

**COUNTY OF DUTCHESS,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and
Federal Awards Information
for the Year Ended December 31, 2014 and
Independent Auditors' Reports*

COUNTY OF DUTCHESS, NEW YORK
Table of Contents
Year Ended December 31, 2014

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet—Governmental Funds	17
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities	20
Statement of Net Position—Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds	22
Statement of Cash Flows—Proprietary Funds.....	23
Statement of Net Position—Fiduciary Funds	25
Statement of Changes in Net Position—Fiduciary Funds	26
Discretely Presented Component Units:	
Combining Statement of Net Position—Discretely Presented Component Units	27
Combining Statement of Activities—Discretely Presented Component Units.....	28
Notes to the Financial Statements	29

(continued)

COUNTY OF DUTCHESS, NEW YORK
Table of Contents
Year Ended December 31, 2014

(concluded)

	<u>Page</u>
Required Supplementary Information:	
Schedule of Funding Progress—Other Post-Employment Benefits Plans	76
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund.....	77
Note to the Required Supplementary Information	78
Federal Awards Information:	
Schedule of Expenditures of Federal Awards	79
Schedule of Expenditures of Federal Awards—Amounts Provided to Subrecipients.....	82
Notes to the Schedule of Expenditures of Federal Awards	83
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133	86
Schedule of Findings and Questioned Costs	88
Summary Schedule of Prior Audit Findings	91

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 aggregate 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, 2014, 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 Community College, the Dutchess County Resource Recovery Agency, or the Dutchess County Water and Wastewater Authority, which represent 55.4%, 15.2%, and 28.2%, respectively, of the assets and 76.7%, 16.7%, and 5.5%, respectively, of the revenues of the aggregate discretely presented component units. We did not audit the financial statements of the Dutchess County Industrial Development Agency or the Dutchess County Local Development Corporation, which are aggregated and presented as nonmajor component units and represent 0.7% and 0.4%, respectively, of the assets and 0.5% and 0.2%, respectively, of the revenues of the aggregate 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 the 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, major funds and aggregate remaining fund information; and (2) qualified audit opinion on the aggregate discretely presented component units.

Basis for Qualified Opinion on the Aggregate 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 0.1% and 0.4% of the assets and revenues, respectively, of the County's aggregate discretely presented component units.

Qualified Opinion on the Aggregate 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 paragraph on the Aggregate Discretely Presented Component Units, 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, 2014, 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 Funds and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Dutchess, New York, as of December 31, 2014, 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.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 10, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



September 10, 2015

COUNTY OF DUTCHESS, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2014

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, 2014. The information provided here should be read in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The liabilities of the County's primary government exceeded its assets and deferred outflows of resources at December 31, 2014 by \$37,036,755 (deficit net position) compared to \$36,021,485 (deficit net position) at December 31, 2013.
- The County's primary government net position decreased \$1,015,270 during the year ended December 31, 2014. Governmental Activities decreased the County's net position by \$3,489,946, while the net position of Business-type Activities increased net position by \$2,474,676.
- As of December 31, 2014, the County's governmental funds reported combined ending fund balances of \$109,833,211, an increase of \$30,886,017 in comparison with the prior year. Approximately 36.0% of the combined fund balances, or \$39,512,047, is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$39,512,047 or 55.5% of the total General Fund fund balance of \$71,202,973. Total nonspendable, restricted, committed and assigned General Fund fund balance totaled \$31,690,926 at December 31, 2014.

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, public 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.

The government-wide financial statements include not only the County and its blended component unit (known as the *primary government*), but also the Dutchess County Community College, the Dutchess County Resource Recovery Agency, the Dutchess County Water and Wastewater Authority, the Dutchess County Local Development Corporation, the Dutchess County Industrial Development Agency and the Dutchess County Soil and Water District, 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 15-16 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 includes 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 17-20 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.

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.

The basic proprietary fund financial statements can be found on pages 21-24 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 basic fiduciary fund financial statements can be found on pages 25-26 of this report.

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.

The combining statements of discretely presented component units can be found on pages 27-28 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 29-75 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 post-employment benefits to its employees and the County's budgetary comparison schedule for the General Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 76-78 of this report.

The Federal Awards Information section presents the County's schedule of expenditures of federal awards. The federal awards information can be found on pages 79-91 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 exceeded assets and deferred outflows of resources by \$37,036,755 at the close of the most recent fiscal year, as compared to \$36,021,485 at the close of the fiscal year ended December 31, 2013.

Our analysis presented on the following page in Table 1 focuses on the net position of the County.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 231,534,968	\$ 189,910,301	\$ 6,053,504	\$ 5,735,363	\$ 237,588,472	\$ 195,645,664
Noncurrent assets	<u>183,622,747</u>	<u>183,449,845</u>	<u>23,462,059</u>	<u>22,598,764</u>	<u>207,084,806</u>	<u>206,048,609</u>
Total assets	<u>415,157,715</u>	<u>373,360,146</u>	<u>29,515,563</u>	<u>28,334,127</u>	<u>444,673,278</u>	<u>401,694,273</u>
Deferred outflows of resources	<u>1,742,574</u>	<u>1,965,974</u>	-	-	<u>1,742,574</u>	<u>1,965,974</u>
Current liabilities	91,611,563	81,884,338	1,453,184	725,607	93,064,747	82,609,945
Noncurrent liabilities	<u>386,082,000</u>	<u>350,745,110</u>	<u>4,305,860</u>	<u>6,326,677</u>	<u>390,387,860</u>	<u>357,071,787</u>
Total liabilities	<u>477,693,563</u>	<u>432,629,448</u>	<u>5,759,044</u>	<u>7,052,284</u>	<u>483,452,607</u>	<u>439,681,732</u>
Net position:						
Net investment in capital assets	46,783,182	46,995,346	20,364,202	17,349,044	67,147,384	64,344,390
Restricted	24,510,442	22,475,038	-	-	24,510,442	22,475,038
Unrestricted	<u>(132,086,898)</u>	<u>(126,773,712)</u>	<u>3,392,317</u>	<u>3,932,799</u>	<u>(128,694,581)</u>	<u>(122,840,913)</u>
Total net position	<u>\$ (60,793,274)</u>	<u>\$ (57,303,328)</u>	<u>\$ 23,756,519</u>	<u>\$ 21,281,843</u>	<u>\$ (37,036,755)</u>	<u>\$ (36,021,485)</u>

The largest portion of the County's net position, \$67,147,384, 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, \$24,510,442, 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 balance of net position, \$128,694,581, is considered to be an unrestricted deficit.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2014 and December 31, 2013.

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

	Governmental activities		Business-type activities		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues	\$ 147,810,941	\$ 141,653,612	\$ 13,554,887	\$ 7,877,426	\$ 161,365,828	\$ 149,531,038
General revenues	301,325,573	290,821,948	190,964	262,112	301,516,537	291,084,060
Total revenues	<u>449,136,514</u>	<u>432,475,560</u>	<u>13,745,851</u>	<u>8,139,538</u>	<u>462,882,365</u>	<u>440,615,098</u>
Total program expenses	<u>449,795,994</u>	<u>442,724,491</u>	<u>14,101,641</u>	<u>12,537,662</u>	<u>463,897,635</u>	<u>455,262,153</u>
Transfers	<u>(2,830,466)</u>	<u>(2,920,298)</u>	<u>2,830,466</u>	<u>2,920,298</u>	<u>-</u>	<u>-</u>
Change in net position	(3,489,946)	(13,169,229)	2,474,676	(1,477,826)	(1,015,270)	(14,647,055)
Net position—beginning	<u>(57,303,328)</u>	<u>(44,134,099)</u>	<u>21,281,843</u>	<u>22,759,669</u>	<u>(36,021,485)</u>	<u>(21,374,430)</u>
Net position—ending	<u>\$ (60,793,274)</u>	<u>\$ (57,303,328)</u>	<u>\$ 23,756,519</u>	<u>\$ 21,281,843</u>	<u>\$ (37,036,755)</u>	<u>\$ (36,021,485)</u>

Governmental activities—Governmental activities decreased the County’s net position by \$3,489,946. A summary of revenues for governmental activities for the years ended December 31, 2014 and 2013 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
Charges for services	\$ 27,323,378	\$ 21,642,810	\$ 5,680,568	26.2
Operating grants and contributions	114,839,042	108,514,824	6,324,218	5.8
Capital grants and contributions	5,648,521	11,495,978	(5,847,457)	(50.9)
Property taxes and tax items	117,571,499	116,316,603	1,254,896	1.1
Non-property taxes	179,497,801	169,969,541	9,528,260	5.6
Tobacco settlement revenues	4,131,430	3,670,998	460,432	12.5
Other	124,843	864,806	(739,963)	(85.6)
Total revenues	<u>\$ 449,136,514</u>	<u>\$ 432,475,560</u>	<u>\$ 16,660,954</u>	3.9

As presented in Table 3, the most significant source of revenues is non-property taxes, which accounts for \$179,497,801, or 40.0 percent of total governmental activities revenues for the year ended December 31, 2014, and \$169,969,541, or 39.3 percent of total governmental activities revenues for the year ended December 31, 2013. The next largest source of revenues is property taxes, which comprises \$117,571,499, or 26.2 percent, and \$116,316,603, or 26.9 percent of total governmental activities revenues for the years ended December 31, 2014 and 2013, respectively.

During the year ended December 31, 2014, non-property taxes increased \$9,528,260. This increase was in part due to the \$2.3 million received due to the tax on energy in early 2014. The County’s operating grants and contributions increased \$6,324,218 compared to fiscal year 2013. This was a result of increased state aid. The County received an additional \$3.6 million related to jail and mental health programs as well as increased revenues related to the childcare services offered by the County.

A summary of program expenses of governmental activities for the years ended December 31, 2014 and 2013 is presented in Table 4 on the following page.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
General government support	\$ 89,627,941	\$ 79,497,557	\$ 10,130,384	12.7
Education	13,346,198	13,979,106	(632,908)	(4.5)
Public safety	88,583,760	86,110,810	2,472,950	2.9
Public health	57,850,691	56,295,697	1,554,994	2.8
Transportation	23,637,784	24,489,665	(851,881)	(3.5)
Economic assistance and opportunity	151,761,577	157,166,721	(5,405,144)	(3.4)
Culture and recreation	4,757,103	4,166,348	590,755	14.2
Home and community services	12,068,993	12,583,508	(514,515)	(4.1)
Interest and other fiscal charges	8,161,947	8,435,079	(273,132)	(3.2)
Total program expenses	<u>\$ 449,795,994</u>	<u>\$ 442,724,491</u>	<u>\$ 7,071,503</u>	1.6

The County's most significant expense items for governmental activities were economic assistance and opportunity of \$151,761,577, or 33.7 percent of total governmental activities expenses, general government support of \$89,627,941, or 19.9 percent of total governmental activities expenses, and public safety of \$88,583,760, or 19.7 percent of total governmental activities expenses for the year ended December 31, 2014. Similarly, for the year ended December 31, 2013 significant expense items were economic assistance and opportunity of \$157,166,721, or 35.5 percent of total governmental activities expenses, public safety of \$86,110,810, or 19.4 percent of total governmental activities expenses and general government support of \$79,497,557, or 17.9 percent of total governmental activities expenses.

During the year ended December 31, 2014, general governmental support increased by \$10,130,384. This increase from prior year is largely a result of the recognition of a legal claim settled by the County. Economic assistance and opportunity decreased \$5,405,144 compared to December 31, 2013. Costs related to day care and foster care contributed to the decreased expenses in 2014.

Business-type activities—Business-type activities increased the County's net position by \$2,474,676. Operating revenues and expenses for the year ended December 31, 2014 increased 22.5 percent and 12.5 percent, respectively, from the year ended December 31, 2013.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2014 and 2013 is presented below:

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

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollar	Percent (%)
Operating revenues:				
Charges for services	\$ 4,819,567	\$ 2,971,016	\$ 1,848,551	62.2
Operating grants and revenues	4,031,153	4,169,632	(138,479)	(3.3)
Other revenue	61,279	133,199	(71,920)	(54.0)
Total operating revenues	<u>\$ 8,911,999</u>	<u>\$ 7,273,847</u>	<u>\$ 1,638,152</u>	22.5
Operating expenses:				
Personal services and employee benefits	\$ 1,155,606	\$ 1,182,109	(26,503)	(2.2)
Depreciation	3,174,121	3,215,179	(41,058)	(1.3)
Contracted services	9,641,197	8,019,239	1,621,958	20.2
Total operating expenses	<u>\$ 13,970,924</u>	<u>\$ 12,416,527</u>	<u>\$ 1,554,397</u>	12.5

The County's business-type activities' operating revenues for the year ended December 31, 2014 increased 22.5 percent from the previous year, primarily as a result of the transfer of an asset related to the Airport activities in the amount of \$1,684,357.

Additionally, the most significant expense items for the year ended December 31, 2014 were contracted services, which accounted for \$9,641,197, or 69.0 percent of total expenses, and depreciation expense of \$3,174,121, or 22.7 percent of total expenses. Similarly, for the year ended December 31, 2013, the most significant expense items were contracted services, which accounted for \$8,019,239, or 64.6 percent of total expenses, and depreciation expense of \$3,215,179, or 25.9 percent of total expenses.

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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$109,833,211, an increase of \$30,886,017 in comparison with the prior year. *Unassigned fund balance* is \$39,512,047, or approximately 8.8 percent of total governmental expenditures and transfers out. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$5,260,295; (2) restricted for particular purposes, \$42,876,161; or (3) assigned for particular purposes, \$22,184,708.

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 \$39,512,047, while total fund balance was \$71,202,973. The General Fund fund balance increased \$17,719,181 from the prior year. The fund balance increase was primarily due to increases in sales and use taxes and state aid. 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 9.6 percent of General Fund expenditures and transfers out, while total fund balance represents 17.3 percent of that same amount.

The fund balance in the Capital Projects Fund increased \$12,797,344 from December 31, 2013, resulting in fund balance of \$31,748,225 as of December 31, 2014. The issuance of \$22,165,196 of public improvement serial bonds largely contributed to this increase.

At December 31, 2014, the DTASC Fund reported *restricted fund balance* of \$3,509,523 to be used for upcoming payments of principal and interest. Fund balance decreased by \$3,975 from the prior year as a result of increased accreted interest costs.

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

Net position of the Airport Fund at December 31, 2014 totaled \$12,825,416, which included \$13,664,476 net investment in capital assets and an unrestricted deficit of \$839,060.

The County's Transportation Fund reports the County's operation of the public transportation system. The fund's net position increased \$2,368,250 to \$10,931,103 for the year ended December 31, 2014.

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 the budget.

