues and debt service funds	<u>1,324,967</u>
Total current restricted assets	<u>\$ 2,603,005</u>
Noncurrent restricted assets	
Series 2017	\$ 1,897,940
Total noncurrent restricted cash and investments	<u>1,897,940</u>
Total restricted cash and investments	<u>\$ 4,500,945</u>

iii) Dutchess County Water and Wastewater Authority

Cash, Cash Equivalents and Investments—State statutes authorized the Authority to maintain deposits with financial institutions and to invest in certificates of deposits, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

In addition, the Authority, through the General Bond Resolution adopted June 1, 1998, is authorized to invest funds held under the Resolution in “Qualified Investments”. Qualified Investments include the above-described investments as well as certain types of commercial paper, money market accounts and investment agreements.

Cash deposits are secured by collateral valued at market or par, whichever is lower, less the amount of FDIC insurance. The Authority's deposits are categorized below to give an indication of the level or risk assumed by the Authority.

1. Insured or collateralized with securities held by the Authority or by its agent in the Authority's name;
2. Collateralized with securities held by the pledging institution's trust department or agent in the Authority's name;
3. Uncollateralized.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Authority or its agent in the Authority's name; included in Category 1 are funds invested in the securities of the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations; or,
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Authority's name; or,
3. Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent, but not in the Authority's name.

Cash, cash equivalents and investments (tier 1) by category are as follows as of December 31, 2017:

Cash in banks	<u>\$ 3,540,337</u>
Investments:	
Money market funds	\$ 1,479,974
U.S. Treasury bills and notes	<u>1,874,104</u>
Total investments	<u>\$ 3,354,078</u>

At December 31, 2017, the Authority maintained \$3,604,462 in unspent bond anticipation notes proceeds held by New York State Environmental Facilities Corporation for improvements to the Chelsea Cove wastewater treatment plant and the Valley Dale sewer district wastewater treatment plant.

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

Restricted Cash and Investments—The restricted cash and investments of the Authority consist of unexpended bond and note proceeds, which are invested in cash funds and investments under the control of bank trustees. These assets are restricted in use by bond covenants as described below as of December 31, 2017:

Construction reserve funds	\$ 357,903
Debt service sinking funds	556
Debt service reserve funds	<u>595,844</u>
Current restricted funds	<u>954,303</u>
Debt service reserve funds noncurrent	<u>2,399,775</u>
Total restricted funds	<u>\$ 3,354,078</u>

The Debt Service Reserve funds are funded in an amount equal to an amount which is the lesser of, the maximum annual debt service required under the bond resolutions, 125% of the average annual debt service required by certain bond resolutions or the maximum amount that may be held in the Debt Service Reserve Fund without adversely affecting the tax-exempt status of bond series intended to be tax-exempt, currently 10% of the original issue amount. Since these reserves are not anticipated to be used in the subsequent year, they have been classified as restricted noncurrent assets on the statement of net position. Interest earnings on these reserves have been classified as current, as they are available to pay current debt.

4. RECEIVABLES

Taxes Receivable—Represents amounts due from County taxpayers that remain unpaid. At December 31, 2017, the County recorded \$41,662,854 related to taxes receivable. These amounts are reported net of an allowance for uncollectible taxes provisions of \$7,712,468.

Accounts Receivable—Represents amounts due from various sources. The County’s accounts receivable at December 31, 2017 is presented below.

Governmental funds:	
General Fund	\$ 5,671,820
Less: allowance for doubtful accounts	(731,936)
Capital Projects Fund	200,000
Nonmajor governmental funds	<u>8,857</u>
Total	<u>\$ 5,148,741</u>
Proprietary funds:	
Airport Fund	\$ 249,613
Transportation Fund	15,394
Dutchess County LDC	<u>156,613</u>
Total	<u>\$ 421,620</u>
Fiduciary funds:	
Agency Fund	<u>\$ 526,612</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State or other local governments. Amounts are net of related advances from New York State. Intergovernmental receivables at December 31, 2017 are as shown below:

Governmental funds:		
General Fund:		
Due from state and federal	\$ 37,806,284	
Other	<u>716,395</u>	\$ 38,522,679
Capital Projects Fund:		
Due from state and federal		7,859,578
Nonmajor governmental funds:		
Due from state and federal		<u>1,940,915</u>
Total		<u>\$ 48,323,172</u>
Proprietary funds:		
Airport Fund:		
Due from state and federal		\$ 137,053
Transportation Fund:		
Due from state and federal	\$ 2,802,849	
Other	<u>74,019</u>	<u>2,876,868</u>
Total		<u>\$ 3,013,921</u>

A. Discretely presented component units

i) Dutchess Community College

Significant receivables include amounts due from grants, pledges and students for fees and tuitions. These receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated and recorded based on the College's historical bad debt experience and management's judgment. At August 31, 2017, the College reported total accounts receivable of \$6,902,667.

ii) Dutchess County Resource Recovery Agency

The Agency records accounts receivable of \$1,504,672, which are reported net of an allowance for uncollectible accounts of \$15,000.

iii) Dutchess County Water and Wastewater Authority

Significant receivables represent outstanding user fees, which total \$2,411,423 at December 31, 2017. The Authority has an agreement with Dutchess County that provides for collection of outstanding user fees through the real property tax levy. Therefore, the Authority has not established an allowance for uncollectible accounts.

5. CAPITAL ASSETS

Governmental activities—Capital asset activity for the primary government’s governmental activities for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 12,136,559	\$ 304,382	\$ -	\$ 12,440,941
Right of way and easements	14,040,718	405,628	119,644	14,326,702
Construction in progress	<u>15,737,952</u>	<u>30,348,541</u>	<u>29,270,102</u>	<u>16,816,391</u>
Total capital assets, not being depreciated	<u>41,915,229</u>	<u>31,058,551</u>	<u>29,389,746</u>	<u>43,584,034</u>
Capital assets, being depreciated:				
Infrastructure	229,625,412	16,189,669	-	245,815,081
Buildings and building improvements	151,072,973	9,445,751	-	160,518,724
Improvements other than buildings	4,420,495	1,406,243	-	5,826,738
Machinery and equipment	<u>62,449,403</u>	<u>2,700,280</u>	<u>905,115</u>	<u>64,244,568</u>
Total capital assets, being depreciated	<u>447,568,283</u>	<u>29,741,943</u>	<u>905,115</u>	<u>476,405,111</u>
Less accumulated depreciation for:				
Infrastructure	142,253,934	10,041,560	-	152,295,494
Buildings and building improvements	105,196,769	5,349,733	-	110,546,502
Improvements other than buildings	862,081	1,196,062	-	2,058,143
Machinery and equipment	<u>47,515,750</u>	<u>3,282,161</u>	<u>892,365</u>	<u>49,905,546</u>
Total accumulated depreciation	<u>295,828,534</u>	<u>19,869,516</u>	<u>892,365</u>	<u>314,805,685</u>
Total capital assets, being depreciated, net	<u>151,739,749</u>	<u>9,872,427</u>	<u>12,750</u>	<u>161,599,426</u>
Governmental activities capital assets, net	<u>\$ 193,654,978</u>	<u>\$ 40,930,978</u>	<u>\$ 29,402,496</u>	<u>\$ 205,183,460</u>

Depreciation expense for governmental activities was charged to functions and programs of the primary government as follows:

General government support	\$ 5,928,254
Public safety	2,081,096
Public health	68,765
Transportation	9,006,087
Economic assistance and opportunity	508,241
Culture and recreation	2,265,615
Home and community services	<u>11,458</u>
Total governmental activities	<u>\$ 19,869,516</u>

Business-type activities—Capital asset activity for the primary government’s business-type activities (Enterprise Funds) for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017 (as restated)	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 3,385,364	\$ -	\$ -	\$ 3,385,364
Construction in progress	120,611	4,851,719	4,227,213	745,117
Total capital assets, not being depreciated	<u>3,505,975</u>	<u>4,851,719</u>	<u>4,227,213</u>	<u>4,130,481</u>
Capital assets, being depreciated:				
Infrastructure	32,828,376	-	-	32,828,376
Buildings and building improvements	13,550,076	15,000	-	13,565,076
Machinery and equipment	18,714,005	4,166,327	103,733	22,776,599
Total capital assets, being depreciated	<u>65,092,457</u>	<u>4,181,327</u>	<u>103,733</u>	<u>69,170,051</u>
Less accumulated depreciation for:				
Infrastructure	20,127,019	1,645,209	-	21,772,228
Buildings and building improvements	9,741,309	426,762	-	10,168,071
Machinery and equipment	10,719,707	2,428,275	47,583	13,100,399
Total accumulated depreciation	<u>40,588,035</u>	<u>4,500,246</u>	<u>47,583</u>	<u>45,040,698</u>
Total capital assets, being depreciated, net	<u>24,504,422</u>	<u>(318,919)</u>	<u>56,150</u>	<u>24,129,353</u>
Business-type activities capital assets, net	<u>\$ 28,010,397</u>	<u>\$ 4,532,800</u>	<u>\$ 4,283,363</u>	<u>\$ 28,259,834</u>

Depreciation expense for business-type activities was charged to functions and programs of the primary government as follows:

Airport	\$ 1,630,101
Transportation	2,855,404
Dutchess County LDC	<u>14,741</u>
Total business-type activities	<u>\$ 4,500,246</u>

A. Discretely presented component units

i) Dutchess Community College

Capital asset activity for the Dutchess Community College for the year ended August 31, 2017 is presented below:

	Balance 9/1/2016	Increases	Decreases	Balance 8/31/2017
Capital assets, not being depreciated:				
Land	\$ 1,151,144	\$ -	\$ -	\$ 1,151,144
Construction in progress	44,261	-	-	44,261
Total capital assets, not being depreciated	<u>1,195,405</u>	<u>-</u>	<u>-</u>	<u>1,195,405</u>
Capital assets, being depreciated:				
Building and improvements	86,730,617	351,484	-	87,082,101
Furniture and equipment	8,612,316	405,242	56,515	8,961,043
Total capital assets, being depreciated	<u>95,342,933</u>	<u>756,726</u>	<u>56,515</u>	<u>96,043,144</u>
Less: Accumulated depreciation	<u>47,311,447</u>	<u>2,354,546</u>	<u>56,515</u>	<u>49,609,478</u>
Total capital assets, being depreciated, net	<u>48,031,486</u>	<u>(1,597,820)</u>	<u>-</u>	<u>46,433,666</u>
Total capital assets, net	<u>\$ 49,226,891</u>	<u>\$ (1,597,820)</u>	<u>\$ -</u>	<u>\$ 47,629,071</u>

In addition to the College's capital assets, its component units, the Association and Foundation reported net capital assets of \$27,067,171 and \$0, respectively.

Assets under capital lease agreements at August 31, 2017 are as follows:

Cost basis	\$ 5,227,174
Accumulated depreciation	<u>(3,436,823)</u>
Total	<u>\$ 1,790,351</u>

Depreciation expense for the year ended August 31, 2017 was \$2,354,546 and amortization expense of \$53,168 for intangible assets for the year ended August 31, 2017, totaling \$2,407,714.

ii) Dutchess County Resource Recovery Agency

Capital asset activity for the Dutchess County Resource Recovery Agency for the year ended December 31, 2017 is presented below:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, being depreciated:				
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	63,774,179	-	-	63,774,179
Equipment	138,962	-	77,475	61,487
Total capital assets, being depreciated	<u>64,430,732</u>	<u>-</u>	<u>77,475</u>	<u>64,353,257</u>
Less: Accumulated depreciation	<u>44,357,759</u>	<u>1,847,046</u>	<u>77,475</u>	<u>46,127,330</u>
Total capital assets, net	<u>\$ 20,072,973</u>	<u>\$ (1,847,046)</u>	<u>\$ -</u>	<u>\$ 18,225,927</u>

iii) Dutchess County Water and Wastewater Authority

Capital asset activity for the Dutchess County Water and Wastewater Authority for the year ended December 31, 2017 is presented below:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 955,608	\$ -	\$ -	\$ 955,608
Construction in progress	6,690,713	3,884,593	1,501,200	9,074,106
Total capital assets, not being depreciated	<u>7,646,321</u>	<u>3,884,593</u>	<u>1,501,200</u>	<u>10,029,714</u>
Capital assets, being depreciated:				
Improvements	300,602	-	-	300,602
Buildings	16,146,129	1,334,108	-	17,480,237
Water system	55,612,557	-	-	55,612,557
Machinery and equipment	7,790,230	268,887	-	8,059,117
Sewage collection system	1,644,932	-	-	1,644,932
Total capital assets, being depreciated	<u>81,494,450</u>	<u>1,602,995</u>	<u>-</u>	<u>83,097,445</u>
Less: Accumulated depreciation	<u>27,069,487</u>	<u>2,193,810</u>	<u>-</u>	<u>29,263,297</u>
Total capital assets, being depreciated, net	<u>54,424,963</u>	<u>(590,815)</u>	<u>-</u>	<u>53,834,148</u>
Total capital assets, net	<u>\$ 62,071,284</u>	<u>\$ 3,293,778</u>	<u>\$ 1,501,200</u>	<u>\$ 63,863,862</u>

For the year ended December 31, 2017, depreciation was recorded in the amount of \$2,198,848, less amortization of deferred revenues associated with the Central Dutchess Water Transmission Line of \$591,110; which was put into service in 2007. The effect of netting these amounts resulted in \$1,602,700 in depreciation expense.