A summary of the General Fund results of operations for the year ended December 31, 2014 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	\$ 415,532,982	\$ 416,959,672	\$ 430,361,909	\$ 13,402,237
Expenditures and other financing uses	<u>430,412,134</u>	<u>431,221,523</u>	<u>412,642,728</u>	<u>18,578,795</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (14,879,152)</u>	<u>\$ (14,261,851)</u>	<u>\$ 17,719,181</u>	<u>\$ 31,981,032</u>

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 from the original adopted budget to the final budget.

Final budget compared to actual results—The General Fund had a favorable variance from the final budget of \$31,981,032. The primary positive variances were realized in public health, general government support and economic assistance and opportunity. Additionally, grants and state aid came in \$13,890,399 over anticipated budgeted amounts.

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, 2014 amounted to \$175,118,483 and \$23,462,059, 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, 2014 and 2013 are presented in Table 7 on the following page.

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

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 12,053,192	\$ 9,730,747	\$ 3,385,364	\$ 3,385,364	\$ 15,438,556	\$ 13,116,111
Right of way and easements	13,228,657	13,149,139	-	-	13,228,657	13,149,139
Construction in progress	7,141,298	4,093,125	594,684	164,755	7,735,982	4,257,880
Infrastructure	71,466,133	71,359,690	10,477,370	11,783,585	81,943,503	83,143,275
Buildings and improvements	52,861,727	56,946,798	3,302,272	3,477,366	56,163,999	60,424,164
Improvements other than buildings	98,430	69,122	-	-	98,430	-
Machinery and equipment	18,269,046	19,322,389	5,702,369	3,787,694	23,971,415	23,110,083
Total	<u>\$ 175,118,483</u>	<u>\$ 174,671,010</u>	<u>\$ 23,462,059</u>	<u>\$ 22,598,764</u>	<u>\$ 198,580,542</u>	<u>\$ 197,200,652</u>

The County's infrastructure assets are recorded at historical cost in the government-wide financials statements. The County has elected to depreciate its infrastructure assets. Additional information on County's capital assets can be found in Note 4 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 2014, the County's governmental activities outstanding bonded debt totaled \$104,076,200 (excluding DTASC) and represents approximately 4.8% of the County's debt limit.

A summary of the County's long-term liabilities at December 31, 2014 and December 31, 2013 is presented below in Table 8.

Table 8—Summary of Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2014	2013	2014	2013	2014	2013
Bonds payable	\$ 185,104,923	\$ 173,283,241	\$ 3,092,641	\$ 5,249,720	\$ 188,197,564	\$ 178,532,961
Workers' compensation and general claims	32,844,927	26,460,820	-	-	32,844,927	26,460,820
Other post-employment benefits	157,171,086	140,031,637	1,161,053	1,039,060	158,332,139	141,070,697
Compensated absences	8,553,064	8,619,412	52,166	37,897	8,605,230	8,657,309
Environmental clean-up	2,408,000	2,350,000	-	-	2,408,000	2,350,000
Total	<u>\$ 386,082,000</u>	<u>\$ 350,745,110</u>	<u>\$ 4,305,860</u>	<u>\$ 6,326,677</u>	<u>\$ 390,387,860</u>	<u>\$ 357,071,787</u>

Total outstanding long-term liabilities increased by \$33,316,073. Major factors that contribute to this increase include:

- Obligations for other post-employment benefits ("OPEB") increased in the governmental and business-type activities by \$17,139,449 and \$121,993, 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.

- The County issued public improvement serial bonds in the amount of \$22,203,842 on May 1, 2015. The bonds bear interest rates ranging between 2.1 - 5.0 percent. The bonds are expected to mature on May 1, 2034.

Additional information on the County’s long-term debt can be found in Note 11 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:

Medicaid costs:		
2013	\$	42,937,237
2014		42,662,576
2015 (budgeted)		42,581,396

In addition to Medicaid costs, Dutchess County participates in the New York State 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:

New York State retirement system costs:		
2013	\$	21,284,827
2014		20,785,809
2015 (budgeted)		22,069,580

The County has appropriated \$ 4.475 million in fund balance to finance the 2015 budget from various funds. The unassigned fund balance is \$39.5 million in the General Fund as of December 31, 2014.

The total tax levy for the 2015 budget is \$107.5 million resulting in a property tax rate of \$3.68 per thousand of assessed value, which is .01% higher than \$3.65 in 2014. The true value assessment for the County has decreased from \$29.58 billion for the 2014 budget to \$27.54 billion for the 2015 budget; a decrease of .07%.

Dutchess County contains a diverse mix of industries, including life sciences, microelectronics, higher education, high-tech manufacturing, distribution, agriculture and retail trades. IBM, one of the County's two top high-tech employers, has an expansive campus in the City of Poughkeepsie, and is home to the new IBM Systems released this year, which is the most sophisticated computer system ever built by IBM. The z13 culminates a \$1 billion investment, five years of development, and more than 500 new patents. Additionally, Poughkeepsie's campus includes high-end power systems development and test laboratories, manufacturing facilities and Customer Solution Center, Design Center, High Availability Center of Competency, and IBM Systems Lab Services, as well as the IBM Systems Executive Briefing Center. The other top high-tech employer is Global Foundries, which purchased IBM’s East Fishkill facility and manufactures the 300 microprocessor chip at East Fishkill under a 10 year agreement with IBM. The chips are the world's fastest microprocessor. Another top employer, HealthQuest, with more than 5,000 employees, recently announced a more than \$400 million expansion at their medical center in

Poughkeepsie. GAP Incorporated's plan to invest \$95 million at its Fishkill logistics center, and hire 1,200 new jobs remains on track. Two large commercial buildings, vacant for several years, totaling nearly 500 thousand square feet are in contract for new businesses. One is a high-tech manufacturing company, and the other is new to New York State and provides enterprise colocation solutions. One of the County's fastest growing industry sectors is higher education. Vassar College is completing construction an 80,000 square foot, \$120 million science facilities project. The project will include rehabilitation of three existing buildings and construction of a new building. Marist College is investing up to \$140 million on two new buildings, which broke ground recently and include a new technology center. Adjacent to campus, a \$40 million private development project for student housing is in the final stages of the permitting process. The Culinary Institute of America completed a 40,000 square foot expansion to advance the culinary arts and provide conference space for more than 800, and just opened a new 28,000 square foot facility, called The Egg, featuring seven lounge areas with total seating for 500 indoors, and 150 outdoors. The Egg includes collaboration between the CIA and Brooklyn Brewery, which doubles as an instructional and production facility. In other areas, nearly \$2 billion in development projects are at the final stages of the permitting process including Silo Ridge, a \$400+ million community offering 245 residences, a world-class 18-hole Tom Fazio-designed golf course and an Olympic-caliber private equestrian center. The County's tourism industry continues to see strong growth. The Walkway Over The Hudson and related Rail Trail remain a strong model for success. The Walkway, which is the second most visited park in the state, opened its elevator to the City of Poughkeepsie Waterfront, directly connecting the Waterfront to a trail system that goes deep into two counties. Adjacent to the Walkway and on the Hudson River, a new market rate housing project, with more than 300 units, received its final approvals in the City of Poughkeepsie. Agriculture continues to play a significant role in the economy of the County. There are dairy, produce, livestock and horse farms as well as vineyards operations, and now three new distillery operations, all spurring agribusiness development. The County participated in a first-ever regional Food Shed Conservation Plan, as well as the establishment of the Food and Beverage Alliance at the Culinary Institute of America in Hyde Park, which supports farms like Madava Farms in the Town of Dover. Madava expanded its maple syrup production and completed a multimillion dollar visitor's center, creating an agri-tourism destination in Dutchess County. Madava's facility is the most advanced syrup production facility in the country, and produces some of the purest maple syrup on earth. Approximately 1,500 workers benefit from direct employment through these operations and an additional 2,000 from farm related jobs. Annually, the agricultural sector contributes between \$100 to \$150 million to the County's economy. Wealth levels for Dutchess County residents are above national averages. The Bureau of Economic Analysis estimated the per capita personal income of the County residents in 2011 was \$45,521, which placed the County eleventh among all counties in the State for the year. Unemployment for the County continues to be one of the lowest in the state at 4.7%, and the vacancy rate for available office and industrial space in the county is at 14%, which is well below the national average of 22%.

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.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

BASIC FINANCIAL STATEMENTS

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

COUNTY OF DUTCHESS, NEW YORK
Statement of Net Position
December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 57,709,144	\$ 4,041,363	\$ 61,750,507	\$ 31,496,784
Restricted cash and investments	46,746,015	-	46,746,015	15,205,446
Receivables (net of allowances for estimated uncollectible amounts):				
Taxes	49,261,379	-	49,261,379	-
Accounts receivable	6,009,002	159,593	6,168,595	10,888,484
Intergovernmental receivables	66,384,589	1,717,976	68,102,565	217,442
Internal balances	164,544	22,014	186,558	-
Prepaid items	5,142,953	31,659	5,174,612	1,079,739
Inventories	117,342	80,899	198,241	530,698
Total current assets	<u>231,534,968</u>	<u>6,053,504</u>	<u>237,588,472</u>	<u>59,418,593</u>
Noncurrent assets:				
Other assets	8,504,264	-	8,504,264	6,276,591
Capital assets:				
Capital assets not being depreciated	32,423,147	3,980,048	36,403,195	6,044,683
Capital assets being depreciated (net of accumulated depreciation)	142,695,336	19,482,011	162,177,347	154,493,465
Total noncurrent assets	<u>183,622,747</u>	<u>23,462,059</u>	<u>207,084,806</u>	<u>166,814,739</u>
Total assets	<u>415,157,715</u>	<u>29,515,563</u>	<u>444,673,278</u>	<u>226,233,332</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	1,742,574	-	1,742,574	282,994
Total deferred outflows of resources	<u>1,742,574</u>	<u>-</u>	<u>1,742,574</u>	<u>282,994</u>
LIABILITIES				
Current liabilities:				
Accounts payable	43,876,047	1,180,996	45,057,043	8,780,140
Retainages payable	156,647	-	156,647	-
Accrued liabilities	9,354,197	77,623	9,431,820	7,206,265
Interest payable	824,200	-	824,200	-
Intergovernmental payables	33,263,114	-	33,263,114	1,963,395
Interfund loan	-	158,748	158,748	-
Unearned revenue	3,130,720	35,817	3,166,537	3,592,827
Other liabilities	1,006,638	-	1,006,638	-
Total current liabilities	<u>91,611,563</u>	<u>1,453,184</u>	<u>93,064,747</u>	<u>21,542,627</u>
Noncurrent liabilities:				
Due within one year	26,277,015	454,787	26,731,802	6,008,593
Due in more than one year	359,804,985	3,851,073	363,656,058	133,098,851
Total noncurrent liabilities	<u>386,082,000</u>	<u>4,305,860</u>	<u>390,387,860</u>	<u>139,107,444</u>
Total liabilities	<u>477,693,563</u>	<u>5,759,044</u>	<u>483,452,607</u>	<u>160,650,071</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue—deferred charges	-	-	-	27,025,791
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,025,791</u>
NET POSITION				
Net investment in capital assets	46,783,182	20,364,202	67,147,384	62,019,356
Restricted for:				
Debt service	11,835,454	-	11,835,454	-
Capital projects	11,766,062	-	11,766,062	-
Other	908,926	-	908,926	17,989,500
Unrestricted	<u>(132,086,898)</u>	<u>3,392,317</u>	<u>(128,694,581)</u>	<u>(41,168,392)</u>
Total net position	<u>\$ (60,793,274)</u>	<u>\$ 23,756,519</u>	<u>\$ (37,036,755)</u>	<u>\$ 38,840,464</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government support	\$ 89,627,941	\$ 7,605,444	\$ 2,379,685	\$ -	\$ (79,642,812)	\$ -	\$ (79,642,812)	\$ -
Education	13,346,198	1,100	-	66,428	(13,278,670)	-	(13,278,670)	-
Public safety	88,583,760	3,989,666	4,114,434	-	(80,479,660)	-	(80,479,660)	-
Public health	57,850,691	3,128,689	30,311,931	-	(24,410,071)	-	(24,410,071)	-
Transportation	23,637,784	2,572,627	2,103,000	4,630,833	(14,331,324)	-	(14,331,324)	-
Economic assistance and opportunity	151,761,577	8,963,602	72,219,454	-	(70,578,521)	-	(70,578,521)	-
Culture and recreation	4,757,103	517,462	554,831	951,260	(2,733,550)	-	(2,733,550)	-
Home and community services	12,068,993	514,603	3,155,707	-	(8,398,683)	-	(8,398,683)	-
Interest and other fiscal charges	8,161,947	30,185	-	-	(8,131,762)	-	(8,131,762)	-
Total governmental activities	<u>449,795,994</u>	<u>27,323,378</u>	<u>114,839,042</u>	<u>5,648,521</u>	<u>(301,985,053)</u>	<u>-</u>	<u>(301,985,053)</u>	<u>-</u>
Business-type activities:								
Airport	5,654,117	3,712,576	-	1,293,122	-	(648,419)	(648,419)	-
Transportation	8,447,524	1,106,991	4,031,153	3,411,045	-	101,665	101,665	-
Total business-type activities	<u>14,101,641</u>	<u>4,819,567</u>	<u>4,031,153</u>	<u>4,704,167</u>	<u>-</u>	<u>(546,754)</u>	<u>(546,754)</u>	<u>-</u>
Total primary government	<u>\$ 463,897,635</u>	<u>\$ 32,142,945</u>	<u>\$ 118,870,195</u>	<u>\$ 10,352,688</u>	<u>(301,985,053)</u>	<u>(546,754)</u>	<u>(302,531,807)</u>	<u>-</u>
Component units:								
Dutchess Community College	\$ 87,425,647	\$ 53,390,407	\$ 18,268,945	\$ 181,114				(15,585,181)
Resource Recovery Agency	18,000,304	15,649,249	-	-				(2,351,055)
Water and Wastewater Authority	7,757,400	5,124,592	67,968	-				(2,564,840)
Nonmajor component units	1,332,472	500,355	498,354	-				(333,763)
Total component units	<u>\$ 114,515,823</u>	<u>\$ 74,664,603</u>	<u>\$ 18,835,267</u>	<u>\$ 181,114</u>				<u>(20,834,839)</u>
General revenues:								
Property taxes, levied for general purpose					103,542,995	-	103,542,995	-
Property taxes, levied for debt service					14,028,504	-	14,028,504	-
Sales and use taxes					175,811,195	-	175,811,195	-
Other taxes					3,686,606	-	3,686,606	-
Use of money and property					124,843	190,964	315,807	1,369,015
Tobacco settlement revenues					4,131,430	-	4,131,430	-
Payments from primary government					-	-	-	14,899,204
Transfers					(2,830,466)	2,830,466	-	-
Total general revenues and transfers					<u>298,495,107</u>	<u>3,021,430</u>	<u>301,516,537</u>	<u>16,268,219</u>
Change in net position					(3,489,946)	2,474,676	(1,015,270)	(4,566,620)
Net position—beginning					<u>(57,303,328)</u>	<u>21,281,843</u>	<u>(36,021,485)</u>	<u>43,407,084</u>
Net position—ending					<u>\$ (60,793,274)</u>	<u>\$ 23,756,519</u>	<u>\$ (37,036,755)</u>	<u>\$ 38,840,464</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, 2014

	<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	\$ 52,426,157	\$ -	\$ 23,509	\$ 5,259,478	\$ 57,709,144
Restricted cash and cash equivalents	10,749,133	32,487,359	3,509,523	-	46,746,015
Receivables (net of allowances for estimated uncollectible amounts):					
Taxes	49,261,379	-	-	-	49,261,379
Accounts receivable	5,954,671	-	-	54,331	6,009,002
Due from other funds	4,430,948	21,597	-	-	4,452,545
Intergovernmental receivables	54,376,788	6,900,987	-	1,152,106	62,429,881
Prepaid items	4,854,079	-	-	288,874	5,142,953
Inventories	117,342	-	-	-	117,342
Total assets	<u>\$ 182,170,497</u>	<u>\$ 39,409,943</u>	<u>\$ 3,533,032</u>	<u>\$ 6,754,789</u>	<u>\$ 231,868,261</u>
LIABILITIES					
Accounts payable	\$ 37,519,006	\$ 4,234,870	\$ 11,177	\$ 2,110,994	\$ 43,876,047
Accrued liabilities	8,934,936	7,278	-	411,983	9,354,197
Due to other funds	98	3,419,570	-	868,333	4,288,001
Intergovernmental payables	33,263,114	-	-	-	33,263,114
Unearned revenue	3,130,720	-	-	-	3,130,720
Other liabilities	1,003,317	-	-	3,321	1,006,638
Total liabilities	<u>83,851,191</u>	<u>7,661,718</u>	<u>11,177</u>	<u>3,394,631</u>	<u>94,918,717</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues—grants and aid	8,188,911	-	-	-	8,188,911
Unavailable revenues—property taxes	18,927,422	-	-	-	18,927,422
Total deferred inflows of resources	<u>27,116,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,116,333</u>
FUND BALANCES					
Nonspendable	4,971,421	-	-	288,874	5,260,295
Restricted	7,618,413	31,748,225	3,509,523	-	42,876,161
Assigned	19,101,092	-	12,332	3,071,284	22,184,708
Unassigned	39,512,047	-	-	-	39,512,047
Total fund balances	<u>71,202,973</u>	<u>31,748,225</u>	<u>3,521,855</u>	<u>3,360,158</u>	<u>109,833,211</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 182,170,497</u>	<u>\$ 39,409,943</u>	<u>\$ 3,533,032</u>	<u>\$ 6,754,789</u>	<u>\$ 231,868,261</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, 2014

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Total fund balances—governmental funds (page 17)	\$ 109,833,211
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$445,162,695 and the accumulated depreciation is \$270,044,212.	175,118,483
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	8,504,264
Other long-term assets are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows of resources in the funds.	27,116,333
Certain accrued DTASC revenues reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds.	3,954,708
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 and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.	1,742,574
Net accrued interest expense for general obligations of \$675,871 and DTASC bonds of \$148,329 is not reported in the funds.	(824,200)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.	(156,647)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:	
General obligation bonds ("GOB")	\$ (104,076,200)
Unamortized premiums on GOB bonds	(4,977,056)
DTASC bonds	(55,611,279)
Unamortized discount on DTASC bonds	1,168,879
Accreted interest on DTASC bonds	(21,609,267)
Workers' compensation and general claims	(32,844,927)
OPEB obligation	(157,171,086)
Compensated absences	(8,553,064)
Environmental clean up	<u>(2,408,000)</u>
	<u>(386,082,000)</u>
Net position of governmental activities	<u>\$ (60,793,274)</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, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>DTASC</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 107,102,979	\$ -	\$ -	\$ 10,468,520	\$ 117,571,499
Sales and use tax	175,811,195	-	-	-	175,811,195
Other taxes	3,686,606	-	-	-	3,686,606
Departmental income	21,723,919	-	-	1,940,881	23,664,800
Use of money and property	2,414,289	25,000	164,126	5,597	2,609,012
Sale of property and compensation for loss	-	-	-	375	375
Miscellaneous	9,288,905	1,431	3,967,304	305,521	13,563,161
Grants and aid	110,238,946	5,695,210	-	4,528,409	120,462,565
Total revenues	<u>430,266,839</u>	<u>5,721,641</u>	<u>4,131,430</u>	<u>17,249,303</u>	<u>457,369,213</u>
EXPENDITURES					
Current:					
General government support	62,050,720	-	90,055	-	62,140,775
Education	13,261,525	-	-	-	13,261,525
Public safety	58,887,229	-	-	242,378	59,129,607
Health	50,053,510	-	-	-	50,053,510
Transportation	2,784,221	-	-	8,560,479	11,344,700
Economic assistance and opportunity	138,460,119	-	-	1,983,386	140,443,505
Culture and recreation	1,871,937	-	-	-	1,871,937
Home and community services	8,477,032	-	-	2,602,967	11,079,999
Employee benefits	55,791,200	-	-	4,027,362	59,818,562
Debt service:					
Principal	14,028,504	-	2,230,000	-	16,258,504
Interest and other fiscal charges	3,555,529	-	1,815,350	-	5,370,879
Capital outlay	-	15,044,423	-	-	15,044,423
Total expenditures	<u>409,221,526</u>	<u>15,044,423</u>	<u>4,135,405</u>	<u>17,416,572</u>	<u>445,817,926</u>
Excess (deficiency) of revenues over expenditures	<u>21,045,313</u>	<u>(9,322,782)</u>	<u>(3,975)</u>	<u>(167,269)</u>	<u>11,551,287</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	95,070	-	-	540,736	635,806
Transfers out	(3,421,202)	(45,070)	-	-	(3,466,272)
Proceeds of issuance of serial bonds	-	22,165,196	-	-	22,165,196
Total other financing sources (uses)	<u>(3,326,132)</u>	<u>22,120,126</u>	<u>-</u>	<u>540,736</u>	<u>19,334,730</u>
Net change in fund balances	17,719,181	12,797,344	(3,975)	373,467	30,886,017
Fund balances—beginning	<u>53,483,792</u>	<u>18,950,881</u>	<u>3,525,830</u>	<u>2,986,691</u>	<u>78,947,194</u>
Fund balances—ending	<u>\$ 71,202,973</u>	<u>\$ 31,748,225</u>	<u>\$ 3,521,855</u>	<u>\$ 3,360,158</u>	<u>\$ 109,833,211</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, 2014

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

Net change in fund balances—total governmental funds (page 19) \$ 30,886,017

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, net	\$ 18,003,302	
Capital asset disposals, net	(502,681)	
Depreciation expense	<u>(17,053,148)</u>	447,473

In the statement of activities, the cost of intangible assets is allocated and amortized over their estimated useful lives. (274,571)

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. 1,195,692

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 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. (223,400)

In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid. (184,267)

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 effect 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 related items is as follows:

Principal payments on serial bonds	\$ 16,258,504	
Issuance of serial bonds	(22,165,196)	
Premium on serial bonds issuance	(1,382,881)	
Transfer of serial bonds	(1,684,358)	
Amortization of bond premiums	306,728	
Accreted interest on DTASC bonds	(3,072,487)	
Amortization of DTASC bond discount	(81,992)	
Change in judgments and claims	(6,384,107)	
Change in OPEB obligation	(17,139,449)	
Change in compensated absences	66,348	
Change in environmental clean up	<u>(58,000)</u>	<u>(35,336,890)</u>

Change in net position of governmental activities \$ (3,489,946)

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, 2014

	<u>Business-type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		
	<u>Airport</u>	<u>Transportation</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 321,350	\$ 3,720,013	\$ 4,041,363
Receivables	68,477	91,116	159,593
Intergovernmental receivables	472,419	1,245,557	1,717,976
Due from other funds	22,014	-	22,014
Prepaid items	27,615	4,044	31,659
Inventories	80,899	-	80,899
Total current assets	<u>992,774</u>	<u>5,060,730</u>	<u>6,053,504</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	3,136,399	248,965	3,385,364
Construction in progress	105,518	489,166	594,684
Capital assets, net of accumulated depreciation:			
Infrastructure	10,477,370	-	10,477,370
Buildings and building improvements	587,494	2,714,778	3,302,272
Machinery and equipment	1,147,061	4,555,308	5,702,369
Total noncurrent assets	<u>15,453,842</u>	<u>8,008,217</u>	<u>23,462,059</u>
Total assets	<u>16,446,616</u>	<u>13,068,947</u>	<u>29,515,563</u>
LIABILITIES			
Current liabilities:			
Accounts payable	419,360	761,636	1,180,996
Accrued liabilities	56,033	21,590	77,623
Due to other funds	137,750	20,998	158,748
Unearned revenue	35,817	-	35,817
Current portion of long-term debt	285,922	168,865	454,787
Total current liabilities	<u>934,882</u>	<u>973,089</u>	<u>1,907,971</u>
Noncurrent liabilities:			
Compensated absences	49,558	-	49,558
Other post-employment benefits obligation	1,135,924	25,129	1,161,053
Bonds payable	1,500,836	1,139,626	2,640,462
Total noncurrent liabilities	<u>2,686,318</u>	<u>1,164,755</u>	<u>3,851,073</u>
Total liabilities	<u>3,621,200</u>	<u>2,137,844</u>	<u>5,759,044</u>
NET POSITION			
Net investment in capital assets	13,664,476	6,699,726	20,364,202
Unrestricted	(839,060)	4,231,377	3,392,317
Total net position	<u>\$ 12,825,416</u>	<u>\$ 10,931,103</u>	<u>\$ 23,756,519</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, 2014

	<u>Business-type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		
	<u>Airport</u>	<u>Transportation</u>	
Operating revenues:			
Charges for services	\$ 3,712,576	\$ 1,106,991	\$ 4,819,567
Operating grants and revenues	-	4,031,153	4,031,153
Other revenue	<u>7,437</u>	<u>53,842</u>	<u>61,279</u>
Total operating revenues	<u>3,720,013</u>	<u>5,191,986</u>	<u>8,911,999</u>
Operating expenses:			
Personal services	571,876	82,443	654,319
Employee benefits	451,693	49,594	501,287
Depreciation	1,624,365	1,549,756	3,174,121
Contracted services	<u>2,937,831</u>	<u>6,703,366</u>	<u>9,641,197</u>
Total operating expenses	<u>5,585,765</u>	<u>8,385,159</u>	<u>13,970,924</u>
Operating loss	<u>(1,865,752)</u>	<u>(3,193,173)</u>	<u>(5,058,925)</u>
Nonoperating revenues (expenses):			
Interest income	127,863	1,822	129,685
Interest expense	<u>(68,352)</u>	<u>(62,365)</u>	<u>(130,717)</u>
Total nonoperating revenues (expenses)	<u>59,511</u>	<u>(60,543)</u>	<u>(1,032)</u>
Loss before contributions and transfers	(1,806,241)	(3,253,716)	(5,059,957)
Capital contributions	1,293,122	3,411,045	4,704,167
Transfers in	619,545	2,260,921	2,880,466
Transfers out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Change in net position	106,426	2,368,250	2,474,676
Total net position—beginning	<u>12,718,990</u>	<u>8,562,853</u>	<u>21,281,843</u>
Total net position—ending	<u>\$ 12,825,416</u>	<u>\$ 10,931,103</u>	<u>\$ 23,756,519</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, 2014

	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Airport</u>	<u>Transportation</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided	\$ 3,400,076	\$ 1,119,477	\$ 4,519,553
Receipts from operating grants and revenue	-	3,642,832	3,642,832
Receipts from other operating revenue	7,437	53,842	61,279
Payments to employees	(861,689)	(107,164)	(968,853)
Payments to suppliers of contracted services	<u>(2,776,780)</u>	<u>(6,357,500)</u>	<u>(9,134,280)</u>
Net cash used for operating activities	<u>(230,956)</u>	<u>(1,648,513)</u>	<u>(1,879,469)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	619,545	2,260,921	2,880,466
Operating transfers out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net cash provided by noncapital financing activities	<u>619,545</u>	<u>2,210,921</u>	<u>2,830,466</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions to noncurrent assets	1,293,122	3,411,045	4,704,167
Capital purchases	(1,642,228)	(3,897,005)	(5,539,233)
Proceeds received from debt issuance	38,646	-	38,646
Principal paid on long-term debt	(343,382)	(167,985)	(511,367)
Transfer of serial bonds payable	(1,684,358)	-	(1,684,358)
Transfer of real property	1,501,817	-	1,501,817
Interest paid on long-term debt	<u>(68,352)</u>	<u>(62,365)</u>	<u>(130,717)</u>
Net cash used for capital and related financing activities	<u>(904,735)</u>	<u>(716,310)</u>	<u>(1,621,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income earned	<u>127,863</u>	<u>1,822</u>	<u>129,685</u>
Net cash provided by investing activities	<u>127,863</u>	<u>1,822</u>	<u>129,685</u>
Net decrease in cash and cash equivalents	(388,283)	(152,080)	(540,363)
Cash and cash equivalents—beginning	<u>709,633</u>	<u>3,872,093</u>	<u>4,581,726</u>
Cash and cash equivalents—ending	<u>\$ 321,350</u>	<u>\$ 3,720,013</u>	<u>\$ 4,041,363</u>

(continued)

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, 2014

	<u>Business-type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		
	<u>Airport</u>	<u>Transportation</u>	
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$(1,865,752)	\$ (3,193,173)	\$(5,058,925)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation expense	1,624,365	1,549,756	3,174,121
(Increase) in receivables	(436,903)	(396,833)	(833,736)
Decrease in inventories	18,379	-	18,379
Decrease in other assets	1,184	140	1,324
Increase in accounts payable	142,672	345,866	488,538
Increase in accrued liabilities	30,507	18,660	49,167
Increase in compensated absences	14,269	-	14,269
Increase in due to other funds	93,279	20,998	114,277
Increase in unearned revenue	31,124	-	31,124
Increase in other post-employment benefits	<u>115,920</u>	<u>6,073</u>	<u>121,993</u>
Total adjustments	<u>1,634,796</u>	<u>1,544,660</u>	<u>3,179,456</u>
Net cash used for operating activities	<u>\$ (230,956)</u>	<u>\$ (1,648,513)</u>	<u>\$(1,879,469)</u>