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at December 31, 2017, were as follows:

	Governmental Funds		
	General Fund	Nonmajor Governmental Funds	
		Total	
Salaries and employee benefits	\$ 2,555,987	\$ 173,268	\$ 2,729,255
Other	10,348	-	10,348
Total accrued liabilities	<u>\$ 2,566,335</u>	<u>\$ 173,268</u>	<u>\$ 2,739,603</u>
	Proprietary Funds		
	Airport	Transportation	Total
Salaries and employee benefits	\$ 10,856	\$ 1,842	\$ 12,698
Other	10,286	5,511	15,797
Total accrued liabilities	<u>\$ 21,142</u>	<u>\$ 7,353</u>	<u>\$ 28,495</u>

7. PENSION OBLIGATIONS

Plan Descriptions and Benefits Provided

Employees’ Retirement System—The County participates in the New York State and Local Employees’ Retirement System (“ERS”), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The system is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions—At December 31, 2017, the County reported the following liabilities for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2016, with update procedures used to roll forward the total net pension liabilities to the measurement date. The County’s proportion of the net pension liabilities were based on projections of the County’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the County.

	ERS	
	Governmental Activities	Business-type Activities
Measurement date	March 31, 2017	
Net pension liability	\$ 43,249,327	\$ 196,573
County's portion of the Plan's total net pension liability	0.4602844%	0.0020920%

For the year ended December 31, 2017, the County recognized pension expense of \$24,565,531 and \$111,654 for governmental activities and business-type activities, respectively. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

	ERS			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experiences	\$ 1,083,788	\$ 4,926	\$ 6,567,655	\$ 29,851
Changes of assumptions	14,775,554	67,157	-	-
Net difference between projected and actual earnings on pension plan investments	8,638,643	39,264	-	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	1,050,611	4,775	1,362,492	6,192
County contributions subsequent to the measurement date	13,368,908	65,216	-	-
Total	<u>\$ 38,917,504</u>	<u>\$ 181,338</u>	<u>\$ 7,930,147</u>	<u>\$ 36,043</u>

County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	ERS	
	Governmental Activities	Business-type Activities
2018	\$ 7,977,751	\$ 36,062
2019	7,977,751	36,062
2020	7,355,473	33,249
2021	(5,692,526)	(25,294)

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010 - March 31, 2015
Inflation date	2.50%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term 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 by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2017	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the 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/(asset).

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart on the following page presents the County’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the County’s proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental activities:			
Employer's proportionate share of the net pension liability/(asset)	\$ 138,133,190	\$ 43,249,327	\$ (36,972,831)
Business-type activities:			
Employer's proportionate share of the net pension liability/(asset)	\$ 624,409	\$ 196,573	\$ (167,130)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation date, was as follows:

	(Dollars in Thousands)
	ERS
Valuation date	April 1, 2016
Employers' total pension liability	\$ 177,400,586
Plan fiduciary net position	<u>168,004,363</u>
Employers' net pension liability	<u>\$ 9,396,223</u>
System fiduciary net position as a percentage of total pension liability	94.7%

A. Discretely presented component units

i) Dutchess Community College

Plan Description and Benefits Provided

Employees' Retirement System—The College participates in the ERS. The plan description is the same as disclosed previously within this footnote.

Teachers' Retirement System—The College participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law ("NYSRSSL"). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS' website at www.nystrs.org.

Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute three percent (3.0%) to three and one half percent (3.5%) of their annual salary. Employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At August 31, 2017, the College reported the following liabilities for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and June 30, 2017 for TRS. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of April 1, 2016 for ERS and June 30, 2017 for TRS. The College's proportion of the net pension liability was based on a projection of the College's long-term share

of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS and TRS in reports provided to the College.

	TRS	ERS
	June 30, 2017	March 31, 2017
Measurement date		
Net pension (asset) liability	\$ (276,607)	\$ 4,093,109
The College's portion of the Plan's total net pension liability	0.0363910%	0.0435610%

For the year ended August 31, 2017, the College recognized pension expense of \$652,657 and \$2,232,402 for TRS and ERS, respectively. At August 31, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown below:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences of economic and demographic assumptions	\$ 227,579	\$ 102,569	\$ 107,846	\$ 621,562
Changes in assumptions	2,814,529	1,398,356	-	-
Net difference between projected and actual earnings on pension plan investments	-	817,560	651,489	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	-	99,430	252,415	128,946
College contributions subsequent to the measurement date	<u>97,958</u>	<u>681,527</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,140,066</u>	<u>\$ 3,099,442</u>	<u>\$ 1,011,750</u>	<u>\$ 750,508</u>

The College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2018. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to ERS and TRS will be recognized as pension expense as follows:

Year Ending August 31,	TRS	ERS
2018	\$ 18,089	\$ 754,994
2019	698,718	754,994
2020	486,954	696,104
2021	86,365	(538,685)
2022	485,404	-
Thereafter	254,828	-

Actuarial Assumptions—The pension liability as of the measurement date was determined by using an actuarial valuation date as noted below with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2017
Actuarial valuation date	June 30, 2016	April 1, 2016
Interest rate	7.25%	7.00%
Salary scale	1.90%-4.72%	3.80%
Decrement tables	July 1, 2009 - June 30, 2014	April 1, 2010 - March 31, 2015
Inflation rate	2.5%	2.5%

For ERS, the long-term rate of return on pension plan investments is the same as disclosed within the County’s footnote.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. The actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standards of Practice (“ASOP”) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2017	March 31, 2017
Measurement date				
Asset class:				
Domestic equities	35.0 %	36.0 %	5.9 %	4.6 %
International equities	18.0	14.0	7.4	6.3
Private equity	8.0	10.0	9.0	7.8
Real estate	11.0	10.0	4.3	5.8
Absolute return strategies	19.0	2.0	6.8	4.0
Opportunistic portfolio	0.0	3.0	0.0	5.9
Real assets	0.0	3.0	0.0	5.5
Bonds and mortgages	8.0	17.0	2.8	1.3
Cash	1.0	1.0	6.0	(0.3)
Inflation-indexed bonds	0.0	4.0	0.0	1.5
Total	100.0 %	100.0 %		

Discount Rate— The discount rate used to calculate the total pension liabilities was 7.25% for TRS and 7.0% for ERS. 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 the 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/(asset).

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the College’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the College’s proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.25% for TRS and 6.0% for ERS) or one percentage-point higher (8.25% for TRS and 8.0% for ERS) than the current assumption.

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ 4,765,117	\$ (276,607)	\$ (4,498,800)
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
Employer's proportionate share of the net pension liability/(asset)	\$ 13,072,578	\$ 4,093,109	\$ (3,499,016)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Measurement date	June 30, 2017	March 31, 2017	
Employers' total pension liability	\$ 114,708,261	\$ 177,400,586	\$ 292,108,847
Plan fiduciary net position	115,468,360	168,004,363	283,472,723
Employers' net pension liability/(asset)	\$ (760,099)	\$ 9,396,223	\$ 8,636,124
System fiduciary net position as a percentage of total pension liability	100.7%	94.7%	97.0%

ii) Dutchess County Resource Recovery Agency

The Agency participates in the ERS.

Plan Description and Benefits Provided—The plan description is the same as disclosed within the County’s footnote.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2017, the Agency reported a liability of \$22,726 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency’s proportion of the net pension liability was based on a projection of the Agency’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2017, the Agency’s proportion was 0.0002419 percent of the ERS liability.

For the year ended December 31, 2017, the Agency recognized pension expense of \$31,678. At December 31, 2017, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experiences	\$ 569	\$ 3,451
Changes in assumptions	7,764	-
Net difference between projected and actual earnings on pension plan investments	4,539	-
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	62,761	8,407
Agency contributions subsequent to the measurement date	26,030	-
Total	<u>\$ 101,663</u>	<u>\$ 11,858</u>

Deferred outflows of resources and deferred inflows of resources related to pensions resulting from the Agency’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. 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 Ending December 31,	ERS
2018	\$ 22,962
2019	22,962
2020	16,430
2021	1,421

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart represents the Agency’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the Agency’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability—ERS	\$ 72,583	\$ 22,726	\$ (19,428)

The actuarial assumptions, asset allocations and pension plan fiduciary net position are the same as those disclosed for the System within the County's portion of the footnote.

iii) Dutchess County Water and Wasterwater Authority

The Authority participates in the ERS.

Plan Description and Benefits Provided—The plan description is the same as disclosed within the County's footnote.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2017, the Authority reported a liability of \$430,891 for its proportionate share of the net pension liability. At March 31, 2017, the Authority's proportion was 0.0045858 percent of the ERS liability.

For the year ended December 31, 2017, the Authority recognized pension expense of \$278,443. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experiences	\$ 10,798	\$ 65,433
Changes in assumptions	147,208	-
Net difference between projected and actual earnings on pension plan investments	86,066	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	97,198	-
Authority contributions subsequent to the measurement date	242,033	-
Total	<u>\$ 583,303</u>	<u>\$ 65,433</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. 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,	ERS
2018	\$ 113,177
2019	113,177
2020	97,264
2021	(47,781)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below represents the Authority’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the Authority’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability—ERS	\$ 1,376,183	\$ 430,891	\$ (368,350)

The actuarial assumptions, asset allocations and pension plan fiduciary net position are the same as those disclosed for the System within the County’s portion of the footnote.

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—Dutchess County Retiree Medical Program is a single-employer defined benefit healthcare plan administered by the New York State Employee Retirement System. The County provides certain health care benefits for retired employees including employees at the Airport and one employee at Mass Transit (enterprise funds). The various collective bargaining agreements stipulate the employees covered and the percentage of contribution.

Funding Policy—Contributions by the primary government may vary according to length of service. Substantially all employees may become eligible for those benefits if they reach normal retirement age and length of service requirement while working for these entities. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid within the governmental funds.

The County’s annual OPEB cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Participating employees and active plan members are required to contribute to the plan at rates expressed as percentages of the payroll of active plan members. The percentage that is contributed is determined by the class of employee and their adjusted benefit date. For management employees their rate is either 2.5%, 7.5%, 10%, or 15% based on if their adjusted benefit dates are prior to July 1, 1979, on or after July 1, 1979 through December 31, 2010, or after January 1, 2011. For DCSEA employees their rate is either 5%, 15%, or 20% based on if their adjusted benefit dates are prior to July 1, 1979, prior to January 1, 2007 or after January 1, 2007, respectively. CSEA employees have no contribution, a 15% contribution or a 20% contribution if their adjusted benefit dates are prior to November 1, 1979, between November 1, 1979 and January 1, 2004 or after January 1, 2004, respectively. For PBA employees there is no contribution or a 20% contribution if their adjusted benefit date is prior to November 1, 1979 or after November 1, 1979, respectively.

The following tables show the components of the County's annual OPEB cost for the past three years, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

	Year Ended December 31, 2017			
	Governmental	Business-type Activities		Total
	Activities	Airport	Transportation	
Annual required contribution ("ARC")	\$ 29,739,155	\$ 120,498	\$ -	\$ 29,859,653
Interest on net OPEB obligation	6,524,619	47,924	856	6,573,399
Adjustment to ARC	<u>(6,660,085)</u>	<u>(48,919)</u>	<u>(874)</u>	<u>(6,709,878)</u>
Annual OPEB cost (expense)	29,603,689	119,503	(18)	29,723,174
Contributions made	<u>(8,577,106)</u>	<u>(648)</u>	<u>-</u>	<u>(8,577,754)</u>
Increase (decrease) in net OPEB obligation	21,026,583	118,855	(18)	21,145,420
Net OPEB obligation—beginning	<u>186,417,690</u>	<u>1,369,259</u>	<u>24,456</u>	<u>187,811,405</u>
Net OPEB obligation—ending	<u>\$ 207,444,273</u>	<u>\$ 1,488,114</u>	<u>\$ 24,438</u>	<u>\$ 208,956,825</u>
Percentage of ARC contributed	28.8%	0.5%	0.0%	28.7%
	Year Ended December 31, 2016			
	Governmental	Business-type Activities		Total
	Activities	Airport	Transportation	
Annual required contribution ("ARC")	\$ 23,026,034	\$ 141,862	\$ -	\$ 23,167,896
Interest on net OPEB obligation	1,691,080	12,326	244	1,703,650
Adjustment to ARC	<u>(6,655,890)</u>	<u>(48,514)</u>	<u>(962)</u>	<u>(6,705,366)</u>
Annual OPEB cost (expense)	18,061,224	105,674	(718)	18,166,180
Contributions made	<u>(5,824,738)</u>	<u>(5,990)</u>	<u>-</u>	<u>(5,830,728)</u>
Increase (decrease) in net OPEB obligation	12,236,486	99,684	(718)	12,335,452
Net OPEB obligation—beginning	<u>174,181,204</u>	<u>1,269,575</u>	<u>25,174</u>	<u>175,475,953</u>
Net OPEB obligation—ending	<u>\$ 186,417,690</u>	<u>\$ 1,369,259</u>	<u>\$ 24,456</u>	<u>\$ 187,811,405</u>
Percentage of ARC contributed	25.3%	4.2%	0.0%	25.2%
	Year Ended December 31, 2015			
	Governmental	Business-type Activities		Total
	Activities	Airport	Transportation	
Annual required contribution ("ARC")	\$ 21,899,371	\$ 133,367	\$ -	\$ 22,032,738
Interest on net OPEB obligation	6,286,843	45,437	1,005	6,333,285
Adjustment to ARC	<u>(6,005,891)</u>	<u>(43,406)</u>	<u>(960)</u>	<u>(6,050,257)</u>
Annual OPEB cost (expense)	22,180,323	135,398	45	22,315,766
Contributions made	<u>(5,170,205)</u>	<u>(1,747)</u>	<u>-</u>	<u>(5,171,952)</u>
Increase in net OPEB obligation	17,010,118	133,651	45	17,143,814
Net OPEB obligation—beginning	<u>157,171,086</u>	<u>1,135,924</u>	<u>25,129</u>	<u>158,332,139</u>
Net OPEB obligation—ending	<u>\$ 174,181,204</u>	<u>\$ 1,269,575</u>	<u>\$ 25,174</u>	<u>\$ 175,475,953</u>
Percentage of ARC contributed	23.6%	1.3%	0.0%	23.5%

Funding Status and Funding Progress—As of December 31, 2017, calculations were based on plan data as of January 1, 2017 and financial data as of December 31, 2017. The actuarial accrued liability for benefits was \$378,985,127 and \$1,386,893 for governmental activities and business-type activities, respectively, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the fair 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 trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The County’s primary government schedule of contributions for the most recent three years is shown below:

Total Primary Government				
Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 29,723,174	\$ 8,577,754	28.9%	\$ 208,956,825
2016	18,166,180	5,830,728	32.1%	187,811,405
2015	22,315,766	5,171,952	23.2%	175,475,953
Governmental Activities				
Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 29,603,689	\$ 8,577,106	29.0%	\$ 207,444,273
2016	18,061,224	5,824,738	32.2%	186,417,690
2015	22,180,323	5,170,205	23.3%	174,181,204
Business-type Activities—Airport				
Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 119,503	\$ 648	0.5%	\$ 1,488,114
2016	105,674	5,990	5.7%	1,369,259
2015	135,398	1,747	1.3%	1,269,575
Business-type Activities—Transportation				
Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ (18)	\$ -	0.0%	\$ 24,438
2016	(718)	-	0.0%	24,456
2015	45	-	0.0%	25,174

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under terms of the substantive plan (the plan as understood by the employer and plan members) at the time of valuation and on the pattern of cost sharing between employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of January 1, 2017 and measurement date of December 31, 2017. The RPH-2014 Mortality Tables for males and females was used for mortality rates. The valuation uses a discount rate of 3.5%. The rates of decrement due to retirement is based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service’s actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation. The Retiree Health Plan’s unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over thirty years, therefore the remaining amortization period at December 31, 2017, was twenty-one years.

A. Discretely presented component units

i) Dutchess Community College

In addition to providing pension benefits, the College provides certain healthcare benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the College may vary according to length of service. The cost of providing postemployment health care benefits is shared between the College and the retired employee. Substantially all of the College’s employees may become eligible for those benefits if they reach normal retirement age while working for the College.

The College’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution, (“ARC”), an amount actuarially determined in accordance with the parameters of GASB which establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees’ medical insurance. As a result, reporting of expenses and liabilities will no longer be accounted for under the “pay-as-you-go” approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a “normal cost”, an “actuarial accrued liability”, and ultimately the annual required contribution ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The amortization basis is the level dollar of payroll method with an open amortization approach, with twenty-one years remaining in the amortization period. The actuarial assumptions included a 3.5% investment return. The College currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the unit credit method.

	Year Ended August 31,		
	2017	2016	2015
Annual required contribution ("ARC")	\$ 7,753,805	\$ 7,312,879	\$ 6,892,107
Interest on net OPEB Obligation	2,181,099	2,303,912	2,116,796
Adjustment to ARC	<u>(3,273,686)</u>	<u>(3,166,558)</u>	<u>(2,942,656)</u>
Annual OPEB cost (expense)	6,661,218	6,450,233	6,066,247
Contributions made	<u>(2,149,979)</u>	<u>(1,694,683)</u>	<u>(1,424,562)</u>
Increase in net OPEB obligation	4,511,239	4,755,550	4,641,685
Net OPEB obligation—beginning	<u>62,317,126</u>	<u>57,561,576</u>	<u>52,919,891</u>
Net OPEB obligation—ending	<u>\$ 66,828,365</u>	<u>\$ 62,317,126</u>	<u>\$ 57,561,576</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Year Ended, August 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 6,661,218	32.28%	\$ 66,828,365
2016	6,450,233	26.27%	62,317,126
2015	6,066,247	23.48%	57,561,576

The projection of benefits is based on the types of benefits provided under the substantive Plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members of the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

ii) Dutchess County Resource Recovery Agency

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Agency recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows.

Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The postemployment benefits liability as of December 31, 2017 is \$679,557.

iii) Dutchess County Water and Wastewater Authority

From an accrual accounting perspective, the cost of other postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Agency recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows.

Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The postemployment benefits liability as of December 31, 2017 is \$1,747,807.

9. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

As of October 1, 1997 the New York State Deferred Compensation Board (the "Board") created a Trust and Custody agreement making Chase Manhattan Bank the Trustee and Custodian of the Plan. Since the Board is no longer the trustee of the plan, the plan no longer meets the criteria for inclusion in New York State's financial statements. Municipalities which participate in New York State's Deferred Compensation Plan are no longer required to record the value of the plan assets.

At December 31, 2017, the market value, as reported by the New York State Deferred Compensation Plan, of the plan assets totaled \$159,188,806.

10. RISK MANAGEMENT

The County is exposed to various risks of loss related to property damage and destruction of assets, vehicle liability, injuries to employees, and unemployment insurance. The County purchases commercial insurance to cover such potential risks. The County purchases insurance for general liability, property, automobile, building, law enforcement, crime, airport, public entity management, employment related practices liability, foster care liability and owners and contractors protective (OCP Liability) and medical malpractice coverage. The general liability insurance is limited to \$1 million per occurrence and an aggregate \$2 million limit. All other policies have limits ranging from \$1 million to \$20 million. The County has not incurred claims over the respective coverage limits in any of the last three fiscal years.

The Dutchess County Self-Insured Workers' Compensation Plan (the "Plan") was organized in 1980 to provide a program of workers' compensation coverage for its member organizations. All political subdivisions in the County are eligible to participate. The Plan's general objectives are to formulate, develop, and administer, on behalf of the member political subdivisions, a program of workers' compensation insurance and to develop a comprehensive loss control program. Plan members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities but would remain responsible for their individual liabilities, which would include their estimated claims and related administrative obligations. A Plan member would also be responsible for its individual liabilities if it were to withdraw from the Plan. Plan members currently include one city, nine towns, three villages, Dutchess Community College, Dutchess County Resource Recovery Agency and Dutchess County. The County is the predominant participant in the workers' compensation risk pool and, therefore, the activity of the Plan is recorded in the County's General Fund.

The Plan maintains insurance coverage for claims in excess of \$1,100,000. The County estimates \$1,000,000 related to general claims against the County which is recorded within governmental activities long-term liabilities at December 31, 2017.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following information supplied by the Plan Administrator represents changes in those aggregate liabilities for the Plan during the past two years:

Year Ended December 31,	Liability, Beginning of Year	Claims and Adjustments	Claim Payments and Adjustments	Liability, End of Year
2017	\$ 26,904,529	\$ 6,167,340	\$ 3,617,622	\$ 29,454,247
2016	25,503,283	4,589,445	3,188,199	26,904,529

The financial information for the self-insurance plan is reported on the modified accrual basis within the General Fund. The liability for workers' compensation claims payable is recorded within governmental activities long-term liabilities at December 31, 2017.

11. LEASES

Operating Leases—The County's leases buildings, equipment and office space under non-cancelable operating leases. Total costs for such leases were \$4,515,057 and \$57,540 for governmental activities and business-type activities, respectively, for the year ended December 31, 2017. Future minimum lease payments at December 31, 2017 are presented below:

Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2018	\$ 3,412,086	\$ 59,266	\$ 3,471,352
2019	1,574,048	61,044	1,635,092
2020	1,022,235	62,876	1,085,111
Total	<u>\$ 6,008,369</u>	<u>\$ 183,186</u>	<u>\$ 6,191,555</u>

A. Discretely presented component units:

i) Dutchess Community College

Capital Lease—The College has entered into an installment purchase agreement for equipment. The agreements provide that payments for any future fiscal period will not be required should funding not be appropriated. Interest on the purchase agreement is 4.2%. The future minimum payments required under the lease as of August 31, 2017 are presented below:

Year Ending August 31,	Principal	Interest
2018	\$ 237,005	\$ 61,427
2019	247,695	50,698
2020	258,868	39,483
2021	270,545	27,764
2022	282,748	15,515
Thereafter	<u>220,399</u>	<u>3,268</u>
Total	<u>\$ 1,517,260</u>	<u>\$ 198,155</u>

Interest expense related to capital lease obligations was approximately \$71,693 in 2017.

In addition to the College, its component unit the Association entered into a capital lease agreement to finance the purchase of geothermal pumps used to heat the student resident halls. Interest on the capital lease is 3.9% and the outstanding balance on the lease is \$297,402.

Operating Leases—The College leases buildings for use in its operations under operating lease agreements which expire at various times through August 2018. The agreements require the following minimum future annual lease payments as of August 31, 2017:

Year Ending August 31,	
2018	\$ <u>517,055</u>

Rental expense for 2017 was approximately \$721,236.

12. SHORT-TERM LIABILITIES

A. Discretely presented component units:

Dutchess County Water and Wastewater Authority

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of permanent financing, provided that annual reductions of principal are made. The following is a summary of the Authority’s short-term debt for the year ended December 31, 2017:

Description	Interest Rate	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
EFC BANs - Shore Haven water system *	0.00%	\$ 1,132,921	\$ 1,614,020	\$ 14,000	\$ 2,732,941

* Reclassified from long-term

13. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The County’s outstanding long-term liabilities include bonds payable, compensated absences, environmental clean up, workers’ compensation and general claims, other postemployment benefits (“OPEB”) obligation, and net pension liability,. A summary of changes in the County’s long-term liabilities for the year ended December 31, 2017 is presented on the following page.

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental activities:					
Bonds payable:					
Serial bonds	\$ 99,119,988	\$ 4,900,000	\$ 14,348,434	\$ 89,671,554	\$ 12,983,345
Premiums on serial bonds	7,867,858	43,139	709,895	7,201,102	712,052
DTASC tobacco settlement bonds	49,520,000	-	175,000	49,345,000	1,450,000
Premium on DTASC bonds	3,662,634	-	12,943	3,649,691	107,246
DTASC subordinate turbo CABs	5,496,235	382,939	-	5,879,174	-
Total bonds payable	165,666,715	5,326,078	15,246,272	155,746,521	15,252,643
Compensated absences	9,121,129	442,837	126,465	9,437,501	471,875
Environmental clean up	32,500	91,500	-	124,000	124,000
Workers' compensation and general claims	27,904,529	6,167,340	3,617,622	30,454,247	1,522,712
OPEB obligation	186,417,690	29,603,689	8,577,106	207,444,273	-
Net pension liability*	68,782,035	-	25,532,708	43,249,327	-
Total governmental activities	<u>\$ 457,924,598</u>	<u>\$ 41,631,444</u>	<u>\$ 53,100,173</u>	<u>\$ 446,455,869</u>	<u>\$ 17,371,230</u>
Business-type activities:					
Bonds payable:					
Airport bonds	\$ 1,225,527	\$ -	\$ 255,964	\$ 969,563	\$ 265,652
Transportation bonds	1,439,485	100,000	280,601	1,258,884	226,003
Total bonds payable	2,665,012	-	536,565	2,228,447	491,655
Compensated absences	41,079	6,357	8,171	39,265	1,963
OPEB obligation	1,393,715	119,485	648	1,512,552	-
Net pension liability*	333,416	-	136,843	196,573	-
Total business-type activities	<u>\$ 4,433,222</u>	<u>\$ 125,842</u>	<u>\$ 682,227</u>	<u>\$ 3,976,837</u>	<u>\$ 493,618</u>

*(Reductions to the net pension liability are shown net of additions.)