(concluded)

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, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 4,352	\$ 6,977,065
Intergovernmental receivables	-	955,975
Investments, at fair value	<u>1,500</u>	<u>-</u>
Total assets	<u>5,852</u>	<u>\$ 7,933,040</u>
LIABILITIES		
Agency liabilities	-	7,905,230
Due to other funds	<u>-</u>	<u>27,810</u>
Total liabilities	<u>-</u>	<u>\$ 7,933,040</u>
NET POSITION		
Restricted	<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, 2014

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

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

COUNTY OF DUTCHESS, NEW YORK
Combining Statement of Net Position—
Discretely Presented Component Units
December 31, 2014

	Dutchess Community College (August 31, 2014)	Dutchess County Resource Recovery Agency	Dutchess County Water and Wastewater Authority	Total Nonmajor Component Units	Total Aggregate Discretely Presented Component Units
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 22,686,063	\$ 3,340,530	\$ 2,773,049	\$ 2,697,142	\$ 31,496,784
Restricted cash and investments	9,661,884	3,222,811	2,316,443	4,308	15,205,446
Receivables (net of allowances for estimated uncollectible amounts)	7,297,716	1,875,625	1,712,163	2,980	10,888,484
Intergovernmental receivables	-	105,543	-	111,899	217,442
Prepaid items	959,994	38,982	79,638	1,125	1,079,739
Inventories	530,698	-	-	-	530,698
Total current assets	41,136,355	8,583,491	6,881,293	2,817,454	59,418,593
Noncurrent assets:					
Other assets	1,864,125	1,838,838	2,573,628	-	6,276,591
Capital assets:					
Capital assets not being depreciated	1,415,062	517,591	4,112,030	-	6,044,683
Capital assets being depreciated (net of accumulated depreciation)	80,827,008	23,377,887	50,287,266	1,304	154,493,465
Total noncurrent assets	84,106,195	25,734,316	56,972,924	1,304	166,814,739
Total assets	125,242,550	34,317,807	63,854,217	2,818,758	226,233,332
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges	-	-	282,994	-	282,994
Total deferred outflows of resources	-	-	282,994	-	282,994
LIABILITIES					
Current liabilities:					
Accounts payable	7,941,578	272,183	547,755	18,624	8,780,140
Accrued liabilities	1,782,623	4,920,921	459,299	43,422	7,206,265
Intergovernmental payables	312,292	1,651,103	-	-	1,963,395
Unearned revenues	3,592,827	-	-	-	3,592,827
Total current liabilities	13,629,320	6,844,207	1,007,054	62,046	21,542,627
Noncurrent liabilities:					
Due within one year	1,308,498	925,000	3,770,500	4,595	6,008,593
Due within more than one year	83,982,957	15,783,446	33,318,901	13,547	133,098,851
Total noncurrent liabilities	85,291,455	16,708,446	37,089,401	18,142	139,107,444
Total liabilities	98,920,775	23,552,653	38,096,455	80,188	160,650,071
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue—deferred charges	1,180,289	73,505	25,765,847	6,150	27,025,791
Total deferred inflows of resources	1,180,289	73,505	25,765,847	6,150	27,025,791
NET POSITION					
Net investment in capital assets	52,622,065	7,681,973	1,714,014	1,304	62,019,356
Restricted	10,203,726	5,061,649	2,719,817	4,308	17,989,500
Unrestricted	(37,684,305)	(2,051,973)	(4,158,922)	2,726,808	(41,168,392)
Total net position	\$ 25,141,486	\$ 10,691,649	\$ 274,909	\$ 2,732,420	\$ 38,840,464

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

COUNTY OF DUTCHESS, NEW YORK
Combining Statement of Activities—
Discretely Presented Component Units
Year Ended December 31, 2014

	Dutchess Community College (August 31, 2014)	Dutchess County Resource Recovery Agency	Dutchess County Water and Wastewater Authority	Total Nonmajor Component Units	Total Aggregate Discretely Presented Component Units
Program expenses:					
Disposal fees	\$ -	\$ 2,173,728	\$ -	\$ -	\$ 2,173,728
Service fees	-	10,923,869	-	-	10,923,869
Administrative expenses	9,624,797	1,970,130	1,524,458	34,895	13,154,280
Interest expenses	106,411	742,637	1,427,936	-	2,276,984
Depreciation	2,277,740	2,189,940	1,287,217	819	5,755,716
Instruction	31,371,917	-	-	-	31,371,917
Public service	19,669	-	-	-	19,669
Academic support	4,438,545	-	-	-	4,438,545
Libraries	1,307,647	-	-	-	1,307,647
Student services	6,743,926	-	-	-	6,743,926
General institution	7,139,703	-	-	-	7,139,703
Operation and maintenance of plant	10,842,756	-	3,422,701	67,395	14,332,852
Student aid	8,911,537	-	-	-	8,911,537
Personal services	-	-	-	404,495	404,495
Other	4,640,999	-	95,088	824,868	5,560,955
Total program expenses	<u>87,425,647</u>	<u>18,000,304</u>	<u>7,757,400</u>	<u>1,332,472</u>	<u>114,515,823</u>
Program revenues:					
Charges for services:					
Tipping fees	-	12,356,134	-	-	12,356,134
Energy sales	-	3,173,765	-	-	3,173,765
Other charges for services	3,797,552	-	5,111,227	499,720	9,408,499
Student tuition and fees	22,193,397	-	-	-	22,193,397
Grants and contracts	15,234,102	-	-	-	15,234,102
Other	12,165,356	119,350	13,365	635	12,298,706
Operating grants and contributions	18,268,945	-	67,968	498,354	18,835,267
Capital grants and contributions	181,114	-	-	-	181,114
Total program revenues	<u>71,840,466</u>	<u>15,649,249</u>	<u>5,192,560</u>	<u>998,709</u>	<u>93,680,984</u>
Net expense	(15,585,181)	(2,351,055)	(2,564,840)	(333,763)	(20,834,839)
General revenues:					
Unrestricted interest and other	1,216,197	5,330	143,642	3,846	1,369,015
Payments from primary government	10,837,898	999,439	2,794,831	267,036	14,899,204
Total general revenues	<u>12,054,095</u>	<u>1,004,769</u>	<u>2,938,473</u>	<u>270,882</u>	<u>16,268,219</u>
Change in net position	(3,531,086)	(1,346,286)	373,633	(62,881)	(4,566,620)
Net position—beginning	<u>28,672,572</u>	<u>12,037,935</u>	<u>(98,724)</u>	<u>2,795,301</u>	<u>43,407,084</u>
Net position—ending	<u>\$ 25,141,486</u>	<u>\$ 10,691,649</u>	<u>\$ 274,909</u>	<u>\$ 2,732,420</u>	<u>\$ 38,840,464</u>

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

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

COUNTY OF DUTCHESS, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2014

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, 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 accompanying financial statements present the County and its component units, entities for which the County 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. The discretely presented component units are reported in combining statements immediately following the fiduciary fund financial statements to emphasize that each unit is legally separate from the County.

Blended Component Unit—The following blended component unit is a legally separate entity from the County, but is, in substance, part of the County’s operations and therefore data from this unit 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.

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. 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.

Dutchess County Local Development Corporation (Nonmajor Component Unit)—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.

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.

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 six 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 and are presented in separate columns in the government-wide financial statements. The remaining three are considered nonmajor component units and are combined and presented in a single column in the combining Statement of Net Position—Discretely Presented Component Units and the combining Statement of Activities—Discretely Presented Component Units.

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 constitutes the primary operating fund of the County and is used to account for all operations not required to be accounted for in other funds.

- *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.
- *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.

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.
- *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.
- *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.

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—The County’s 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 based on quoted market prices.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions as well as debt proceeds set aside for a specific purpose.

Receivables—Receivables are stated net of allowances for estimated 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.

Inventories and Prepaid Items—Inventories are valued at cost using the first in, first out method. The cost of inventories largely consists of fuel on-hand for the Airport Fund. 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.

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, 2014, the County reported \$8,504,264 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. Donated capital assets are recorded at estimated fair market value at the date of its donation. Major outlay for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add value to the asset or materially extend the asset’s life are not capitalized.

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:

Class of Asset	Estimated Useful Life
Infrastructure	10-50 years
Buildings and building improvements	5-40 years
Improvements other than buildings	5-30 years
Machinery and equipment	3-15 years

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).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position 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, 2014, the County has one item that qualifies for reporting in this category. The item is a deferred charge on refunding bonds that is being amortized over the life of the refunded 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, 2014, the County has one item that qualifies for reporting in this category, which arises only under a modified accrual basis of accounting. Accordingly, the items, *unavailable revenue*, are reported as deferred inflows of resources only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and certain grants and aid that will more than likely not be realized within one year. These amounts are deferred and recognized in the period that the amounts become available.

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 Expense/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 31, prior to the year of collection and attached as an enforceable lien on January 1. On March 1, 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 31 or August 31, 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 2014 is \$29,575,302,089. The effective tax rate on this value is \$3.65 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2014 levy represents approximately 19.3% of the constitutional tax limit.

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2014, the County reported unearned revenues within the General Fund and Airport Fund of \$3,130,720 and \$35,817, respectively.

Compensated Absences—Vacation leave and other compensated absences with similar characteristics of \$8,553,064 and \$52,166 in governmental activities and business-type activities, respectively at December 31, 2014, are accrued as a liability as the benefits are earned by the employees if the leave is attributable to past service, and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Workers' Compensation and General Claims—Estimated costs associated with workers' compensation and general claims and judgments for both reported and unreported events totaled \$32,844,927 at December 31, 2014. Estimates of both future payment of losses and related claim adjustment expenses, are recorded as long-term liabilities in the government-wide financial statements.

Pensions—Nearly all County employees are members of various New York State retirement systems. The County is invoiced annually by the systems for its share of the costs.

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 user fees. Operating expenses of enterprise funds consist of salaries, wages and benefits, contractual services and depreciation and amortization. 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.

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2014, the County implemented GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, No. 69, *Government Combinations and Disposals of Government Operations*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 69 is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statements No. 67, 69, and 70 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. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015, No. 72, *Fair Value Measurement and Application*, 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*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*, and No. 77, *Tax Abatement Disclosures*, effective for the year ending December 31, 2016, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending December 31, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2018. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 68, 71, 72, 73, 74, 75, 76 and 77 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

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

- No later than November 1, the County Executive submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. 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 21, 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. 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 FDIC-insured commercial banks or trust companies located within New York 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, 2014 consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 23,515	\$ 900	\$ -	\$ 24,415
Securities and money market funds	68,086	-	1,500	69,586
Discount note	3,441,437	-	-	3,441,437
Deposits	100,922,121	4,040,463	6,981,417	111,944,001
Total	<u>\$ 104,455,159</u>	<u>\$ 4,041,363</u>	<u>\$ 6,982,917</u>	<u>\$ 115,479,439</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2014 as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
FDIC insured	\$ 3,062,878	\$ 2,812,878
Uninsured:		
Collateral held by pledging bank's agent in the County's name	<u>122,111,895</u>	<u>109,131,123</u>
Total	<u>\$ 125,174,773</u>	<u>\$ 111,944,001</u>

Custodial Credit Risk—In the case of deposits, this is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. For investments, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2014, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution’s trust department or 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 amount of \$32,487,359, and cash restricted for future debt service within both the General Fund and DTASC Fund of \$4,371,233 and \$3,509,523, respectively. Also included in restricted cash is General Fund (including self-insurance) balances subject to externally enforceable legal purpose restrictions, totaling \$6,377,900.

Investments—Investments are carried at fair value, as determined by quoted market prices. At December 31, 2014, the County has investments in securities of \$1,500 and \$3,441,437 in DTASC investments.

Interest Rate Risk—The County does not have a formal investment policy that limits investment maturities 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.

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, 2014.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment then the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the College manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Investments—Investments consist of certificates of deposit with initial maturities of greater than three months.

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.

Repurchase agreements involve purchases by a broker of portfolio securities concurrently with an agreement by the broker to sell the same securities at a later date at a fixed price. Generally, the effect of such a transaction is that the Agency can invest its excess cash balances at competitive interest rates. The Agency is subject to certain risks, specifically credit risk that parties to the repurchase agreement will not perform as required, market risk in that the value of the underlying securities may decline below cost and legal risk in that investments may be made in securities not authorized by state and local regulations. The Agency believes its contractual arrangements and short-term nature of its investments minimize these risks. Market value of the repurchase agreements, and other investments, approximates cost plus accrued interest.

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, 2014, the Agency had cash deposited in various banks aggregating approximately \$350,000, which is classified as Risk Category A, 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, 2014, the Agency had cash and cash equivalents and investments of \$8,052,179 in various accounts, which outside of the \$350,000 mentioned above are not covered by FDIC. Bank balances differ from the Agency's cash balances by the amount of outstanding items clearing in the following month. The cash balances are collateralized with securities held by the counter party's trust department or agent in the entity's name which are considered Risk Category B.

Cash, cash equivalents and investments are as follows at December 31, 2014:

Bank balance	\$ 4,404,826
U.S. Treasury bills	<u>3,647,353</u>
Total	<u>\$ 8,052,179</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.

As of December 31, 2014, the trustee reported the following restricted cash and cash equivalents and investments:

2007 Series	
Project Fund	\$ 512,194
Debt Service Reserve Fund	<u>1,296,322</u>
Current restricted funds	<u>1,808,516</u>
Reserve and Contingency Fund	167,138
Debt Service Reserve Fund	<u>1,671,700</u>
Noncurrent restricted funds	<u>1,838,838</u>
Total 2007 Series	<u>\$ 3,647,354</u>

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 1998 C and 1999 A 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 1, bond principal and interest payments, amounted to \$1,414,295 at December 31, 2014, and are included in restricted cash.

Restricted assets as of December 31, 2014 are summarized as follows:

Current restricted assets	
Series 2007	\$ 1,808,516
Energy Revenues and Debt Service Funds	<u>1,414,295</u>
Total current restricted assets	<u>3,222,811</u>
Noncurrent restricted assets	
Series 2007	<u>1,838,838</u>
Total noncurrent restricted cash and investments	<u>1,838,838</u>
Total restricted cash and investments	<u>\$ 5,061,649</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 by category are as follows as of December 31, 2014:

Cash in banks	<u>\$ 2,773,049</u>
Investments:	
Money market funds	3,141,821
U.S. Treasury bills and notes	<u>1,748,250</u>
Total investments	<u>\$ 4,890,071</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—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, 2014:

Construction Reserve funds	\$ 2,014,050
Debt Service Sinking funds	937
Debt Service Reserve funds	<u>301,456</u>
Current restricted funds	<u>2,316,443</u>
Debt Service Reserve funds noncurrent	<u>2,573,628</u>
Total restricted funds	<u>\$ 4,890,071</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.

3. RECEIVABLES

Taxes Receivable—Represents amounts due from County taxpayers that remain unpaid. At December 31, 2014 the County recorded \$49,261,379 related to taxes receivable.

Accounts Receivable—Represents amounts due from various sources. The County’s accounts receivable at December 31, 2014 are presented on the following page.

Governmental activities:	
General Fund	\$ 7,317,303
Nonmajor governmental funds	54,331
Less allowance for doubtful accounts	<u>(1,362,632)</u>
Total	<u>\$ 6,009,002</u>
Business-type activities:	
Airport Fund	\$ 68,477
Transportation Fund	<u>91,116</u>
Total	<u>\$ 159,593</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, 2014 are as shown below:

Governmental activities:	
General Fund:	
Due from state and federal	\$ 53,005,398
Other	<u>1,371,390</u>
	\$ 54,376,788
Capital Projects Fund:	
Due from state and federal	6,878,464
Other	<u>22,523</u>
	6,900,987
DTASC Fund:	
Due from state and federal	3,954,708
Nonmajor governmental funds:	
Due from state and federal	<u>1,152,106</u>
Total	<u>\$ 66,384,589</u>
Business-type activities:	
Airport Fund:	
Due from state and federal	\$ 472,419
Transportation Fund:	
Due from state and federal	<u>1,245,557</u>
Total	<u>\$ 1,717,976</u>

Due to the length of time it often takes to receive reimbursement from other governments for certain requested reimbursements, the County currently has \$8,188,911 in receivables that are not anticipated to be received within 90 days of year end, and are accordingly reported within deferred outflows of resources at December 31, 2014.

A. Discretely presented component units

i) Dutchess Community College

Significant receivables include amounts due from 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, 2014, the College reported total accounts receivable of \$7,297,716.

4. CAPITAL ASSETS

Governmental activities—Capital asset activity for the primary government’s governmental activities, for the year ended December 31, 2014 was as follows:

	Balance 1/1/2014	Increases / Reclassifications	Decreases / Reclassifications	Balance 12/31/2014
Capital assets, not being depreciated:				
Land	\$ 9,730,747	\$ 2,322,445	\$ -	\$ 12,053,192
Right of way and easements	13,149,139	79,518	-	13,228,657
Construction in progress	4,093,125	14,957,045	11,908,872	7,141,298
Total capital assets, not being depreciated	<u>26,973,011</u>	<u>17,359,008</u>	<u>11,908,872</u>	<u>32,423,147</u>
Capital assets, being depreciated:				
Infrastructure	188,191,713	8,858,966	250,510	196,800,169
Buildings and building improvements	146,924,801	1,268,360	403,160	147,790,001
Improvements other than buildings	70,593	35,184	-	105,777
Machinery and equipment	66,312,908	2,390,656	659,963	68,043,601
Total capital assets, being depreciated	<u>401,500,015</u>	<u>12,553,166</u>	<u>1,313,633</u>	<u>412,739,548</u>
Less accumulated depreciation for:				
Infrastructure	116,832,023	8,552,753	50,740	125,334,036
Buildings and building improvements	89,978,003	5,053,472	103,201	94,928,274
Improvements other than buildings	1,471	5,876	-	7,347
Machinery and equipment	46,990,519	3,441,047	657,011	49,774,555
Total accumulated depreciation	<u>253,802,016</u>	<u>17,053,148</u>	<u>810,952</u>	<u>270,044,212</u>
Total capital assets, being depreciated, net	<u>147,697,999</u>	<u>(4,499,982)</u>	<u>502,681</u>	<u>142,695,336</u>
Governmental activities capital assets, net	<u>\$ 174,671,010</u>	<u>\$ 12,859,026</u>	<u>\$ 12,411,553</u>	<u>\$ 175,118,483</u>

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

General government support	\$ 4,853,697
Public safety	2,223,775
Public health	41,314
Transportation	7,485,277
Economic assistance and opportunity	362,550
Culture and recreation	2,060,246
Home and community services	26,289
Total governmental activities	<u>\$ 17,053,148</u>

Business-type activities—Capital asset activity for the primary government’s business-type activities (Enterprise Funds) for the year ended December 31, 2014 is presented on the following page.

	Balance 1/1/2014	Increases / Reclassifications	Decreases / Reclassifications	Balance 12/31/2014
Capital assets, not being depreciated:				
Land	\$ 3,385,364	\$ -	\$ -	\$ 3,385,364
Construction in progress	164,755	5,448,094	5,018,165	594,684
Total capital assets, not being depreciated	<u>3,550,119</u>	<u>5,448,094</u>	<u>5,018,165</u>	<u>3,980,048</u>
Capital assets, being depreciated:				
Infrastructure	28,349,671	1,451,126	2,076,075	27,724,722
Buildings and building improvements	11,934,556	228,684	-	12,163,240
Machinery and equipment	13,449,629	3,429,494	1,630,825	15,248,298
Total capital assets, being depreciated	<u>53,733,856</u>	<u>5,109,304</u>	<u>3,706,900</u>	<u>55,136,260</u>
Less accumulated depreciation for:				
Infrastructure	16,566,086	1,255,523	574,257	17,247,352
Buildings and building improvements	8,457,190	403,778	-	8,860,968
Machinery and equipment	9,661,935	1,514,820	1,630,826	9,545,929
Total accumulated depreciation	<u>34,685,211</u>	<u>3,174,121</u>	<u>2,205,083</u>	<u>35,654,249</u>
Total capital assets, being depreciated, net	<u>19,048,645</u>	<u>1,935,183</u>	<u>1,501,817</u>	<u>19,482,011</u>
Business-type activities capital assets, net	<u>\$ 22,598,764</u>	<u>\$ 7,383,277</u>	<u>\$ 6,519,982</u>	<u>\$ 23,462,059</u>

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

Airport	\$ 1,624,365
Transportation	<u>1,549,756</u>
Total business-type activities	<u>\$ 3,174,121</u>

A. Discretely presented component units

- i) **Dutchess Community College**—Capital asset activity for the Dutchess Community College for the year ended August 31, 2014 is presented below:

	Balance 9/1/2013	Increases	Decreases	Balance 8/31/2014
Capital assets, not being depreciated:				
Land	\$ 1,148,465	\$ 2,679	\$ -	\$ 1,151,144
Construction in progress	116,280	150,317	2,679	263,918
Total capital assets, not being depreciated	<u>1,264,745</u>	<u>152,996</u>	<u>2,679</u>	<u>1,415,062</u>
Capital assets, being depreciated:				
Building and improvements	84,930,992	358,228	-	85,289,220
Furniture and equipment	8,671,768	488,836	555,435	8,605,169
Total capital assets, being depreciated	<u>93,602,760</u>	<u>847,064</u>	<u>555,435</u>	<u>93,894,389</u>
Less: Accumulated depreciation	<u>41,324,124</u>	<u>2,266,271</u>	<u>489,602</u>	<u>43,100,793</u>
Total capital assets, being depreciated, net	<u>52,278,636</u>	<u>(1,419,207)</u>	<u>65,833</u>	<u>50,793,596</u>
Total capital assets, net	<u>\$ 53,543,381</u>	<u>\$ (1,266,211)</u>	<u>\$ 68,512</u>	<u>\$ 52,208,658</u>

In addition to the College's capital assets, its component units, the Association and Foundation reported net capital assets of \$30,023,992 and \$9,420, respectively.

Assets under capital lease agreements at August 31, 2014 are as follows:

Cost basis	\$ 5,227,174
Accumulated depreciation	<u>(3,001,304)</u>
Total	<u>\$ 2,225,870</u>

Depreciation expense for the year ended August 31, 2014 was \$2,266,271 and amortization expense of \$11,469 for intangible assets for the year ended August 31, 2014, totaling \$2,277,740.

ii) Dutchess County Resource Recovery Agency—Capital asset activity for the Dutchess County Resource Recovery Agency for the year ended December 31, 2014 is presented below:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	66,067,969	-	2,293,790	63,774,179
Equipment	<u>856,265</u>	<u>8,498</u>	<u>672,092</u>	<u>192,671</u>
	67,441,825	8,498	2,965,882	64,484,441
Less: Accumulated depreciation	<u>41,321,814</u>	<u>2,233,031</u>	<u>2,965,882</u>	<u>40,588,963</u>
Capital assets, net	<u>\$ 26,120,011</u>	<u>\$ (2,224,533)</u>	<u>\$ -</u>	<u>\$ 23,895,478</u>

Depreciation was recorded in the amount of \$2,233,031, less amortization of deferred revenues associated with the funding of capital improvements of \$43,092, resulting in \$2,189,939 depreciation expense for the year ended December 31, 2014.

iii) Dutchess County Water and Wastewater Authority—Capital asset activity for the Dutchess County Water and Wastewater Authority for the year ended December 31, 2014 is presented below:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Land	\$ 834,808	\$ -	\$ -	\$ 834,808
Improvements	175,907	-	-	175,907
Buildings	13,198,932	178,940	-	13,377,872
Water system	50,716,011	81,176	-	50,797,187
Machinery and equipment	7,188,007	72,816	-	7,260,823
Sewage collection system	1,364,871	280,061	-	1,644,932
Construction in progress	<u>1,721,350</u>	<u>1,903,901</u>	<u>(348,029)</u>	<u>3,277,222</u>
	75,199,886	2,516,894	(348,029)	77,368,751
Less: Accumulated depreciation	<u>21,086,384</u>	<u>1,883,071</u>	<u>-</u>	<u>22,969,455</u>
Capital assets, net	<u>\$ 54,113,502</u>	<u>\$ 633,823</u>	<u>\$ 348,029</u>	<u>\$ 54,399,296</u>

Accumulated depreciation was increased by \$1,883,071, after deducting amortization of deferred revenues associated with the Central Dutchess Water Transmission Line of \$595,853, which was put into service in 2007 for the year ended December 31, 2014. Depreciation expense for the year ended December 31, 2014 is \$1,287,217.

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental and business-type activities at December 31, 2014, were as follows:

	Governmental Activities			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
Salaries and employee benefits	\$ 6,252,681	\$ 7,278	\$ 357,719	\$ 6,617,678
Other	2,682,255	-	54,264	2,736,519
Total accrued liabilities	<u>\$ 8,934,936</u>	<u>\$ 7,278</u>	<u>\$ 411,983</u>	<u>\$ 9,354,197</u>

	Business-type Activities		
	Airport	Transportation	Total
Salaries and employee benefits	\$ 38,035	\$ 5,253	\$ 43,288
Other	17,998	16,337	34,335
Total accrued liabilities	<u>\$ 56,033</u>	<u>\$ 21,590</u>	<u>\$ 77,623</u>

6. PENSION PLANS

Plan Description—The County participates in the New York State and Local Employees’ Retirement System (“ERS”). In addition, all faculty and administrators of the College (a component unit) have the option of participating in the New York State Teachers’ Retirement System (“TRS”) or the Teachers’ Insurance and Annuity Association, College Retirement Equities Fund (“TIAA-CREF”). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy—The Systems are 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%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%), based on salary. Under the authority of the NYSRSSL, 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. Included in the amount billed to the County are amounts for Dutchess Community College. The College reimburses its share to the County.

The County and the College are required to contribute at an actuarially determined rate. The required contributions per the New York State and Local Retirement System invoices for the current year and two preceding years were as follows:

<u>Year Ended December 31,</u>	<u>ERS</u>
2014	\$ 22,241,748
2013	21,284,827
2012	20,111,400

The College’s share for the current and two preceding years were:

<u>Year Ended August 31,</u>	<u>ERS</u>	<u>TRS</u>
2014	\$ 1,992,205	\$ 849,594
2013	1,894,452	523,474
2012	1,768,650	459,693

7. OTHER POST-EMPLOYMENT 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 and Airport Fund 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. For the year ended December 31, 2014, the County’s, Airport’s and Transportation’s annual OPEB costs of \$21,907,349, \$118,051 and \$6,073, respectively, were recognized within the government-wide statement of activities. 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 CSEA 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. DCSEA 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 two years, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation.

	Year Ended December 31, 2014			
	Governmental	Business-type Activities		Total
	Activities	Airport	Transportation	
Annual required contribution ("ARC")	\$ 25,898,768	\$ 147,125	\$ 6,616	\$ 26,052,509
Interest on net OPEB obligation	1,359,530	9,903	185	1,369,618
Adjustment to ARC	(5,350,949)	(38,977)	(728)	(5,390,654)
Annual OPEB cost (expense)	21,907,349	118,051	6,073	22,031,473
Contributions made	(4,767,900)	(2,131)	-	(4,770,031)
Increase in net OPEB obligation	17,139,449	115,920	6,073	17,261,442
Net OPEB obligation—beginning	140,031,637	1,020,004	19,056	141,070,697
Net OPEB obligation—ending	\$ 157,171,086	\$ 1,135,924	\$ 25,129	\$ 158,332,139

	Year Ended December 31, 2013			
	Governmental	Business-type Activities		Total
	Activities	Airport	Transportation	
Annual required contribution ("ARC")	\$ 24,571,134	\$ 138,229	\$ 6,158	\$ 24,715,521
Interest on net OPEB obligation	4,786,904	35,233	516	4,822,653
Adjustment to ARC	(4,572,983)	(33,659)	(492)	(4,607,134)
Annual OPEB cost (expense)	24,785,055	139,803	6,182	24,931,040
Contributions made	(4,426,030)	(632)	-	(4,426,662)
Increase in net OPEB obligation	20,359,025	139,171	6,182	20,504,378
Net OPEB obligation—beginning	119,672,612	880,833	12,874	120,566,319
Net OPEB obligation—ending	\$ 140,031,637	\$ 1,020,004	\$ 19,056	\$ 141,070,697

Funding Status and Funding Progress—As of December 31, 2014, calculations were based on plan data as of January 1, 2013 and financial data as of December 31, 2014. The annual required contribution for 2014 was determined based on an interim actuarial valuation performed for the year ended December 31, 2014. The actuarial accrued liability for benefits was \$310,314,836, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$106,629,230 and the ratio of the unfunded actuarial accrued liability ("UAAL") to the covered payroll was 291.0%.