Serial Bonds—General obligation bonds of the County (not including the DTASC debt) are issued principally as serial bonds, which are due at various times through 2037. The bonds are issued primarily to finance acquisition or construction of capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. Principal and interest payments are included in the expenditures of the General Fund. The County has utilized 4.3% of its constitutional debt limit as of December 31, 2017.

On September 14, 2017, the County issued \$5,000,000 in public improvement serial bonds for various capital improvements and equipment purchases. The serial bonds were issued at a premium of \$43,139, carry an interest rate between 2.0 and 3.0 percent, and mature in March 2037.

A summary of additions and payments for the year ended December 31, 2017 is presented on the following page.

Description	Maturity Date	Interest Rate (%)	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017
Governmental activities:						
2006 Refunding	2018	4.00-5.00	\$ 420,000	\$ -	\$ 325,000	\$ 95,000
2007 Public Improvement	2028	4.00-5.00	1,500,000	-	1,500,000	-
2008 Public Improvement	2023	3.00-5.00	950,000	-	525,000	425,000
2009 Refunding Series A	2018	3.00-4.00	320,000	-	160,000	160,000
2009 Refunding Series B	2021	3.00-4.00	2,685,000	-	910,000	1,775,000
2010 Public Improvement	2025	2.00-4.00	9,004,120	-	1,196,754	7,807,366
2011 Public Improvement	2031	2.00-3.50	8,475,000	-	745,000	7,730,000
2011 Refunding	2022	2.00-5.00	1,198,139	-	470,087	728,052
2012 Public Improvement	2032	2.00-4.00	6,098,000	-	685,500	5,412,500
2013 Public Improvement	2033	2.00-4.13	3,529,000	-	481,000	3,048,000
2014 Public Improvement	2034	2.13-5.00	17,651,900	-	2,335,914	15,315,986
2015 Public Improvement	2035	2.00-5.00	24,316,000	-	2,963,000	21,353,000
2015 Refunding	2027	2.00-5.00	12,012,829	-	2,041,179	9,971,650
2016 Public Improvement	2028	3.00-4.00	10,960,000	-	10,000	10,950,000
2017 Public Improvement	2037	2.00-3.00	-	4,900,000	-	4,900,000
Total governmental activities			<u>\$99,119,988</u>	<u>\$ 4,900,000</u>	<u>\$14,348,434</u>	<u>\$89,671,554</u>
Business-type activities:						
2010 Public Improvement—Airport	2025	2.00-4.00	73,000	-	8,000	65,000
2010 Public Improvement—Transportation	2025	2.00-4.00	197,880	-	20,246	177,634
2011 Public Improvement—Transportation	2031	2.00-3.50	450,000	-	45,000	405,000
2011 Refunding—Airport	2022	2.00-5.00	281,861	-	59,912	221,949
2012 Public Improvement—Transportation	2032	2.00-4.00	72,000	-	64,500	7,500
2013 Public Improvement—Airport	2033	2.00-4.13	346,000	-	49,000	297,000
2014 Public Improvement—Airport	2034	2.13-5.00	28,100	-	9,086	19,014
2015 Public Improvement—Transportation	2035	2.00-5.00	489,000	-	122,000	367,000
2015 Refunding—Airport	2035	2.00-5.00	496,566	-	129,966	366,600
2015 Refunding—Transportation	2027	2.00-5.00	230,605	-	28,855	201,750
2017 Public Improvement	2037	2.00-3.00	-	100,000	-	100,000
Total business-type activities			<u>\$ 2,665,012</u>	<u>\$ 100,000</u>	<u>\$ 536,565</u>	<u>\$ 2,228,447</u>

DTASC Debt—In 2003, DTASC issued \$47,815,000 of the New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds, Series 2003 (“Series 2003 Term Bonds”) pursuant to an indenture dated as of December 18, 2003. The issue value of the bonds was \$45,912,363, net of a bond discount of \$1,902,637. Net proceeds were paid to the County for deposit to an escrow fund as a purchase from the County of all of the County’s right, title and interest, under the MSA and the Decree, including the Tobacco Settlement Revenues (“TSR”). On September 22, 2016, DTASC issued \$49,520,000 of Tobacco Settlement Asset Backed Refunding Bonds, Series 2016. The Series 2016 bonds and additional consideration received as a result of the refunding transaction were used to redeem or exchange all of DTASC’s Tobacco Settlement Asset Backed Bonds Series 2003 outstanding in the aggregate principal amount of \$22,250,000. As a result, the Series 2003 Term Bonds have been removed from the financial statements. Additionally, the Series 2016 Bonds’ proceeds were used to acquire by negotiated purchase the initial principal amount of outstanding NYCTT Subordinate Bonds component S4B attributable to DTASC, to cancel the related NYCTT Subordinate Bonds component S2, and redeem NYCTT Subordinate Bonds component S1 bonds.

On November 15, 2005, DTASC participated in New York Counties Tobacco Trust V (“NYCTT”), along with 23 other New York County Tobacco Corporations, and issued Tobacco Settlement Pass-Through Bonds—Subordinate Turbo CABs in various series for the purpose of securitizing additional future tobacco settlement revenues. The proceeds of these bonds, \$25,500,000 (after the deduction of \$736,279 in bond issuance and underwriter costs), were used to purchase tobacco settlement rights from the County. The issuance had four components and payments on the Subordinate Turbo CABs were subordinate to the Series 2003 Term Bonds. As a result of the Tobacco Asset Back Refunding Bonds, Series 2016 transaction as described below, only the Series 2005 S3 Subordinate Turbo CABs remain.

Changes in bonds payable for the year ended December 31, 2017 are presented as follows:

Description	Year of Maturity	Yield	Beginning Balance 1/1/2017	Additions	Deletions	Ending Balance 12/31/2017	Amount Due Within One Year
Tobacco Settlement Bonds:							
Series 2016	2035	various	\$ 49,520,000	\$ -	\$ 175,000	\$ 49,345,000	\$ 1,450,000
Plus: Bond premium			3,662,634	-	12,943	3,649,691	107,246
Net Tobacco Settlement Bonds			<u>\$ 53,182,634</u>	<u>\$ -</u>	<u>\$ 187,943</u>	<u>\$ 52,994,691</u>	<u>\$ 1,557,246</u>

DTASC debt service requirements based upon planned principal payments for Tobacco Settlement Bonds, Series 2016 are as follows:

Year ended December 31,	Principal	Interest	Total
2018	\$ 1,450,000	\$ 1,598,000	\$ 3,048,000
2019	1,185,000	2,518,950	3,703,950
2020	1,775,000	2,430,150	4,205,150
2021	1,885,000	2,320,350	4,205,350
2022	1,990,000	2,204,100	4,194,100
2023-2027	12,025,000	9,024,075	21,049,075
2028-2031	16,070,000	5,338,750	21,408,750
2033-2035	12,965,000	1,043,375	14,008,375
Total	<u>\$ 49,345,000</u>	<u>\$ 26,477,750</u>	<u>\$ 75,822,750</u>

Subordinate Turbo CABs—Interest on the Subordinate Turbo CABs is compounded semiannually on June 1 and December 1, but is not payable until bond maturity. Interest accretes until both principal and accreted interest are paid. Future interest accretion has been recorded as bond discount and amortized as the current interest accretes. The accreted interest on the Subordinate Turbo CABs is reflected within the Subordinate Turbo CABs payable liability.

A summary of the Subordinate Turbo CABs net bond balance activity for the year ended December 31, 2017 follows:

	Interest Rate	Beginning Balance 1/1/2017	Annual Net Interest Accretion	Reductions	Ending Balance 12/31/2017
Subordinate Turbo CABs	6.85%	<u>\$ 5,496,235</u>	<u>\$ 382,939</u>	<u>\$ -</u>	<u>\$ 5,879,174</u>

Redemption of the Subordinate Turbo CABs as outlined in the New York Counties Tobacco Trust VI Tobacco Settlement Pass-Through Bonds, Series 2016 official statement totals \$22,446,736 and is scheduled to be paid from 2035 to 2040, while early payment is allowed. During the year ended

December 31, 2017, DTASC did not make any redemption payments. Outstanding Subordinate Turbo CABs consist of one installment, Series 2005 S3.

Amortization of Bond Premiums and Discount—The County issued advanced refunding serial bonds which included a bond premium. The premiums are being amortized on a straight-line basis over the life of the bonds, with maturity dates ranging from 2021 to 2037. The total unamortized premium of the County as of December 31, 2017 was \$7,201,102. Additionally, DTASC issued Tobacco Settlement Asset Backed Refunding Bonds during the year which included a bond premium. The total unamortized premium of the DTASC as of December 31, 2017 was \$3,649,691.

Compensated Absences—As explained in Note 1, compensated absences are recorded in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and benefits. The payment of compensated absences is dependent on many factors and, therefore, cannot be reasonably estimated as to future timing of payment. The annual budgets of operating funds provide for such as amounts become payable. The values recorded at December 31, 2016 for governmental and business-type activities are \$9,437,501 and \$39,265, respectively.

Environmental Clean Up—The results of the County’s evaluation of its underground storage tank removal concluded with an estimate of \$124,000 liability being recorded in the governmental activities of the government-wide financial statements.

Workers’ Compensation and General Claims—As explained in Note 10, the County is self-insured. Liabilities are established for workers’ compensation and general claims in accordance with GASB requirements. At December 31, 2017, the County reported \$29,454,247 of workers’ compensation liability and \$1,000,000 as general claims. Estimated long-term contingent loss liabilities in the governmental fund types have been reported as long-term liabilities in the government-wide financial statements. The proprietary funds have no loss contingency liability other than workers’ compensation, which is only recognized when invoiced from the County.

OPEB Obligation—As explained in Note 8, the County provides medical, dental, and life insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The County’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The County’s long-term OPEB obligation is estimated to be \$207,444,273 and \$1,512,552 at December 31, 2017 for governmental and business-type activities, respectively.

Net Pension Liability—The County reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System. The net pension liability is estimated to be \$43,249,327 and \$196,573 in the governmental and business-type activities, respectively. Refer to Note 7 for additional information related to the County’s net pension liability.

The following is a maturity schedule of the County's indebtedness:

Governmental Activities						
Year ending December 31,	Serial Bonds	Premiums on Serial Bonds	DTASC Tobacco Settlement Bonds	Premium on DTASC Bonds	DTASC Subordinate Turbo CABs	
2018	\$ 12,983,345	\$ 712,052	\$ 1,450,000	\$ 107,246	\$ -	
2019	12,083,084	712,052	1,185,000	183,131	-	
2020	10,222,735	712,052	1,775,000	183,131	-	
2021	8,110,163	712,052	1,885,000	183,131	-	
2022	7,182,064	625,109	1,990,000	183,131	-	
2023-2027	25,407,663	2,124,785	12,025,000	915,655	-	
2028-2032	10,582,500	1,131,485	16,070,000	915,655	-	
2033-2037	3,100,000	471,515	12,965,000	978,611	-	
Thereafter	-	-	-	-	5,879,174	
Total	<u>\$ 89,671,554</u>	<u>\$ 7,201,102</u>	<u>\$ 49,345,000</u>	<u>\$ 3,649,691</u>	<u>\$ 5,879,174</u>	

Governmental Activities						
Year ending December 31,	Workers' Compensation and General Claims	OPEB	Net Pension Liability	Compensated Absences	Environmental Clean Up	Total
2018	\$ 1,522,712	\$ -	\$ -	\$ 471,875	\$ 124,000	\$ 17,371,230
2019	-	-	-	-	-	14,163,267
2020	-	-	-	-	-	12,892,918
2021	-	-	-	-	-	10,890,346
2022	-	-	-	-	-	9,980,304
2023-2027	-	-	-	-	-	40,473,103
2028-2032	-	-	-	-	-	28,699,640
2033-2037	-	-	-	-	-	17,515,126
Thereafter	28,931,535	207,444,273	43,249,327	8,965,626	-	294,469,935
Total	<u>\$ 30,454,247</u>	<u>\$ 207,444,273</u>	<u>\$ 43,249,327</u>	<u>\$ 9,437,501</u>	<u>\$ 124,000</u>	<u>\$ 446,455,869</u>

Business-type Activities						
Year ending December 31,	Airport Bonds	Transportation Bonds	OPEB	Net Pension Liability	Compensated Absences	Total
2018	\$ 265,652	\$ 226,003	\$ -	\$ -	\$ 1,963	\$ 493,618
2019	175,364	226,552	-	-	-	401,916
2020	154,401	227,865	-	-	-	382,266
2021	156,400	108,437	-	-	-	264,837
2022	140,746	102,190	-	-	-	242,936
2023-2027	77,000	365,337	-	-	-	442,337
2028-2032	-	2,500	-	-	-	2,500
Thereafter	-	-	1,512,552	196,573	37,302	1,746,427
Total	<u>\$ 969,563</u>	<u>\$ 1,258,884</u>	<u>\$ 1,512,552</u>	<u>\$ 196,573</u>	<u>\$ 39,265</u>	<u>\$ 3,976,837</u>

Interest requirements relating to bonds payable are as follows:

Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2018	\$ 3,074,927	\$ 80,558	\$ 3,155,485
2019	2,522,850	58,850	2,581,700
2020	2,049,008	42,917	2,091,925
2021	1,672,673	30,652	1,703,325
2022	1,350,413	22,306	1,372,719
2023-2027	3,821,591	42,856	3,864,447
2028-2032	1,164,045	168	1,164,213
2033-2037	150,734	-	150,734
Total	<u>\$ 15,806,241</u>	<u>\$ 278,307</u>	<u>\$ 16,084,548</u>

A. Discretely presented component units

i) Dutchess Community College

The following table summarizes changes in the College's long-term liabilities for the year ended August 31, 2017:

	Balance 9/1/2016	Additions	Reductions	Balance 8/31/2017	Due Within One Year
Capital lease obligations	\$ 1,744,036	\$ -	\$ 226,776	\$ 1,517,260	\$ 237,005
Compensated absences	2,638,008	486,829	264,000	2,860,837	286,000
Net pension liability	6,782,722	-	2,689,613	4,093,109	-
OPEB obligation	<u>62,317,126</u>	<u>6,661,218</u>	<u>2,149,979</u>	<u>66,828,365</u>	<u>-</u>
Total long-term liabilities	<u>\$ 73,481,892</u>	<u>\$ 7,148,047</u>	<u>\$ 5,330,368</u>	<u>\$ 75,299,571</u>	<u>\$ 523,005</u>

In addition to the College, its component unit, the Association reported a long-term mortgage payable and capital leases in the amounts of \$24,847,465 and \$297,402, respectively, as of August 31, 2017.