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 schedule of contributions for 2014 and the preceding two years were as follows:

Total			
Year Ended December 31,	Annual	Contributions Made	Percentage Contributed
	OPEB Cost		
2014	\$ 22,031,473	\$ 4,770,031	21.7%
2013	24,931,040	4,426,662	17.8%
2012	27,547,775	4,500,241	16.3%

Governmental Activities			
Year Ended December 31,	Annual	Contributions Made	Percentage Contributed
	OPEB Cost		
2014	\$ 21,907,349	\$ 4,767,900	21.8%
2013	24,785,055	4,426,030	17.9%
2012	27,340,340	4,497,633	16.5%

Airport			
Year Ended December 31,	Annual	Contributions Made	Percentage Contributed
	OPEB Cost		
2014	\$ 115,920	\$ 2,131	1.8%
2013	139,803	632	0.5%
2012	200,755	2,608	1.3%

Transportation			
Year Ended December 31,	Annual	Contributions Made	Percentage Contributed
	OPEB Cost		
2014	\$ 6,073	\$ -	0.0%
2013	6,182	-	0.0%
2012	6,680	-	0.0%

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, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of January 1, 2013 and measurement date of December 31, 2014. The RP-2000 Mortality Tables for males and females is used for mortality rates. The valuation uses a discount rate of 4.0%. 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.

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 post-employment 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 post-employment 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 24 years remaining in the amortization period. The actuarial assumptions included a 4.0% investment return. The College currently has no assets set aside for the purpose of paying post-employment benefits. The actuarial cost method utilized was the unit credit method.

	Year Ended August 31,	
	2014	2013
Annual required contribution ("ARC")	\$ 8,065,797	\$ 7,634,061
Interest on net OPEB obligation	1,891,085	1,670,386
Adjustment to ARC	<u>(2,628,886)</u>	<u>(2,322,081)</u>
Annual OPEB cost (expense)	7,327,996	6,982,366
Contributions made	<u>(1,685,242)</u>	<u>(1,464,875)</u>
Increase in net OPEB obligation	5,642,754	5,517,491
Net OPEB obligation—beginning	<u>47,277,137</u>	<u>41,759,646</u>
Net OPEB obligation—ending	<u>\$ 52,919,891</u>	<u>\$ 47,277,137</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Year Ended, August 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 7,327,996	23.00%	\$ 52,919,891
2013	6,982,366	20.98%	47,277,137
2012	7,977,586	22.45%	41,759,646

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information that is useful in determining whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability. 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 post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the Agency recognizes the cost of post-employment 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 Post-employment Benefits liability as of December 31, 2014 and 2013 is \$568,446 and \$478,100, respectively.

iii) Dutchess County Water and Wastewater Authority

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the Agency recognizes the cost of post-employment 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 Post-employment Benefits liability as of December 31, 2014 and 2013 is \$1,242,623 and \$1,100,666, respectively.

8. 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, 2014, the market value, as reported by the New York State Deferred Compensation Plan, of the plan assets totaled \$125,202,972.

9. RISK MANAGEMENT

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 three towns, one village, Dutchess Community College, Dutchess County Resource Recovery Agency and Dutchess County. The activity of the Plan is recorded in the County’s General Fund.

The Plan maintains insurance coverage for claims in excess of \$1,000,000. The County estimates \$8,500,000 related to general claims against the County which is recorded within governmental activities long-term liabilities at December 31, 2014.

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
2014	\$ 23,595,823	\$ 3,281,238	2,532,134	\$ 24,344,927
2013	29,710,899	978,443	7,093,519	23,595,823

The financial information for the self-insurance plan is reported on the modified accrual basis within the General Fund.

10. LEASES

Operating Leases—The County leases buildings and equipment under non-cancelable operating leases. Total costs for such leases were \$2,761,849 for governmental activities for the year ended December 31, 2014. Future minimum lease payments at December 31, 2014 are presented below:

Year Ending December 31,	Governmental Activities
2015	\$ 2,507,474
2016	2,262,395
2017	1,250,244
2018	<u>776,421</u>
Total	<u>\$ 6,796,534</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 agreements ranges from 4.4% to 4.9%.

The future minimum payments required under the lease as of August 31, 2014 are presented below:

Year Ending August 31,	Principal	Interest
2015	\$ 207,623	\$ 90,917
2016	216,988	81,517
2017	226,776	71,693
2018	237,005	61,427
2019	247,695	50,698
Thereafter	<u>1,032,561</u>	<u>86,030</u>
Total	<u>\$ 2,168,648</u>	<u>\$ 442,282</u>

Interest expense related to capital lease obligations was approximately \$106,411 in 2014.

Operating Leases—The College leases buildings for use in its operations under operating lease agreements which expire at various times through August 2017. The agreements require the following minimum future annual lease payments as of August 31, 2014:

Year Ending August 31,	
2015	\$ 573,570
2016	573,570
2017	<u>573,570</u>
Total	<u>\$ 1,720,710</u>

Rental expense for 2014 was approximately \$574,000.

Broadband Channel Leases—The College has been authorized by the Federal Communications Commission to operate certain educational broadband channels. In 2006, the College leased the excess capacity of those educational broadband channels to a third-party communications company. The rental lease term was for 10 years, with two 10-year renewal periods for up to a maximum duration of 30 years. The College is the lessor under these agreements. Under the lease agreements, the College received one-time up-front payments totaling approximately \$1.5 million and will receive monthly payments of approximately \$4,000 per month from the lessee. The initial up-front payments are being amortized on a straight-line basis over the initial term of the leases.

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 3.48% and the outstanding balance on the lease is \$756,110.

11. LONG-TERM DEBT

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, workers' compensation and general claims, other post-employment benefits ("OPEB") obligation, compensated absences and environmental clean up. A summary of changes in the County's long-term liabilities for the year ended December 31, 2014 is presented below:

	Balance 1/1/2014	Additions and Reclassifications	Reductions and Reclassifications	Balance 12/31/2014	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds ("GOB")	\$ 94,255,150	\$ 23,849,554	\$ 14,028,504	\$ 104,076,200	\$ 15,166,176
Premiums on GOB	3,900,903	1,382,881	306,728	4,977,056	378,181
DTASC tobacco settlement bonds	31,605,000	-	2,230,000	29,375,000	-
Discount on DTASC bonds	(1,250,871)	-	(81,992)	(1,168,879)	(412,241)
DTASC subordinate turbo CABs	44,773,059	3,072,487	-	47,845,546	-
Total bonds payable	173,283,241	28,304,922	16,483,240	185,104,923	15,132,116
Workers' compensation and general claims	26,460,820	10,781,238	4,397,131	32,844,927	8,717,246
Other post-employment benefits obligation	140,031,637	21,907,349	4,767,900	157,171,086	-
Compensated absences	8,619,412	174,198	240,546	8,553,064	427,653
Environmental clean up	2,350,000	58,000	-	2,408,000	2,000,000
Total governmental activities	<u>\$ 350,745,110</u>	<u>\$ 61,225,707</u>	<u>\$ 25,888,817</u>	<u>\$ 386,082,000</u>	<u>\$ 26,277,015</u>
Business-type activities:					
Bonds payable:					
Airport bonds	\$ 3,773,244	\$ 38,646	\$ 2,027,740	\$ 1,784,150	\$ 283,314
Transportation bonds	1,476,476	-	167,985	1,308,491	168,865
Total bonds payable	5,249,720	38,646	2,195,725	3,092,641	452,179
Other post-employment benefits obligation	1,039,060	124,124	2,131	1,161,053	-
Compensated absences	37,897	14,269	-	52,166	2,608
Total business-type activities	<u>\$ 6,326,677</u>	<u>\$ 177,039</u>	<u>\$ 2,197,856</u>	<u>\$ 4,305,860</u>	<u>\$ 454,787</u>

Bonds Payable—General obligation bonds of the County (not including the DTASC debt) are issued principally as serial bonds, which are due at various times through 2034. The bonds are issued primarily to finance acquisition or construction of capital facilities. Bonds have been issued to advance-refund previously issued bonds. These bonds are guaranteed by the full faith and credit of the County and are being repaid from applicable taxes. Principal and interest payments are included in the expenditures of the General Fund. The County has utilized 4.82% of its constitutional debt limit as of December 31, 2014.

Reclassifications—Represents portions of the 2010 public improvement general obligation bonds that have been re-allocated from the Airport Fund to Governmental Activities to more appropriately report debt with the associated purpose of the debt.

Prior Years' Advanced Refundings—In August 2001, the County refunded its outstanding 1990 Series bonds of \$1,575,000, its 1994 Series bonds of \$5,370,000 and its 1995 Series bonds of \$8,905,000, carrying a weighted average interest rate of 5.64% with new debt of \$16,360,000 issued with a weighted average interest rate of 3.25%. The net proceeds of \$16,360,000 plus an additional \$439,000 premium from bond issuance and \$53,000 of County monies (net of \$130,000 of issuance costs and discount) were used to purchase U.S. Government Securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service for the 1990, 1994 and 1995 bonds. As a result, the bonds are considered to be defeased and the liabilities for these bonds have been removed from the County's long-term liabilities. The balance of the defeased debt is approximately \$925,000 at December 31, 2014. In May 2006, the County refunded its outstanding 1996 Public Improvement Bond of \$5,800,000, its 1997 Public Improvement Bond of \$1,500,000 and its 1998 Public Improvement Bond of \$2,920,000 carrying a weighted average interest rate of 5.07% with new debt of \$10,265,000 issued with a weighted average interest rate of 4.46%. The net proceeds of the \$10,265,000 were used to purchase U.S. Government Securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service for the 1996, 1997 and 1998 bonds. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the County's long-term liabilities. The balance of the defeased debt is approximately \$2,400,000 at December 31, 2014.

The County issued \$15,095,000 Public Improvement Refunding Bonds, 2009 Series dated February 18, 2009. The series consisted of \$2,165,000 Public Improvement Bonds 2009, Series A, maturity date February 15, 2018; and \$12,930,000 Public Improvement Bonds, Series B, maturity date August 15, 2021. Their interest rates range from 3% to 4%. The 2009 bonds were issued to advance refund \$15,485,000 in Public Improvement Bonds originally issued by the County as follows: \$2,240,000 remaining from the \$8,550,000 Public Improvement Bonds, February 15, 1998, maturity date February 15, 2018 and \$13,240,000 remaining from the \$29,850,000 Public Improvement Bonds, August 1, 2001, maturity date August 15, 2021. Their interest rates ranged between 4.875% and 4.00%. As a result of the refunding, the 1998 and 2001 Series bonds are considered to be defeased and the liability for those bonds has been removed from the County's long-term liabilities. The balance of the defeased debt is approximately \$5,740,000 at December 31, 2014.

During the year ended December 31, 2011, the County issued \$5,395,000 in Serial Bonds with an average interest rate of 4.2% per annum. These proceeds were used to advance refund \$5,750,000 of the 2003 public improvement serial bonds. The balance of the debt is \$3,090,000 at December 31, 2014.

In November 2013, the County issued \$6,209,871 in public improvements serial bonds of which \$5,432,521, \$493,000 and \$284,350 relates to governmental activities, business-type activities and Dutchess Community College, respectively. These bonds mature in 2033 and carry an annual interest rate that range from 2.0 – 5.0 percent. The proceeds will be used to finance various capital projects.

In May 2014, the County issued \$22,203,842 in public improvements serial bonds of which \$22,165,196, and \$38,646 relates to governmental activities and business-type activities, respectively. These bonds mature in 2034 and carry an annual interest rate that range from 2.1 – 5.0 percent. The proceeds will be used to finance various capital projects.

DTASC Debt—In 2003, DTASC issued \$47,815,000 of the New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds, Series 2003 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. Proceeds of \$41,970,350 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”).

The payment of the Series 2003 Term Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued operations of the OPMs. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Bond Indenture and amounts established and held in accordance with the Bond Indenture. The Series 2003 Term Bonds are subject to “Turbo Redemptions”, which represent the requirement contained in the Indenture to apply 100% of all collections that are in excess of the requirements in the Indenture for the funding of the operating expenses; interest, sinking fund installments, and term bond maturities; maintenance of the Liquidity Reserve Account; to the redemption of Series 2003 Term Bonds on each distribution date in ascending order of maturity. Such surplus collections will be deposited in an account established and maintained by the trustee under the Indenture (the Turbo Redemption Account). Turbo Redemptions will be credited against sinking fund installments for any particular Series 2003 Term Bonds in ascending order of sinking fund installment dates. Turbo Redemptions are not scheduled amortization payments are to be made only from surplus collections. In June 2014, DTASC made a Turbo Redemption payment of \$2,230,000.

In the event sufficient funds are not available to meet Planned Payment Maturities, Rated Maturity dates will be used.

Interest is payable on the Series 2003 Term Bonds on June 1 and December 1 of each year. Planned Principal Payments and Rate Maturities are scheduled only on June 1 of each year although principal could be paid semiannually if actual principal payments are slower than Planned Principal Payments. Failure to pay interest on the Series 2003 Term Bonds when due or principal of the Series 2003 Term Bonds when due on a Rated Maturity Date will constitute a default.

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 has four components and payments on the Subordinate Turbo CABs are subordinate to the Series 2003 Term Bonds.

Changes in Tobacco Settlement Bonds, Series 2003, for the year ended December 31, 2014 is presented below:

Description	Year of Maturity	Interest Rate	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
Tobacco Settlement Bonds:						
Series 2003	2043	various	\$ 31,605,000	\$ -	\$ 2,230,000	\$ 29,375,000
Less:						
Bond discount			(1,250,871)	-	81,992	(1,168,879)
Net Tobacco Settlement Bonds			<u>\$ 30,354,129</u>	<u>\$ -</u>	<u>\$ 2,311,992</u>	<u>\$ 28,206,121</u>

DTASC debt service requirements based upon planned principal payments for Tobacco Settlement Bonds, Series 2003 is presented below:

Year ending December 31,	Principal	Interest	Total
2015	\$ -	\$ 1,751,237	\$ 1,751,237
2016	-	1,751,237	1,751,237
2017	-	1,751,237	1,751,237
2018	-	1,751,238	1,751,238
2019	-	1,751,238	1,751,238
2020-2024	-	8,756,188	8,756,188
2025-2029	-	8,756,188	8,756,188
2030-2034	6,330,000	8,080,006	14,410,006
2035-2039	11,185,000	5,318,550	16,503,550
2040-2043	<u>11,860,000</u>	<u>1,480,200</u>	<u>13,340,200</u>
Total	<u>\$ 29,375,000</u>	<u>\$ 41,147,319</u>	<u>\$ 70,522,319</u>

Subordinate Turbo CABs—Interest on the Subordinate Turbo CABs is compounded semi-annually 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, 2014 follows:

	Original Principal	Interest Rate (%)	Balance 1/1/2014	Annual Net Interest Accretion	Turbo Redemption Payments	Balance 12/31/2014
Subordinate Turbo CABs	\$ 26,236,279	6.00-7.85	<u>\$ 44,773,059</u>	<u>\$ 3,072,487</u>	<u>\$ -</u>	<u>\$ 47,845,546</u>

Redemption of the Subordinate Turbo CABs consists of four installments, and will be due and payable on the maturity dates as presented below:

Series 2005 S1 — June 1, 2038
Series 2005 S2 — June 1, 2050
Series 2005 S3 — June 1, 2055
Series 2005 4B — June 1, 2060

Amortization of Bond Premiums and Discount—The County issued serial bonds which received 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 2033. The total unamortized premiums as of December 31, 2014 was \$4,977,056. During 2003, DTASC issued bonds totaling \$45,912,363 and received a bond discount of \$1,902,637. The discount is being amortized over the life of the bonds, which mature in 2020. The unamortized discount as of December 31, 2014 was \$1,168,879.

Workers' Compensation and General Claims—As explained in Note 9, the County is self-insured. Liabilities are established for workers' compensation and general claims in accordance with GASB requirements. At December 31, 2014, the County reported \$24,344,927 of workers' compensation liability and \$8,500,000 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 worker's compensation, which is only recognized when invoiced from the County.

OPEB Obligation—As explained in Note 7, 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 \$157,171,086 at December 31, 2014.

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.

Environmental Clean Up—The results of the County's evaluation of its underground storage tank removal concluded with an estimate of \$2,408,000 liability being recorded in the governmental activities of the government-wide financial statements.

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

Governmental Activities										
Year ending December 31,	General	Premiums on GOB	DTASC	Discount on DTASC Bonds	DTASC	Workers'		Compensated Absences	Environmental Clean Up	Total
	Obligation Bonds ("GOB")		Tobacco Settlement Bonds		Subordinate Turbo CABs	Compensation and General Claims	OPEB			
2015	\$ 15,166,176	\$ 378,181	\$ -	\$ (412,241)	\$ -	\$ 8,717,246	\$ -	\$ 427,653	\$ 2,000,000	\$ 26,277,015
2016	12,762,169	378,181	-	(153,198)	-	-	-	-	-	12,987,152
2017	11,460,479	378,181	-	(165,533)	-	-	-	-	-	11,673,127
2018	9,833,324	378,181	-	(202,340)	-	-	-	-	-	10,009,165
2019	9,080,735	378,181	-	(215,273)	-	-	-	-	-	9,243,643
2020-2024	29,030,568	1,624,543	-	(20,294)	-	-	-	-	-	30,634,817
2025-2029	12,719,029	948,185	-	-	-	-	-	-	-	13,667,214
2030-2034	4,023,720	513,423	6,330,000	-	-	-	-	-	-	10,867,143
2035-2039	-	-	11,185,000	-	-	-	-	-	-	11,185,000
2040 and thereafter	-	-	11,860,000	-	47,845,546	24,127,681	157,171,086	8,125,411	408,000	249,537,724
Total	\$ 104,076,200	\$ 4,977,056	\$29,375,000	\$ (1,168,879)	\$47,845,546	\$ 32,844,927	\$157,171,086	\$ 8,553,064	\$ 2,408,000	\$ 386,082,000

Business-type Activities						
Year ending December 31,	Airport Bonds	Transportation Bonds	OPEB	Compensated Absences	Total	
2015	\$ 283,314	\$ 168,865	\$ -	\$ 2,608	\$ 454,787	
2016	283,085	169,746	-	-	452,831	
2017	279,775	149,746	-	-	429,521	
2018	271,811	84,865	-	-	356,676	
2019	174,400	84,865	-	-	259,265	
2020-2024	482,765	456,932	-	-	939,697	
2025-2029	9,000	191,972	-	-	200,972	
2030-2034	-	1,500	1,161,053	49,558	1,212,111	
Total	\$ 1,784,150	\$ 1,308,491	\$ 1,161,053	\$ 52,166	\$ 4,305,860	

Interest requirements relating to bonds payable are as follows:

Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2015	\$ 3,862,387	\$ 114,697	\$ 3,977,084
2016	3,313,473	99,265	3,412,738
2017	2,791,864	77,492	2,869,356
2018	2,301,561	60,996	2,362,557
2019	1,894,905	46,982	1,941,887
2020-2024	5,398,262	122,907	5,521,169
2025-2029	1,597,221	18,188	1,615,409
2030-2034	289,182	62	289,244
Total	\$ 21,448,855	\$ 540,589	\$ 21,989,444

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, 2014:

	Balance 9/1/2013	Additions	Reductions	Balance 8/31/2014	Due Within One Year
Capital leases	\$ 2,446,590	\$ -	\$ 277,942	\$ 2,168,648	\$ 207,623
Compensated absences	2,668,256	350,303	267,000	2,751,559	275,000
Other post-employment benefits obligation	<u>47,277,137</u>	<u>7,327,996</u>	<u>1,685,242</u>	<u>52,919,891</u>	<u>-</u>
Total	<u>\$ 52,391,983</u>	<u>\$ 7,678,299</u>	<u>\$ 2,230,184</u>	<u>\$ 57,840,098</u>	<u>\$ 482,623</u>

In addition to the College, its component unit, the Association reported a long-term mortgage payable and capital leases in the amounts of \$26,737,794 and \$713,563, respectively, as of August 31, 2014.

ii) Dutchess County Resource Recovery Agency

Bonds Payable

1999 A and 2007 Tax-Exempt Forward Series

In October 1999 the Agency issued the 1999 A Series Bonds in the amount of \$31,210,000, the proceeds of which were used to refund the 1998 A Series Bonds. The 1998 A Series Bonds, which were subject to a mandatory call and optional redemption on November 15, 1999, were called and payment of \$31,200,000 in principal and \$688,671 in interest was made. In January 2014, the Agency paid off the 1999 A Series Bonds in the amount of \$3,595,000.

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.

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.

Bonds payable, with interest payable semi-annually on January 1 and July 1, consisted of the following as of December 31, 2014:

Interest Rate	Issue Date	Maturity Date	Outstanding December 31, 2014
Serial Bonds			
5.00%	2007	2015	\$ 925,000
5.00%	2007	2016	975,000
5.00%	2007	2017	1,020,000
5.00%	2007	2018	1,070,000
5.00%	2007	2019	1,125,000
4.25%	2007	2020	1,180,000
4.25%	2007	2021	1,230,000
4.25%	2007	2022	1,285,000
4.50%	2007	2023	1,340,000
4.50%	2007	2024	1,400,000
4.50%	2007	2025	1,465,000
4.50%	2007	2026	1,530,000
4.50%	2007	2027	<u>1,595,000</u>
			16,140,000
	Less: current portion		<u>(925,000)</u>
	Bonds payable - long-term		<u>\$ 15,215,000</u>

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

Year Ending December 31,	Principal	Interest	Total
2015	\$ 925,000	\$ 719,513	\$ 1,644,513
2016	975,000	672,013	1,647,013
2017	1,020,000	622,138	1,642,138
2018	1,070,000	569,888	1,639,888
2019	1,125,000	515,013	1,640,013
2020-2024	6,435,000	1,767,319	8,202,319
2025-2027	<u>4,590,000</u>	<u>315,677</u>	<u>4,905,677</u>
Total	<u>\$ 16,140,000</u>	<u>\$ 5,181,561</u>	<u>\$ 21,321,561</u>

Bond Covenants—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.

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, 2014 these debt service reserves exceeded their funding requirements.

iii) Dutchess County Water and Wastewater Authority

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. Two additional supplemental resolutions were adopted in 2014.

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.

Debt service requirements to maturity as of December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,110,000	\$ 783,233	\$ 2,893,233
2016	2,083,587	724,405	2,807,992
2017	2,135,000	660,664	2,795,664
2018	2,200,000	590,732	2,790,732
2019	2,270,000	514,495	2,784,495
2020-2024	7,188,854	7,788,216	14,977,070
2025-2029	5,298,762	7,836,010	13,134,772
2030-2034	1,840,389	3,485,996	5,326,385
2035-2039	1,678,460	3,578,342	5,256,802
2040-2044	<u>297,287</u>	<u>452,800</u>	<u>750,087</u>
Total	<u>\$ 27,102,339</u>	<u>\$ 26,414,893</u>	<u>\$ 53,517,232</u>

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 and two issues in 2014.

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 issued and outstanding under the above listed authorizations as of December 31, 2014 is presented below:

New York State Environmental Facilities Corporation State Water Pollution Control Revolving Fund Revenue Bond Series 2005D, due in various installments through 2015, interest 3.70%-5.55%	\$ 80,000
1998 Revenue Bonds (Zero Coupon) Series One, due in various installments starting in 2021 through 2029, interest 3.90%-5.40%	3,817,818
2000 Service Agreement Revenue Bond Series 2000, due in various installments through 2020, interest 5.65%	350,000
2001 Service Agreement Revenue (Refunding) Bond Series 2001, due in various installment through 2041, interest 3.00%-5.36% - Partially refunded in 2002 as described below.	1,168,410
2004 Water Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	1,245,000
2004 Sewer Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	1,325,000
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments through 2029, interest 3.00%-5.00%	6,100,000
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments starting in 2030 through 2039, interest 5.62%-5.96%	1,347,524
Revolving Fund Revenue (Refunding) Bond Series 2010C, due in various installments through 2019, interest .8450%-3.355%	5,920,000
New York State Environmental Facilities Corporation State Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2011C, due in various installments through 2023, interest .540%-	1,595,000
2011 Service Agreement Revenue Bond Series 2011, due in various installments starting in 2012 through 2041, interest 3.50%-4.25%	1,840,000
New York State Environmental Facilities Corporation Revenue (Refunding) Bond Series 2014B, due in various installments through 2026, interest .1515%-4.2025%	339,054
New York State Environmental Facilities Corporation Revenue (Refunding) Bond Series 2014B, due in various installments through 2037, interest .1515%-4.2025%	<u>1,974,533</u>
Total bonds	27,102,339
Accreted interest recorded on zero coupon bonds	<u>6,508,304</u>
Total bonds payable	33,610,643
Portion due within one year	<u>(2,110,000)</u>
Net long-term bonds payable	<u><u>\$ 31,500,643</u></u>

	<u>Balance 1/1/2014</u>	<u>Additions**</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>	<u>Due Within One Year</u>
Bonds payable	\$ 34,667,062	\$ 2,963,581	\$ 4,020,000	\$ 33,610,643	\$ 2,110,000
Long-term bond anticipation notes	-	575,635	-	575,635	-
OPEB obligation	<u>1,100,666</u>	<u>141,957</u>	<u>-</u>	<u>1,242,623</u>	<u>-</u>
	<u>\$ 35,767,728</u>	<u>\$ 3,681,173</u>	<u>\$ 4,020,000</u>	<u>\$ 35,428,901</u>	<u>\$ 2,110,000</u>

**Bonds payable increased by \$565,001 in adjustments for accreted interest on 1998 series I debt, 2001 debt, and 2009 debt.

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 Dutchess County, as is further described in Note 16.

12. 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. The following is a reconciliation of the County’s governmental activities net investment in capital assets.

Capital assets, net of accumulated depreciation		\$ 175,118,483
Intangible asset, net of amortization		8,504,264
Less related debt:		
General obligation bonds ("GOB")	(104,076,200)	
Unamortized premiums on GOB bonds	(4,977,056)	
DTASC bonds	(55,611,279)	
Unamortized discount on DTASC bonds	1,168,879	
Serial bonds issued on behalf of Dutchess Community College	6,673,928	
Unspent debt proceeds reported within the Capital Projects Fund	<u>19,982,163</u>	<u>(136,839,565)</u>
Net investment in capital assets		<u>\$ 46,783,182</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.
- **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, 2014 is presented on the following page.

- **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 \$4,854,079, \$251,147 and \$37,727, respectively, at December 31, 2014.
- **Inventories**—Represents the portion of fund balance, \$117,342, 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. As of December 31, 2014, the County had the following restricted fund balances:

	General Fund	Capital Projects Fund	DTASC Fund	Total
Restricted for:				
Workers' compensation	\$ 2,338,264	\$ -	\$ -	\$ 2,338,264
Self insurance	717,756	-	-	717,756
Capital projects	4,583	31,748,225	-	31,752,808
Debt service	4,371,223	-	3,509,523	7,880,746
Other	186,587	-	-	186,587
Total restricted fund balance	<u>\$ 7,618,413</u>	<u>\$ 31,748,225</u>	<u>\$ 3,509,523</u>	<u>\$ 42,876,161</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 Other**—Represents reserves established within the General Fund which will be used to support for special purposes.

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, 2014, 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, 2014, the County reported the following fund balances assignments:

	General Fund	DTASC Fund	Nonmajor Governmental Funds	Total
Assigned for:				
Encumbrances	\$ 12,151,708	\$ -	\$ -	\$ 12,151,708
Workers' compensation	2,724,384	-	-	2,724,384
Subsequent years' expenditures	4,225,000	-	250,000	4,475,000
Specific use	-	12,332	2,821,284	2,833,616
Total assigned fund balance	<u>\$ 19,101,092</u>	<u>\$ 12,332</u>	<u>\$ 3,071,284</u>	<u>\$ 22,184,708</u>

- **Assigned to Encumbrances**—Represents commitments related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Workers' Compensation**—Represents commitments related future workers' compensation costs.
- **Assigned to Subsequent Years' Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2015 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.

13. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and its component units during the year ended December 31, 2014:

	Component Unit	Nature of Transaction
Dutchess Community College	\$ 10,837,898	Operating and capital support
Dutchess County Resource Recovery Agency	999,439	Net service fee
Dutchess County Water and Wastewater Authority	2,794,831	Net service fee
Aggregated Nonmajor Component Units	<u>267,036</u>	Charges for services
Total	<u>\$ 14,899,204</u>	

The County paid economic support to the above component units based on contractual obligations between the parties (see Note 17).

A. Discretely presented component units:

i) Dutchess County Resource Recovery Agency:

Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$999,439 and \$712,100 during 2014 and 2013, respectively. At December 31, 2014 \$105,543 was due from Dutchess County and included in intergovernmental receivables.

During 2014 and 2013, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$128,648 and \$139,205, respectively.

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 years ended 2014 and 2013, the Authority recorded net revenues of \$2,794,831 and \$2,762,238, having recorded a return of \$105,089 and \$116,341 to the County during those years. Nothing was due to the County at each respective year-end. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

14. 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.