Capital Leases—As explained in Note 11, the College entered into an installment purchase agreement for equipment. At August 31, 2017, the future minimum lease obligation is \$1,517,260.

Compensated Absences—College recognizes a liability for vested sick leave and other compensated absences with similar characteristics to the extent it is probable that the College will compensate the employees for the benefits through cash payments at retirement rather than be taken as absences due to illness or other contingencies. The value recorded at August 31, 2017 for the College is \$2,860,837.

Net Pension Liability—The College reported a liability, \$4,093,109, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 7 for additional information related to the College's net pension liability.

OPEB Obligation—As explained in Note 8, the College provides medical, dental, and life insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The College's annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The College's long-term OPEB obligation is estimated to be \$66,828,365 at August 31, 2017.

ii) Dutchess County Resource Recovery Agency

Bonds Payable—In May 2017, the Agency issued \$12,130,000 in solid waste system revenue bonds with interest rates ranging from 3.0 percent to 5.0 percent. The proceeds were used to refund the outstanding principal of the Agency’s \$16,140,000 Solid Waste System Revenue Bonds, Series 2007, paying certain costs of issuance of the Series 2017 bonds, and funding of a debt service reserve fund. The net proceeds of the refunding, \$13,502,501, after payment of underwriting and other issuance costs, were used to purchase federal government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. The cash flow required to service the old debt was \$16,686,213, and the cash flow required to service the new debt is \$15,298,575, resulting in a savings of \$1,387,638.

In November 2007, the Agency issued the 2007 Series Bonds in the amount of \$16,140,000 to permanently finance the Agency’s plant improvements to be in compliance with the standards set forth by the U.S. Environmental Protection Agency (E.P.A.).

The 2007 Series Bonds are payable from and secured by an express lien on the unexpended proceeds of the bonds held by the Trustee; the Agency’s right to receive and/or enforce receipt of revenues; and the Agency’s rights and remedies under certain agreements. In addition, the Agency is required to fulfill certain covenants as described below.

The Agency has covenanted under the indenture that operating revenues earned from the disposal of solid waste at the plant plus investment earnings will equal or exceed the sum of (i) all operating expenses of the Agency contained in the budget for such bond year, (ii) an amount equal to 110% of the debt service requirement for such bond year and (iii) amounts, if any, necessary to fund the debt service reserve fund to the debt service reserve requirement or to fund the reserve and contingency fund to the reserve and contingency fund requirement.

Annual amortization and sinking fund requirements for bonds payable are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,170,000	\$ 555,400	\$ 1,725,400
2019	1,015,000	517,550	1,532,550
2020	1,055,000	470,875	1,525,875
2021	1,105,000	416,875	1,521,875
2022	1,165,000	360,125	1,525,125
2023-2027	<u>6,620,000</u>	<u>847,750</u>	<u>7,467,750</u>
Total	<u>\$ 12,130,000</u>	<u>\$ 3,168,575</u>	<u>\$ 15,298,575</u>

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as restricted assets, which are subject to minimum funding requirements. At December 31, 2017 these debt service reserves exceeded their funding requirements.

OPEB Obligation—As explained in Note 8, the Agency provides certain benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The Agency’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The Agency’s long-term OPEB obligation is estimated to be \$679,557 at December 31, 2017.

Net Pension Liability—As explained in Note 7, the Agency reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The net pension liability is estimated to be \$22,726.

Non-Performance Liability—The Agency was a defendant in a lawsuit regarding liabilities due to the former plant operator from the Agency. The matter was resolved to the mutual satisfaction of the former plant operator and the Agency in November 2017. At December 31, 2017, the Agency's non-performance liability is estimated to be \$1,250,000, of which \$400,000 is expected to be due within one year.

iii) Dutchess County Water and Wastewater Authority

Bond Anticipation Notes ("BANs")—In February 2017, the Authority authorized financing of \$3,752,144 with New York State Environmental Facilities Corporation maturing in February 2022. The purpose of the notes is to provide the Authority with funds to pay for improvements to the Pinebrook Sewer District wastewater treatment plant. As of December 31, 2017, the Authority reported a noncurrent BAN liability of \$147,682 for drawdowns as of that date.

Bonds Payable—The Authority issues revenue bonds to finance the acquisition of systems and the cost of the capital renovations to those systems and to pay costs of issuance.

As of June 1, 1995, the Authority executed a trust indenture authorizing the issuance of debt for the purpose of acquiring a sewage facility. This trust indenture was amended in 2007 to authorize debt issued for Part County Sewer Districts #1 and #2. One supplemental trust indenture was authorized under terms similar to those described in the General Bond Resolution described below for Part County Sewer District #2.

As of September 30, 1997, the Authority adopted a special bond resolution authorizing debt to be sold at private sale for the purpose of acquiring a privately held water system.

As of June 1, 1998 the Authority adopted a General Bond Resolution which enabled the Authority to issue additional debt pursuant to supplemental resolutions without having to modify the form or general terms of the debt, referred to as additional parity debt. The Authority has issued fifteen supplemental resolutions pursuant to this general bond resolution, authorizing debt issues in the years of 1998, 1999, 2000, 2001, 2004, two issues during 2002, 2008, 2009, 2010, 2011, 2013, 2014, two issues in 2015 and 2016.

As of August 1, 2004, the Authority adopted a general bond resolution pertaining to the Part County Sewer District No. 3, which enabled it to issue bonds to finance the purchase of Dalton Farms Sewer System.

Debt service requirements to maturity as of December 31, 2017 are presented on the following page.

Description	Maturity	Interest Rate (%)	Balance December 31, 2017
1998 Revenue Bonds (Zero Coupon) Series One	2029	3.90-5.40	\$ 3,817,818
2000 Service Agreement Revenue Bond Series 2000	2020	5.65	190,000
2001 Service Agreement Revenue (Refunding) Bond Series 2001	2041	3.00-5.36	1,123,410
2004 Water Service Agreement Revenue Bond Series 2004	2024	2.00-4.25	925,000
2004 Sewer Service Agreement Revenue Bond Series 2004	2024	2.00-4.25	980,000
2009 Water Service Agreement Revenue Bond Series 2009	2029	3.00-5.00	1,535,000
2009 Water Service Agreement Revenue Bond Series 2009	2030	5.62-5.96	1,347,524
New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2010 C	2029	0.85-3.36	2,440,000
New York State Environmental Facilities Corporation State Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2011C	2023	0.54-3.17	985,000
2011 Service Agreement Revenue Bond Series 2011	2041	3.50-4.25	1,730,000
New York State Environmental Facilities Corporation Revenue Refunding Bond Series 2014B	2026	0.15-2.75	265,000
New York State Environmental Facilities Corporation Revenue Refunding Bond Series 2014B	2037	0.15-4.20	1,765,000
New York State Environmental Facilities Corporation Bond Series 2016	2025	4.36-4.96	1,055,000
New York State Environmental Facilities Corporation Bond Series 2016 B	2044	0.55-3.35	3,934,399
2016 Service Agreement Revenue Bond Series 2016	2046	1.50-3.25	1,545,000
2016 Service Agreement Revenue Refunding Bond Series 2016	2029	1.75-4.00	3,865,000
Total bonds			27,503,151
Accreted interest recorded on zero coupon bonds			8,524,081
Total bonds payable			36,027,232
Portion due within one year			(2,541,638)
Net bonds payable due in more than one year			\$ 33,485,594

Debt issued and outstanding under the above listed authorizations as of December 31, 2017 is presented below:

	Balance 1/1/2017	Additions	Payments	Balance 12/31/2017	Due Within One Year
Bonds payable*	\$ 37,813,791	\$ 678,441	\$ 2,465,000	\$ 36,027,232	\$ 2,541,638
Long-term bond anticipation notes**	1,132,921	1,761,702	2,746,941	147,682	-
Net pension liability	714,613	-	283,722	430,891	242,033
OPEB liability	1,525,118	222,689	-	1,747,807	-
	<u>\$ 41,186,443</u>	<u>\$ 2,662,832</u>	<u>\$ 5,495,663</u>	<u>\$ 38,353,612</u>	<u>\$ 2,783,671</u>

*Bonds payable increased by \$678,441 in adjustments for accreted interest on 1998 Series I debt, 2001 debt, and 2009 debt.

**The Shore Haven water system improvements bond anticipation note was reclassified to short-term in 2017.

Bond Covenants—The Authority has agreed to maintain dedicated sources of revenues with respect to the projects financed in accordance with the State Act and in amounts such that the revenues of the Authority with respect to the financial projects shall be sufficient, together with all other funds available to the Authority for cash purposes, to pay all costs of operating and maintaining the projects and to pay principal and interest requirements. The bonds payable are special obligations of the Authority, collateralized by the assets of the Authority and to be amortized solely from the revenues of the Authority.

The Authority has pledged its revenues, subject to the right to pay operating expenses, its interest in its Service Agreement with Dutchess County, its interest in cash and investments held by the Bond Trustee and any other property subsequently pledged.

In addition to pledging its revenues and other rights as described above, the Authority made certain covenants including that it will fix, charge and collect water rates together with other Authority revenues in amounts sufficient to provide for operating expenses as included in the Authority's budget. The Authority also pledges to maintain, in full force and effect, the service agreement with the County, as is further described in Note 15.

In April 2016, the Authority issued \$3,895,000 in service agreement revenue refunding bonds with interest rates of 1.75-4.00%. The proceeds were used to refund a portion of the Authority's 2009 bonds for Birch Hill and Hyde Park system improvements, and pay the costs of issuance of the 2016 refunding bonds. The net proceeds of the refunding, \$4,178,704 after payment of underwriting and other issuance costs, were used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. The cash flow required to service the old debt was \$5,368,563, and the cash flow required to service the new debt is \$4,977,859, resulting in a reduction of \$390,703. The economic gain (net present value savings resulting from the refunding) amounted to \$350,743. Escrow funds were used to pay down refunded debt, resulting in an outstanding balance of \$3,941,589 as of December 31, 2017. The refunded bonds will be called in 2019.

14. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the County's governmental activities net investment in capital assets is presented below.

Capital assets, net of accumulated depreciation		\$ 205,183,460
Other noncurrent asset, net of amortization		7,680,550
Less related debt:		
Serial bonds—County	\$(89,671,554)	
Unamortized bond premium—County	(7,201,102)	
Serial bonds—DTASC	(55,224,174)	
Unamortized bond premium—DTASC	(3,649,691)	
Serial bonds issued on behalf of Dutchess Community College	2,197,086	
Serial bonds issued for non-capital purposes	4,545,000	
Unspent debt proceeds reported within the Capital Projects Fund	7,862,101	(141,142,334)
Net investment in capital assets		<u>\$ 71,721,676</u>

- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The total restricted component of net position is \$24,556,841, of which \$13,823,535 is restricted for debt service; \$5,696,788 for workers' compensation; and \$5,036,518 for other restrictions, which represents capital projects, \$147,340; self-insurance, \$1,623,786; and miscellaneous special reserves, \$3,265,392.

- **Unrestricted Net Position**—This category represents net position of the County not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2017 is presented on the below.

- **Prepaid Items**—Represents amounts prepaid to the retirement system that are applicable to future accounting periods. The General Fund, County Road Fund and Road Machinery Fund reported amounts of \$4,395,860, \$189,348 and \$34,245, respectively, at December 31, 2017.
- **Inventories**—Represents the portion of fund balance, \$100,081, composed of inventory and is nonspendable in the General Fund because inventory is not an available spendable resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grants, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. The following table presents restricted fund balances of the County as of December 31, 2017.

	General Fund	Capital Projects Fund	DTASC Fund	Total
Restricted for:				
Workers' compensation	\$ 5,696,788	\$ -	\$ -	\$ 5,696,788
Self insurance	1,623,786	-	-	1,623,786
Capital projects	147,340	4,432,914	-	4,580,254
Debt service	7,201,587	-	3,327,805	10,529,392
Sheriff—Asset forfeiture	140,170	-	-	140,170
Sheriff—DWI and traffic safety	152,411	-	-	152,411
Aging and special needs programs	139,781	-	-	139,781
Veterans services	16,253	-	-	16,253
Shared services	2,816,777	-	-	2,816,777
Total restricted fund balance	<u>\$ 17,934,893</u>	<u>\$ 4,432,914</u>	<u>\$ 3,327,805</u>	<u>\$ 25,695,612</u>

- **Restricted for Workers' Compensation**—Represents reserves established within the General Fund which will be used to pay self-insured workers' compensation claims and expenses in excess of claims and expenses paid from current appropriations.
- **Restricted for Self Insurance**—Represents reserves established within the General Fund which will be used to pay claims, actions or judgments against the County that results from personal injuries or property damage.
- **Restricted for Capital Projects**—Represents reserves established within the General Fund and Capital Projects Fund which will be used to pay for the costs of future capital expenditures.
- **Restricted for Debt Service**—Represents reserves which will be used for the reduction of future debt service requirements.
- **Restricted for Sheriff—Asset Forfeiture**—Represents asset forfeiture revenue restricted to pay for equipment or other uses that will aid in drug enforcement activities, pursuant to state and federal laws.

- **Restricted for Sheriff—DWI and Traffic Safety**—Represents STOP DWI fees restricted to pay for road safety programs and equipment to combat the use and abuse of drugs and alcohol which eventually results in reducing the incidents of driving while intoxicated.
- **Restricted for Aging and Special Needs Programs**—Represents programs for the aging and special needs revenue restricted to pay for the operation and maintenance of those programs.
- **Restricted for Veterans Services**—Represents reserves established within the General Fund which will be used to pay for the future costs associated with veteran services.
- **Restricted for Shared Services**—Represents reserves established within the General Fund which will be used to pay for the future costs associated with the Dutchess County Municipal Consolidation & Shared Services Grant Program.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority. As of December 31, 2017, the County had no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the County’s Legislature, or by its 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.

As of December 31, 2017, the County reported the following fund balances assignments:

	General Fund	DTASC	Nonmajor Governmental Funds	Total
Assigned for:				
Encumbrances	\$ 3,871,446	\$ -	\$ -	\$ 3,871,446
Subsequent year's expenditures	12,500,000	-	2,500,000	15,000,000
Specific use	<u>-</u>	<u>52,857</u>	<u>2,136,457</u>	<u>2,189,314</u>
Total assigned fund balance	<u>\$ 16,371,446</u>	<u>\$ 52,857</u>	<u>\$ 4,636,457</u>	<u>\$ 21,060,760</u>

- **Assigned to Encumbrances**—Represents commitments related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignments’ purpose relates to each fund’s operations and represent the remaining amounts within funds that are not restricted or committed.

It is the County’s policy to expend fund balances in the following order: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

15. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and its component units during the year ended December 31, 2017:

Component Unit	Amount	Nature of Transaction
Dutchess Community College	\$ 13,537,898	Operating and capital support
Dutchess County Resource Recovery Agency	(1,333,474)	Net service fee (over-accrual)
Dutchess County Water and Wastewater Authority	3,227,305	Net service fee
Aggregated nonmajor component units	295,800	Charges for services
Total	\$ 15,727,529	

The County provided economic support to the above component units based on contractual obligations between the parties (see Note 20).

A. Discretely presented component units:

i) Dutchess County Resource Recovery Agency:

As further discussed in Note 20, Dutchess County is responsible for net service fees due to/(from) the Agency. The net service fees calculation resulted in a payment of \$(1,333,474) during 2017, as past net service fees were determined to be over accrued and owed to Dutchess County. At December 31, 2017, \$351,125 was due to Dutchess County and included in due to primary government.

During 2017, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$98,336.

ii) Dutchess County Water and Wastewater Authority:

The Authority has entered into service agreements with Dutchess County for the Water District and Part County Sewer Districts to provide water and/or sewer services and receive a service fee from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover certain operating expenses and debt service requirements. The Authority also receives payments from Dutchess County for the completion of certain consulting projects. Although these payments are subject to budgetary resolutions by the Dutchess County Legislature for approval, no approvals have been withheld by the Legislature. For the year ended 2017, the Authority recorded net revenues of \$3,227,303, having recorded a return of \$123,481 to the County during the year. Nothing was due to the County at year-end. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

16. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification. The composition of interfund balances as of December 31, 2017 is shown in the table below:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 14,932,838	\$ -
Capital Projects Fund	-	13,936,283
Nonmajor governmental funds	-	34,628
Proprietary funds:		
Airport Fund	318	103,643
Transportation Fund	-	858,602
Total	<u>\$ 14,933,156</u>	<u>\$ 14,933,156</u>

Transfers are used primarily to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute of budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the fund making payments when due, and (3) move residual cash from closed capital projects.

The County made the following transfers during the year ended December 31, 2017:

Transfers out:	Transfers in:					
	Governmental funds			Proprietary funds		
	General Fund	Capital Projects Fund	Total Nonmajor Funds	Airport Fund	Transportation Fund	Total
Governmental funds:						
General Fund	\$ -	\$ 4,443,900	\$ 13,600	\$ 297,711	\$ 1,167,936	\$ 5,923,147
Capital Projects Fund	495,082	-	-	-	-	495,082
Proprietary fund:						
Transportation Fund	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total	<u>\$ 545,082</u>	<u>\$ 4,443,900</u>	<u>\$ 13,600</u>	<u>\$ 297,711</u>	<u>\$ 1,167,936</u>	<u>\$ 6,468,229</u>

17. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. A summary of changes in the assets and liabilities for the year ended December 31, 2017 is presented below:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
ASSETS				
Cash and cash equivalents	\$ 7,406,581	\$ 105,714,116	\$ 104,535,645	\$ 8,585,052
Accounts receivable	921,930	526,612	921,930	526,612
Total assets	<u>8,328,511</u>	<u>106,240,728</u>	<u>105,457,575</u>	<u>9,111,664</u>
LIABILITIES				
Agency liabilities	8,328,511	97,477,676	96,694,523	9,111,664
Due to other funds	-	3,200,000	3,200,000	-
Total liabilities	<u>\$ 8,328,511</u>	<u>\$ 100,677,676</u>	<u>\$ 99,894,523</u>	<u>\$ 9,111,664</u>

18. LABOR RELATIONS

The County's employees operate under three collective bargaining units: the CSEA Local 1000 AFSCME/AFL-CIO ("CSEA"), the Dutchess County Sheriff's Employees Association ("DCSEA"), and the Dutchess County Sheriff and Deputy Sheriff's P.B.A., Inc. ("PBA"). The DCSEA and PBA contracts are negotiated through December 31, 2019. The CSEA contract is negotiated through December 31, 2020.

19. TAX ABATEMENTS

The County is subject to tax abatements granted by the Dutchess County Industrial Development Agency ("DCIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the DCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the County, the abatements have resulted in reductions of property taxes, which the County administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by DCIDA, the County collected \$2,092,886 during 2017 in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$10,287,212 in sales and use taxes and \$1,727,175 in property taxes.

20. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Open encumbrances are reported as an assignment of fund balance since such commitments will be honored through budget appropriations in the subsequent year. The County considers encumbrances to be significant for amounts that are encumbered in excess of \$1,000,000. As of December 31, 2017, the County reported no significant encumbrances.

The County had the following outstanding construction projects in progress as of December 31, 2017, as evidenced by contractual commitments.

<u>Project</u>	<u>Encumbrances Outstanding</u>
Capital Projects Fund:	
Transportation	\$ 745,117
County roads and bridges	3,413,899
Parks and recreation	89,894
Building and building improvements	2,348,619
Water transmission line	2,362,834
Jail project - design phase	<u>8,601,145</u>
Total	<u>\$ 17,561,508</u>

Dutchess Utility Corridor Contract—In 2006, the County entered into the Dutchess Utility Corridor Contract with Dutchess County Water and Wastewater Authority. The contract requires Dutchess County to provide \$10,375,000 to the Authority to pay for certain project costs. The County, in exchange, will receive the rights to utilize 50% of the capacity of the new system and be paid a service fee by the Authority for its usage of the line in conjunction with their operations. At December 31, 2017, the County has provided \$7,680,550 to the Authority which is reflected as “Other Assets” in the Statement of Net Position. The project is being amortized on a straight-line basis over the next 40 years, with amortization expense of \$274,572 in 2017.

Economic Support for Component Units—The County is responsible to pay economic support to the Dutchess County Resource Recovery Agency and the Dutchess County Water and Wastewater Authority based on contracted formulas when revenues at these component units are insufficient to cover their operating expenses and debt service requirements. During the year ended December 31, 2017, the County’s portion of these costs was \$1,893,829.

The County is required by New York State Education Law to pay to Dutchess Community College a portion of the college’s operating costs for nonresident students. This amount is determined based on the rate reported by the State of New York.

21. CONTINGENCIES

Grants—The County receives significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit. Any disallowed expenditure resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Litigation—The County is a defendant in a number of lawsuits. In the opinion of the County Attorney, after considering all relevant facts, such litigation in the aggregate will not have a material adverse effect on the financial position or results of operations of the County.

A. Discretely presented component units

i) Dutchess Community College

Litigation—The College is a defendant in several lawsuits. While the outcome of these lawsuits or other proceedings against the College cannot be predicted with certainty, the College does not expect that these matters will have a material adverse effect on its financial position.

State and Federal Grant Programs and State Aid—The College participates in various State and Federal grant programs. These programs are subject to program compliance audits by the grantors or their representative. The audits of these programs are an ongoing process and many have not yet been conducted or completed. Accordingly, the College's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the College anticipates such amounts, if any, will not be material. The College's Federal compliance audit under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"), is performed in conjunction with the audit of the Sponsor and is included in the Sponsor's report.

The College is subject to audits of State aid by New York State. The amount of aid previously paid to the College which may be disallowed cannot be determined at this time, although the College anticipates such amounts, if any, to be immaterial.

Rate Adjustment—Operating Chargebacks—The College is authorized by the New York State Education Law to charge and collect from each county within the State for each nonresident student an allocable portion of the operating costs of the College. The College calculates this charge on a yearly basis and bills the respective counties at this rate. This rate is adjusted by the State on a two year lag period.

ii) Dutchess County Resource Recovery Agency

Solid Waste Disposal Service Agreement—The Agency and Dutchess County entered into a solid waste disposal service agreement dated December 1, 1984, amended September 20, 1990 and September 1993. The County agreed to deliver at least 140,000 tons per year of solid waste to the plant and to pay net service fees to the Agency amounting to the excess of payments for debt service and reserves, fees to the contractor and accrued expenses over tipping fees, energy and other revenues. It is the Agency's obligation to process and to provide for disposal of the solid waste. The terms of the agreement were extended during 2007 to remain in effect through July 1, 2027.

Operations Service Agreement—The Agency has entered into an operations service agreement, with a commercial corporation wherein the corporation has agreed to operate the resource recovery plant, and the Agency is required to provide the plant with a guaranteed amount of solid waste, provide an ash landfill, and pay fees to the corporation. The Agency entered into an agreement with a new commercial corporation to become the plant operator, effective July 1, 2014 and expiring 162 months from that date.

The Agency's current operating permit allows for up to 164,000 tons to be processed at the plant. However the Agency is required to supply the 140,000 tons, or pay the corporation \$68 a ton for each ton of solid waste below that amount which is not delivered to the plant, adjusted based upon changes in labor and material price indexes. During 2017, the Agency caused to have delivered 145,637 tons, meeting its guarantees.

Power Sales Agreement—The Agency and a commercial corporation have entered into a power sales agreement dated November 1, 1984. The Agency agrees to sell all electricity produced by the plant in excess of its own requirements to the corporation at a price based on tariffs filed with the New York State Public Service Commission. The terms of the agreement were effective through January 1, 2008, and included provisions for an automatic renewal for two consecutive 5-year periods, plus extensions, currently expiring January 1, 2018.

Transportation of Ash Residue and Non-processable Waste—Effective January 2, 1999, the Agency executed a contract with a commercial corporation for the transportation of ash residue and non-processable waste to a municipal landfill for the period of January 2, 1999 through December 31, 2001 for incineration residue up to 40,000 tons per year, and up to 6,000 tons for unprocessed waste per year. The contract has continued in effect through report date on similar terms.

Commencing in November 2004, the Agency executed an amendment to the contract that the commercial corporation shall deliver up to 10,000 tons per year at a cost of \$25 per ton to an alternate landfill site.

Economic Dependency—The Agency is entitled to receive net service fees from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover operating expenses and debt service requirements. These payments are subject to approval by resolution of the Dutchess County Legislature.

Operating Permits—The Agency is required to maintain operating permits for its small power production and solid waste management facility. The Part 360 Operating permit expired in July 2011 and the Title V Air Control permit expired in July 2011. The Agency submitted a timely renewal application and is now operating under the State Administrative Procedures Act while the permit is under NYSDEC review. The Title V Air Control permit has been renewed and runs through October 2021.

Operations Service Agreement—The Agency employs an independent engineer to prepare an annual report summarizing waste processed, utility usage, supplemental compensation, and other items relating to revenues and expenses of the Operator. The Agency records a receivable and expense accrual covering the amounts shown to be due to and due from the Operator. The Agency and the current Operator have agreed upon and accepted the 2017 annual reconciliation.

Litigation—The Agency is a defendant in a lawsuit regarding liabilities due to the former plant operator from the Agency. The matter was resolved to the mutual satisfaction of the former plant operator and the Agency in November 2017.

The Town of Poughkeepsie has a claim against the Agency regarding Host Community Benefit payments due to the Town. The Agency and the Town settled the liability in exchange for Town use of disposal services for a five year period.

iii) Dutchess County Water and Wastewater Authority

Litigation—The Authority is subject to various litigation and claims arising out of the course of its operations. While the results of the lawsuits cannot be predicted with certainty, management does not believe these matters will have an adverse effect on the Authority’s overall financial position.

The Authority 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. 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. 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. The Authority has purchased insurance with limits as follows: umbrella coverage of \$20,000,000, business, automobile of \$1,000,000, general liability of \$3,000,000, property of \$41,907,181 and workers’ compensation of \$100,000.

System Acquisitions—The Authority has been in the process of investigating various systems for acquisition. In 2015, the Authority signed agreements for the transfer of six water and three wastewater systems. Closings for two wastewater systems and three water systems were completed in 2015, and closings for one wastewater system and two water systems were completed in 2016. As part of the agreements, all assets and remaining fund balance were transferred to the Authority. The Authority included the receipt of funds totaling \$70,715 and \$187,171 in revenue for the years ended December 31, 2016 and 2015, respectively. The assets that were acquired prior to year-end were recorded at the value as reported by an independent appraisal company totaling \$2,788,531 and \$2,073,579 as of December 31, 2016 and 2015, respectively. In 2016, the Authority assumed debt totaling \$1,300,000 from one of the acquired systems.

In 2017, the Authority authorized memorandums of understanding for the acquisition of three subdivision sewer systems. The closing dates are dependent on the timeline for the construction and completion of the new infrastructure.

22. SUBSEQUENT EVENTS

On March 1, 2018, the County issued \$14,949,536 in public improvement serial bonds (“Series A”) with an interest rate ranging between 3.00-3.25 percent for various construction projects and equipment purchases. The bonds mature on March 1, 2038. Additionally, the County also issued \$40,000,000 in public improvement serial bonds (“Series B”) with an interest rate ranging between 3.25-4.00 percent for the County Justice and Transition Center Project. The bonds mature on March 1, 2048.

Management has evaluated subsequent events through September 20, 2018, which is the date the financial statements are available for issuance, and have determined, except as disclosed above regarding the bond issuances and the following disclosures regarding component units, there are no subsequent events that require disclosure under generally accepted accounting principles.

A. Discretely presented component units

i) Dutchess County Water and Wastewater Authority

The Authority purchased a new office building for \$875,000 and financed the purchase with the issuance of a bond anticipation note of \$1,250,000. The additional amount borrowed, \$375,000, is to be used for renovations. The purchase closed on February 23, 2018.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF DUTCHESS, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plans
Year Ended December 31, 2017

Primary government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of January 1, 2017	\$ -	\$ 380,372,020	\$ 380,372,020	\$ -	\$ 119,689,617	317.8%
As of December 31, 2016	-	280,466,321	280,466,321	-	117,126,534	239.5%
As of January 1, 2015	-	263,537,265	263,537,265	-	114,070,716	231.0%

Discretely presented component units:

Dutchess Community College:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of September 1, 2016	\$ -	\$ 78,358,072	\$ 78,358,072	\$ -	\$ 28,220,665	277.7%
As of September 1, 2015	-	69,443,298	69,443,298	-	26,729,188	259.8%
As of September 1, 2014	-	64,708,432	64,708,432	-	25,421,014	254.5%

Dutchess County Resource Recovery Agency:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of December 31, 2017	\$ -	\$ 564,908	\$ 564,908	\$ -	\$ 154,959	364.6%
As of December 31, 2014	-	1,027,127	1,027,127	-	209,503	490.3%
As of December 31, 2011	-	1,027,127	1,027,127	-	344,260	298.4%

Dutchess County Water and Wastewater Authority:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of December 31, 2017	\$ -	\$ 2,792,807	\$ 2,792,807	\$ -	\$ 1,623,233	172.1%
As of December 31, 2014	-	1,645,843	1,645,843	-	1,582,671	104.0%
As of December 31, 2011	-	1,195,514	1,195,514	-	1,322,276	90.4%

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Four Fiscal Years*

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%
Governmental activities:				
County's proportion of the net pension liability	0.4602844%	0.4285410%	0.4315423%	0.4315423%
County's proportionate share of the net pension liability	<u>\$ 43,249,327</u>	<u>\$ 68,782,035</u>	<u>\$ 14,578,554</u>	<u>\$ 19,500,790</u>
County's covered payroll	\$ 116,780,725	\$ 112,421,243	\$ 106,956,864	\$ 104,474,311
County's proportionate share of the net pension liability as a percentage of its covered payroll	37.0%	61.2%	13.6%	18.7%
Business-type activities:				
County's proportion of the net pension liability	0.0020920%	0.0022695%	0.0024813%	0.0024813%
County's proportionate share of the net pension liability	<u>\$ 196,573</u>	<u>\$ 333,416</u>	<u>\$ 83,823</u>	<u>\$ 112,125</u>
County's covered payroll	\$ 568,778	\$ 601,284	\$ 653,156	\$ 643,338
County's proportionate share of the net pension liability as a percentage of its covered payroll	34.6%	55.5%	12.8%	17.4%
Discretely presented component units:				
Dutchess Community College (the "College"):				
	Year Ended August 31,			
	2017	2016	2015	2014
College's proportion of the net pension liability	0.0435610%	0.0398490%	0.0404747%	n/a
College's proportionate share of the net pension liability	<u>\$ 4,093,109</u>	<u>\$ 6,395,803</u>	<u>\$ 1,367,334</u>	n/a
College's covered payroll	\$ 10,785,934	\$ 9,969,544	\$ 9,576,118	n/a
College's proportionate share of the net pension liability as a percentage of its covered payroll	37.9%	64.2%	14.3%	n/a

(continued)

*Information prior to the year ended December 31, 2014 is not available.

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Four Fiscal Years*

(concluded)

	Year Ended December 31,			
	2017	2016	2015	2014
Dutchess County Resource Recovery Agency (the "Agency"):				
Agency's proportion of the net pension liability	0.0002419%	0.0004802%	0.0005205%	n/a
Agency's proportionate share of the net pension liability	<u>\$ 22,726</u>	<u>\$ 77,066</u>	<u>\$ 17,583</u>	n/a
Agency's covered payroll	\$ 154,959	\$ 209,503	\$ 282,986	n/a
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	14.7%	36.8%	6.2%	n/a
Dutchess County Water and Wastewater Authority (the "Authority"):				
Authority's proportion of the net pension liability	0.0045858%	0.0044523%	0.0044387%	n/a
Authority's proportionate share of the net pension liability	<u>\$ 430,892</u>	<u>\$ 714,613</u>	<u>\$ 149,950</u>	n/a
Authority's covered payroll	\$ 1,623,233	\$ 1,582,671	\$ 1,513,848	n/a
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	26.5%	45.2%	9.9%	n/a

*Information prior to the year ended December 31, 2014 is not available.

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Contributions—
Employees' Retirement System
Last Four Fiscal Years*

	Year Ended December 31,			
	2017	2016	2015	2014
Governmental activities:				
Contractually required contributions	\$ 17,759,949	\$ 17,666,654	\$ 18,538,858	\$ 20,015,701
Contributions in relation to the contractually required contribution	<u>(17,759,949)</u>	<u>(17,666,654)</u>	<u>(18,538,858)</u>	<u>(20,015,701)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 120,664,775	\$ 116,343,200	\$ 111,314,366	\$ 106,341,809
Contributions as a percentage of covered payroll	14.7%	15.2%	16.7%	18.8%
Business-type activities:				
Contractually required contributions	\$ 81,606	\$ 92,861	\$ 114,874	\$ 127,959
Contributions in relation to the contractually required contribution	<u>(81,606)</u>	<u>(92,861)</u>	<u>(114,874)</u>	<u>(127,959)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 550,675	\$ 565,023	\$ 640,032	\$ 640,050
Contributions as a percentage of covered payroll	14.8%	16.4%	17.9%	20.0%
Discretely presented component unit:				
Dutchess Community College (the "College"):				
	Year Ended August 31,			
	2017	2016	2015	2014
Contractually required contributions	\$ 1,650,757	\$ 1,676,786	\$ 1,897,221	n/a
Contributions in relation to the contractually required contribution	<u>(1,650,757)</u>	<u>(1,676,786)</u>	<u>(1,897,221)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
College's covered payroll	\$ 11,035,124	\$ 10,202,724	\$ 9,961,962	n/a
Contributions as a percentage of covered payroll	15.0%	16.4%	19.0%	n/a

(continued)

*Information prior to the year ended December 31, 2014 is not available.

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Contributions—
Employees' Retirement System
Last Four Fiscal Years*

(concluded)

	Year Ended December 31,			
	2017	2016	2015	2014
Dutchess County Resource Recovery Agency (the "Agency"):				
Contractually required contributions	\$ 41,623	\$ 62,345	\$ 56,026	n/a
Contributions in relation to the contractually required contribution	(41,623)	(62,345)	(56,026)	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
Agency's covered payroll	\$ 154,959	\$ 189,322	\$ 269,736	n/a
Contributions as a percentage of covered payroll	26.9%	32.9%	20.8%	n/a
Dutchess County Water and Wastewater Authority (the "Authority"):				
Contractually required contributions	\$ 226,072	\$ 261,541	\$ 256,914	n/a
Contributions in relation to the contractually required contribution	(226,072)	(261,541)	(256,914)	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
Authority's covered payroll	\$ 1,623,233	\$ 1,582,671	\$ 1,513,848	n/a
Contributions as a percentage of covered payroll	13.9%	16.5%	17.0%	n/a

*Information prior to the year ended December 31, 2014 is not available.

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability (Asset)—Teachers' Retirement System
Last Four Fiscal Years*

Discretely presented component unit:

Dutchess Community College (the "College"):

	Year Ended August 31,			
	2017	2016	2015	2014
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014	n/a
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.7%	99.0%	110.5%	n/a
College's proportion of the net pension liability (asset)	0.0363910%	0.0361260%	0.0320250%	n/a
College's proportionate share of the net pension liability (asset)	<u>\$ (276,607)</u>	<u>\$ 386,919</u>	<u>\$ (3,326,364)</u>	n/a
College's covered payroll	<u>\$ 5,766,757</u>	<u>\$ 5,574,525</u>	<u>\$ 4,810,570</u>	n/a
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(4.8%)	6.9%	(69.2%)	n/a

*Information prior to the year ended August 31, 2015 is not available.

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Contributions—
Teachers' Retirement System
Last Four Fiscal Years*

Discretely presented component unit:

Dutchess Community College (the "College"):

	Year Ended August 31,			
	2017	2016	2015	2014
Contractually required contributions	\$ 675,864	\$ 739,182	\$ 843,293	n/a
Contributions in relation to the contractually required contribution	<u>(675,864)</u>	<u>(739,182)</u>	<u>(843,293)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
College's covered payroll	\$ 5,769,740	\$ 5,475,827	\$ 5,536,762	n/a
Contributions as a percentage of covered payroll	11.7%	13.5%	15.2%	n/a

*Information prior to the year ended August 31, 2015 is not available.

COUNTY OF DUTCHESS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 101,423,540	\$ 104,361,824	\$ 105,596,222	\$ 1,234,398
Sales and use taxes (includes other taxes)	187,588,250	187,588,250	188,319,641	731,391
Departmental income	26,191,765	26,326,141	23,086,093	(3,240,048)
Use of money and property	1,084,190	1,039,190	1,783,022	743,832
Miscellaneous	2,867,755	2,923,658	3,476,537	552,879
Grants and aid	<u>107,191,840</u>	<u>108,784,177</u>	<u>115,269,357</u>	<u>6,485,180</u>
Total revenues	<u>426,347,340</u>	<u>431,023,240</u>	<u>437,530,872</u>	<u>6,507,632</u>
EXPENDITURES				
Current:				
General government support	69,469,392	68,911,164	67,724,418	1,186,746
Education	16,555,698	16,469,398	16,447,819	21,579
Public safety	62,349,141	63,004,417	60,522,521	2,481,896
Health	56,159,546	57,254,641	56,779,391	475,250
Transportation	2,811,100	2,812,067	2,807,813	4,254
Economic assistance and opportunity	145,188,939	144,648,887	141,443,220	3,205,667
Culture and recreation	2,123,214	2,123,214	1,979,961	143,253
Home and community services	6,409,351	10,256,135	10,082,525	173,610
Employee benefits	62,079,174	62,046,970	60,670,306	1,376,664
Debt service:				
Principal	14,338,434	14,348,436	14,348,434	2
Interest and other fiscal charges	<u>3,697,232</u>	<u>3,687,230</u>	<u>3,572,836</u>	<u>114,394</u>
Total expenditures	<u>441,181,221</u>	<u>445,562,559</u>	<u>436,379,244</u>	<u>9,183,315</u>
Excess (deficiency) of revenues over expenditures	<u>(14,833,881)</u>	<u>(14,539,319)</u>	<u>1,151,628</u>	<u>15,690,947</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	624,751	1,493,537	545,082	(948,455)
Transfers out	(1,860,647)	(6,543,148)	(5,923,147)	620,001
Premium on serial bonds issued	<u>-</u>	<u>-</u>	<u>43,139</u>	<u>43,139</u>
Total other financing sources (uses)	<u>(1,235,896)</u>	<u>(5,049,611)</u>	<u>(5,334,926)</u>	<u>(285,315)</u>
Net change in fund balances*	(16,069,777)	(19,588,930)	(4,183,298)	15,405,632
Fund balances—beginning	<u>98,373,117</u>	<u>98,373,117</u>	<u>98,373,117</u>	<u>-</u>
Fund balances—ending	<u>\$ 82,303,340</u>	<u>\$ 78,784,187</u>	<u>\$ 94,189,819</u>	<u>\$ 15,405,632</u>

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

COUNTY OF DUTCHESS, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2017

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Capital Projects Fund. The Capital Projects Fund is appropriated on a project-length basis; appropriations are approved through County Legislature resolution at the project's inception and lapse upon termination of the project.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between separate funds and departments require the approval of the County Legislature. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional classification.

Actual results of operations presented in accordance with GAAP and the County's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

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FEDERAL AWARDS
INFORMATION

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Identifying Number (1c)	Passed- Through to Subrecipients	Federal Expenditures (1d)
U.S. Department of Agriculture:				
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>				
<i>SNAP Cluster:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	\$ -	\$ 2,292,273
<i>Total SNAP Cluster</i>			<u>-</u>	<u>2,292,273</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>2,292,273</u>
U.S. Department of Housing and Urban Development:				
<i>Direct Programs:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	1,275,799	1,275,799
Home Investment Partnerships Program	14.239	N/A	411,367	411,367
Continuum of Care Program	14.267	N/A	579,364	579,364
Total U.S. Department of Housing and Urban Development			<u>2,266,530</u>	<u>2,266,530</u>
U.S. Department of Justice:				
<i>Direct Program:</i>				
State Criminal Alien Assistance Program	16.606	N/A	-	177,702
Total U.S. Department of Justice			<u>-</u>	<u>177,702</u>
U.S. Department of Labor:				
<i>Passed through NYS Department of Labor:</i>				
Trade Adjustment Assistance	17.245	80060	13,912	13,912
<i>Workforce Investment Act Cluster:</i>				
WIA/WIOA Adult Program	17.258	80060	548,431	548,431
WIA/WIOA Youth Activities	17.259	80060	531,922	531,922
WIA/WIOA Dislocated Workers Formula Grants	17.278	80060	493,560	493,560
<i>Total Workforce Investment Act Cluster</i>			<u>1,573,913</u>	<u>1,573,913</u>
Total U.S. Department of Labor			<u>1,587,825</u>	<u>1,587,825</u>
U.S. Department of Transportation:				
<i>Direct Programs:</i>				
Airport Improvement Program	20.106	N/A	-	440,336
<i>Federal Transit Cluster:</i>				
Federal Transit Capital Investment Grants	20.500	N/A	-	2,410,506
Federal Transit Formula Grants	20.507	N/A	-	25,685
Bus and Bus Facilities Formula Program	20.526	N/A	-	3,364,627
<i>Total Federal Transit Cluster</i>			<u>-</u>	<u>5,800,818</u>
Formula Grants for Rural Areas	20.509	N/A	-	109,075
<i>Passed through NYS Department of Transportation:</i>				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MPO C33462	-	74,495

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Identifying Number (1c)	Passed- Through to Subrecipients	Federal Expenditures (1d)
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	8755.38	-	72,388
Highway Planning and Construction	20.205	8755.41	-	481,331
Highway Planning and Construction	20.205	8755.44	-	139,536
Highway Planning and Construction	20.205	8755.45	-	111,514
Highway Planning and Construction	20.205	8755.86	-	3,611
Highway Planning and Construction	20.205	8755.91	-	1,066,295
Highway Planning and Construction	20.205	8757.26	-	1,068,000
Highway Planning and Construction	20.205	8757.27	-	28,673
Highway Planning and Construction	20.205	8757.37	-	83,584
Highway Planning and Construction	20.205	8758.69	-	592,968
Highway Planning and Construction	20.205	8758.71	-	15,066
Highway Planning and Construction	20.205	8758.74	-	57,964
Highway Planning and Construction	20.205	P216.14.881	-	9,987
Highway Planning and Construction	20.205	MPO C33462-53	-	552,641
<i>Total Highway Planning and Construction Cluster</i>			-	4,283,558
<i>Passed through NYS Governor's Traffic Safety Committee and Stop DWI Foundation:</i>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	HS1-2017/0043-(014)	-	69,233
National Priority Safety Programs	20.616	HS1-2017/0033-(088)	-	20,333
<i>Total Highway Safety Cluster</i>			-	89,566
Total U.S. Department of Transportation			-	10,797,848
U.S. Department of Education:				
<i>Passed through NYS Department of Health:</i>				
Special Education—Grants for Infants and Families	84.181	C027476	-	67,839
Total U.S. Department of Education			-	67,839
U.S. Department of Health and Human Services:				
<i>Passed through Health Research Institute:</i>				
Public Health Emergency Preparedness	93.069	001600-10	-	235,844
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	HSLC-DC	-	8,514
<i>Passed through NYS Office for the Aging:</i>				
Special Programs for the Aging, Title III, Part D— Disease Prevention and Health Promotion Services	93.043	N/A	-	15,998
<i>Aging Cluster:</i>				
Special Programs for the Aging, Title III, Part B— Grants for Supportive Services and Senior Centers	93.044	N/A	-	310,509
Special Programs for the Aging, Title III, Part C—Nutrition Ser	93.045	N/A	-	438,735
Nutrition Services Incentive Program	93.053	N/A	-	109,936
<i>Total Aging Cluster</i>			-	859,180

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

(concluded)

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Identifying Number (1c)	Passed- Through to Subrecipients	Federal Expenditures (1d)
National Family Caregiver Support Title III, Part E Centers for Medicare and Medicaid Services (CMS)	93.052	N/A	-	135,643
Research, Demonstrations and Evaluations	93.779	N/A	-	33,168
<i>Passed through NYS Department of Health:</i>				
Immunization Cooperative Agreements	93.268	C0028288	-	36,168
Medical Assistance Program	93.778	N/A	-	4,244,166
Preventive Health Services - Sexually Transmitted Disease Control Grants	93.977	T-031103	-	18,858
Maternal and Child Health Services Block Grant to the States	93.994	C029713	-	32,285
Maternal and Child Health Services Block Grant to the States	93.994	C308899GG	-	35,618
<i>Passed through National Association of County and City Health Officials:</i>				
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations- financed in part by Prevention and Public Health Funds (PPHF)	93.524	5589-01	-	24,139
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>				
Temporary Assistance for Needy Families	93.558	N/A	431,718	13,274,221
Child Support Enforcement	93.563	N/A	-	2,187,832
Low-Income Home Energy Assistance Program	93.568	N/A	-	4,064,284
<i>Passed through NYS Office of Children and Family Services:</i>				
Guardianship Assistance	93.090	N/A	-	84,880
Promoting Safe and Stable Families	93.556	N/A	-	156,350
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	-	100,000
Foster Care, Title IV-E	93.658	N/A	-	5,704,236
Adoption Assistance	93.659	N/A	-	2,090,649
Social Services Block Grant	93.667	N/A	-	3,714,411
Chafee Foster Care Independence Program	93.674	N/A	-	32,963
<i>Passed through NYS Division of Alcoholism and Alcohol Abuse:</i>				
Medical Assistance Program	93.778	N/A	-	843,095
Total U.S. Department of Health and Human Services			<u>431,718</u>	<u>37,932,502</u>
U.S. Department of Homeland Security:				
<i>Passed through NYS Office of Homeland Security:</i>				
Disaster Grants - Public Assistance	97.036	4322 DRNY	-	215,977
Hazard Mitigation Grant	97.039	C000590	-	1,488
Emergency Management Performance Grants	97.042	EM17-1039-D00	-	248,848
Homeland Security Grant Program	97.067	C970250	-	204,062
Total U.S. Department of Homeland Security			<u>-</u>	<u>670,375</u>
Total Expenditures of Federal Awards (1e)			<u>\$ 4,286,073</u>	<u>\$ 55,792,894</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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COUNTY OF DUTCHESS, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Dutchess, New York (the "County") under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (a) Includes all federal award programs of the County of Dutchess, New York. The federal expenditures of the Dutchess Community College, Dutchess County Resource Recovery Agency, Dutchess County Water and Wastewater Authority, Dutchess County Industrial Development Agency, Dutchess County Soil and Water Conservation District, and Dutchess County Local Development Corporation have not been included.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the basic financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. The County has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

3. AMOUNTS PROVIDED TO SUBRECIPIENTS

Certain program funds are passed through the County to subrecipient organizations. The County identifies, to the extent practical, the total amount provided to subrecipients from each federal program; however, the Schedule does not contain separate schedules disclosing how the subrecipients outside of the County's control utilize the funds. The County requires subrecipients receiving funds to submit separate audit reports disclosing the use of the program funds.

4. MATCHING COSTS

Matching costs (i.e., the County's share of certain program costs) are not included in the reported expenditures.

5. NON-MONETARY FEDERAL PROGRAM

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." New York State makes payments of benefits directly to vendors, primarily utility companies on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA Number 93.568).

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Certified Public Accountants

**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 Honorable County Legislature of the
County of Dutchess, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major discretely presented component units, the aggregate nonmajor discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Dutchess, New York (the "County") as of and for the year ended December 31, 2017 (with the Dutchess Community College for the fiscal year ended August 31, 2017), and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 20, 2018 (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 80). Our report is qualified on the aggregate nonmajor discretely presented component units and includes a reference to other auditors who audited the financial statements of the Dutchess County Local Development Corporation, Dutchess Community College, the Dutchess County Resource Recovery Agency, the Dutchess County Water and Wastewater Authority, and the Dutchess County Industrial Development Agency, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Dutchess County Soil and Water Conservation District have not been audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 Doreen E. Malachuk LLP

September 20, 2018

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable County Legislature of the
County of Dutchess, New York:

Report on Compliance for Each Major Federal Program

We have audited the County of Dutchess, New York's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Dutchess County Local Development Corporation (the "Corporation"), Dutchess Community College (the "College"), Dutchess County Resource Recovery Agency (the "Agency"), Dutchess County Water and Wastewater Authority (the "Authority"), Dutchess County Industrial Development Agency (the "IDA"), and the Dutchess County Soil and Water Conservation District (the "District"), which reported expenditures of \$0, \$17,699,197, \$0, \$0, \$0, and \$0 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2017. Our compliance audit, described below, did not include the operations of the Corporation, College, Agency, Authority, IDA, or the District. Other auditors were engaged to perform such audits on the Corporation, College, Agency, Authority, and IDA in accordance with the Uniform Guidance, as applicable. The financial statements of the District have not been audited for the year ended December 31, 2017.

Management's Responsibility

The County's management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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



September 20, 2018

COUNTY OF DUTCHESS, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*
 *(which report is qualified on the aggregate nonmajor discretely presented component units, includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 80, and includes a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	✓ _____ No
Significant deficiency(ies) identified?	_____ Yes	✓ _____ None reported
Noncompliance material to the financial statements noted?	_____ Yes	✓ _____ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	✓ _____ No
Significant deficiency(ies) identified?	_____ Yes	✓ _____ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	✓ _____ No
----------------------------------------------------------------------------------------------------	-----------	------------

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258/17.259/17.278	Workforce Investment Act Cluster
20.500/20.507/20.526	Federal Transit Cluster
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs?	\$ <u>1,673,787</u>
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Auditee qualified as low-risk auditee?	✓ _____ Yes	_____ No
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Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

COUNTY OF DUTCHESS, NEW YORK
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan
Year Ended December 31, 2017
(Follow Up on December 31, 2016 Findings)

No findings were reported.

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