Interfund loans and transfers of the County as of, and for the year ended December 31, 2014, are presented below:

Fund	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
Governmental funds:				
General Fund	\$ 4,430,948	\$ 98	\$ 95,070	\$ 3,421,202
Capital Projects Fund	21,597	3,419,570	-	45,070
Nonmajor governmental funds	-	868,333	540,736	-
Fiduciary funds	-	27,810	-	-
Proprietary funds:				
Airport Fund	22,014	137,750	619,545	-
Transporation Fund	-	20,998	2,260,921	50,000
Total	<u>\$ 4,474,559</u>	<u>\$ 4,474,559</u>	<u>\$ 3,516,272</u>	<u>\$ 3,516,272</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.

15. 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, 2014 is presented below:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
ASSETS				
Cash and cash equivalents	\$ 5,457,843	\$ 81,200,824	\$ 79,681,602	\$ 6,977,065
Intergovernmental receivables	525,581	974,325	543,931	955,975
Total assets	<u>5,983,424</u>	<u>82,175,149</u>	<u>80,225,533</u>	<u>7,933,040</u>
LIABILITIES				
Agency liabilities	5,982,489	81,654,091	79,731,350	7,905,230
Due to other funds	935	30,946	4,071	27,810
Total liabilities	<u>\$ 5,983,424</u>	<u>\$ 81,685,037</u>	<u>\$ 79,735,421</u>	<u>\$ 7,933,040</u>

16. 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"). All of these contracts had expired as of December 31, 2014 and were subsequently settled as of the date of the financial statements. As of December 31, 2014 the County has recorded a retroactive wage accrual related to the CSEA, DCSEA and PBA contracts in the amount of \$734,458, \$235,050 and \$1,763,375, respectively.

17. 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, 2014, the County recorded the following significant encumbrances:

General Fund—Municipal contracts and shared services	\$ 1,176,044
--	--------------

The County had the following outstanding construction projects in progress as of December 31, 2014, as evidenced by contractual commitments.

Project	Commitment Outstanding
Transportation	\$ 594,684
County roads and bridges	4,076,167
Parks and recreation	507,782
Building and building improvements	309,848
Jail project - design phase	248,345
Jail project - PODS	1,999,157
Total	<u>\$ 7,735,983</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, 2014, the County has provided \$8,504,264 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 \$274,571 in 2014.

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, 2014, the County’s portion of these costs was \$3,794,270.

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.

18. 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. The County has an accrued liability of \$8,500,000 included in the judgments and claims within the government-wide financial statements. This estimate is based upon assessments of individual cases reported at December 31, 2014, for which the estimate of probable exposure is a range between \$8,500,000 and \$9,500,000.

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 OMB Circular A-133 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 agreement was in effect through June 2014. Upon expiration, 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 former corporation with a minimum of 140,000 tons, prorated to 70,000 for the 2014 year, as the agreement expired at the end of June 2014, or pay the corporation \$34 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. Under the new Operator, the Agency is required to supply 140,000 tons, prorated to 70,000 for the 2014 year, as the agreement went into effect in July 2014, or pay the corporation \$68 per 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 2014 and 2013, the Agency caused to have delivered 73,796 tons in the first half of 2014 (former operator), and 77,027 tons in the second half of 2014 (new operator), totaling 150,823 and 146,513 acceptable tons.

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, which are currently being exercised.

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.

Landfill Agreement—As of January 2008, the Agency entered into contracts with four different landfills to deliver ash residue and by-pass waste. The terms of these agreements vary based on amount of tons that can be delivered to each landfill and the cost per ton. Effective January 1, 2013, the Agency entered into a contract with a hauler and a landfill for the transportation and disposal of ash residue. The contract period is through June 30, 2014, with provisions for renewal at the Agency's option for four one year periods and provisions for fee increases accordingly. During 2014, the Agency renewed the contract for an additional year, through June 30, 2015.

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. Although these payments are subject to resolutions by the Dutchess County Legislature approving the appropriation, no approvals have been withheld by the Legislature. For the years ended 2014 and 2013, the Agency recorded net service revenue from the County of \$999,439 and \$712,100.

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 and the former Operator have yet to agree to and accept the annual reconciliations for the years 2008 through 2014. Any amounts due to or from the Operator were expected to be settled concurrently with the expiration of the current contract in June 30, 2014; however, settlement as of the date of the audit report had not been reached. A new agreement with the new Operator was in effect July 2014.

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, auto of \$1,000,000, general liability of \$3,000,000, property of \$38,283,997 and workers’ compensation of \$100,000.

Authorized Debt—In February 2004, the Authority authorized the issuance of up to \$625,000 in debt to fund renovations to the Fairview Pump Station. These renovations are part of the improvements needed to supply increased transmission capacity to the Dutchess Central Utility Corridor pipeline. No debt has been issued under this authorization, and Corridor funds were used instead.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2015, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF DUTCHESS, NEW YORK
Schedule of Funding Progress—
Other Post-Employment Benefits Plans
Year Ended December 31, 2014

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, 2013	\$ -	\$ 310,314,836	\$ 310,314,836	0.0%	\$ 106,629,230	291.0%
As of January 1, 2011	-	317,867,649	317,867,649	0.0%	111,789,696	284.3%
As of August 1, 2009	-	267,025,000	267,025,000	0.0%	119,015,473	224.4%

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, 2013	\$ -	\$ 73,831,086	\$ 73,831,086	0.0%	\$ 24,661,449	299.4%
As of September 1, 2012	-	68,890,220	68,890,220	0.0%	25,993,680	265.0%
As of September 1, 2011	-	78,962,149	78,962,149	0.0%	26,304,038	300.2%

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, 2014	\$ -	\$ 1,027,127	\$ 1,027,127	0.0%	\$ 309,899	331.4%
As of December 31, 2011	-	1,027,127	1,027,127	0.0%	344,260	298.4%
As of December 31, 2011	-	1,027,127	1,027,127	0.0%	351,292	292.4%

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, 2014	\$ -	\$ 1,645,843	\$ 1,645,843	0.0%	\$ 1,345,851	122.3%
As of December 31, 2011	-	1,195,514	1,195,514	0.0%	1,322,276	90.4%
As of December 31, 2011	-	1,195,514	1,195,514	0.0%	1,311,460	91.2%

COUNTY OF DUTCHESS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 106,162,319	\$ 106,204,152	\$ 107,102,979	\$ 898,827
Sales and use taxes (includes other taxes)	185,930,361	185,930,361	179,497,801	(6,432,560)
Departmental income	23,345,105	23,533,811	21,723,919	(1,809,892)
Use of money and property	875,495	875,495	2,414,289	1,538,794
Miscellaneous	4,056,270	4,067,306	9,288,905	5,221,599
Grants and aid	<u>95,163,432</u>	<u>96,348,547</u>	<u>110,238,946</u>	<u>13,890,399</u>
Total revenues	<u>415,532,982</u>	<u>416,959,672</u>	<u>430,266,839</u>	<u>13,307,167</u>
EXPENDITURES				
Current:				
General government support	68,306,803	67,005,832	62,050,720	4,955,112
Education	13,596,246	13,533,608	13,261,525	272,083
Public safety	60,598,226	60,825,784	58,887,229	1,938,555
Health	55,016,368	55,808,156	50,053,510	5,754,646
Transportation	2,762,976	2,762,976	2,784,221	(21,245)
Economic assistance and opportunity	141,648,337	142,552,677	138,460,119	4,092,558
Culture and recreation	1,878,630	1,944,480	1,871,937	72,543
Home and community services	7,305,410	7,604,283	8,477,032	(872,749)
Employee benefits	57,801,778	58,178,490	55,791,200	2,387,290
Debt service:				
Principal	14,028,505	14,028,505	14,028,504	1
Interest	<u>3,555,530</u>	<u>3,555,530</u>	<u>3,555,529</u>	<u>1</u>
Total expenditures	<u>426,498,809</u>	<u>427,800,321</u>	<u>409,221,526</u>	<u>18,578,795</u>
Excess (deficiency) of revenues over expenditures	<u>(10,965,827)</u>	<u>(10,840,649)</u>	<u>21,045,313</u>	<u>31,885,962</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	95,070	95,070
Transfers out	<u>(3,913,325)</u>	<u>(3,421,202)</u>	<u>(3,421,202)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,913,325)</u>	<u>(3,421,202)</u>	<u>(3,326,132)</u>	<u>95,070</u>
Net change in fund balance*	(14,879,152)	(14,261,851)	17,719,181	
Fund balances—beginning	<u>53,483,792</u>	<u>53,483,792</u>	<u>53,483,792</u>	
Fund balances—ending	<u>\$ 38,604,640</u>	<u>\$ 39,221,941</u>	<u>\$ 71,202,973</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, 2014

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.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (unexecuted) 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. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Unfavorable Budget Variances—The County's General Fund appropriations for the year ended December 31, 2014 exceeded the adjusted budget as follows:

- *Transportation*—Exceeded the adjusted budget by \$21,245. The variance is due to increased maintenance costs.
- *Home and community services*—Exceeded the adjusted budget by \$872,749. The variance is due to increased costs related to the County's division of water resources.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

FEDERAL AWARDS INFORMATION

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor Program Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Federal Expenditures (3)
U.S. Department of Agriculture			
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	\$ 2,854,702
Total U.S. Department of Agriculture			<u>2,854,702</u>
U.S. Department of Housing and Urban Development			
<i>Direct Programs:</i>			
Community Development Block Grants/Entitlement Grants	14.218	N/A	1,217,982
Home Investment Partnerships Program	14.239	N/A	792,257
Continuum of Care	14.267	N/A	<u>534,785</u>
Total U.S. Department of Housing and Urban Development			<u>2,545,024</u>
U.S. Department of Justice			
<i>Direct Programs:</i>			
State Criminal Alien Assistance Program	16.606	N/A	93,036
<i>Passed through NYS Department of Criminal Justice Services</i>			
Violence Against Women Formula Grants	16.588	VW13-1095-D00	<u>71,976</u>
Total U.S. Department of Justice			<u>165,012</u>
U.S. Department of Labor			
<i>Passed through NYS Department of Labor:</i>			
Trade Adjustment Assistance	17.245	80060	51,739
<i>Workforce Investment Act Cluster:</i>			
WIA Adult Program	17.258	80060	617,556
WIA Youth Activities	17.259	80060	569,618
WIA Dislocated Workers Formula Grants	17.278	80060	<u>735,635</u>
<i>Total Workforce Investment Act Cluster</i>			<u>1,922,809</u>
Workforce Investment Act (WIA) National Emergency Grants	17.277	80060	<u>8,837</u>
Total U.S. Department of Labor			<u>1,983,385</u>
U.S. Department of Transportation			
<i>Direct Program:</i>			
Airport Improvement Program	20.106	N/A	1,225,452
<i>Federal Transit Cluster:</i>			
Federal Transit Capital Investment Grants	20.500	N/A	2,495,601
Federal Transit Formula Grants	20.507	N/A	<u>2,388,190</u>
<i>Total Federal Transit Cluster</i>			<u>4,883,791</u>
Federal Transit Metropolitan Planning Grants	20.505	N/A	111,109
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	6,871
<i>Passed through NYS Department of Transportation:</i>			
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction	20.205	8754.02	11,339
Highway Planning and Construction	20.205	8755.38	50,420

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor Program Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Federal Expenditures (3)
Highway Planning and Construction	20.205	8755.41	213,504
Highway Planning and Construction	20.205	8755.44	33,794
Highway Planning and Construction	20.205	8755.45	1,063
Highway Planning and Construction	20.205	8755.86	724
Highway Planning and Construction	20.205	8757.27	186,874
Highway Planning and Construction	20.205	8757.37	156,273
Highway Planning and Construction	20.205	8757.53	490,917
Highway Planning and Construction	20.205	8758.69	67,281
Highway Planning and Construction	20.205	8758.71	12,268
Highway Planning and Construction	20.205	8758.74	39,997
Highway Planning and Construction	20.205	8760.26	290,914
Highway Planning and Construction	20.205	MPO C33462	481,609
Highway Planning and Construction	20.205	RTP-10-TA-018	88,934
<i>Total Highway Planning and Construction Cluster</i>			<u>2,125,911</u>
New Freedom Program	20.521	N/A	71,312
Safety Incentive Grants for Use of Seatbelts	20.604	13-0551-9/14-PL	97,367
<i>Passed through NYS STOP-DWI Foundation:</i>			
State and Community Highway Safety	20.600	08-0692-9/09-PL	207,651
Total U.S. Department of Transportation			<u>8,729,464</u>
U.S. Department of Education			
<i>Passed through NYS Department of Health:</i>			
Special Education—Grants for Infants and Families	84.181	C02476	134,795
Total U.S. Department of Education			<u>134,795</u>
U.S. Department of Health and Human Services			
<i>Passed through Health Research Institute:</i>			
Medical Reserve Corps Small Grant Program	93.008	MRC 090016	3,500
HIV Care Formula Grants	93.917	4257.03	64,266
<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	14,262
<i>Aging Cluster:</i>			
Special Programs for the Aging, Title III, Part B— Grants for Supportive Services and Senior Centers	93.044	N/A	287,659
Special Programs for the Aging, Title III, Part C—Nutrition Services	93.045	N/A	384,008
Nutrition Services Incentive Program	93.053	N/A	60,519
<i>Total Aging Cluster</i>			<u>732,186</u>

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor Program Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Federal Expenditures (3)
Special Programs for the Aging, Title IV and Title II—Discretionary Projects	93.048	N/A	34,081
National Family Caregiver Support Title III, Part E	93.052	N/A	93,392
Medicare Enrollment Assistance Program	93.071	N/A	12,014
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	42,991
<i>Passed through NYS Department of Health:</i>			
Public Health Emergency Preparedness	93.069	001600-10	185,812
Immunization Cooperative Agreements	93.268	C0028288	46,441
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	4776-01	1,800
Preventive Health Services—Sexually Transmitted Diseases Control Grants	93.977	T028865	44,122
Maternal and Child Health Services Block Grant to the States	93.994	C020605	34,230
Maternal and Child Health Services Block Grant to the States	93.994	C024613/C029713	39,781
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>			
Temporary Assistance for Needy Families	93.558	N/A	14,354,482
Child Support Enforcement	93.563	N/A	2,436,411
Low-Income Home Energy Assistance	93.568	N/A	4,978,368
Social Services Block Grant	93.667	N/A	3,435,401
<i>Passed through NYS Office of Children and Family Services:</i>			
Promoting Safe and Stable Families	93.556	N/A	24,455
Foster Care, Title IV-E	93.658	N/A	2,270,295
Adoption Assistance	93.659	N/A	1,636,042
Chafee Foster Care Independence Program	93.674	N/A	50,542
<i>Passed through NYS Office of Mental Health:</i>			
Medical Assistance Program	93.778	N/A	3,588,164
<i>Passed through NYS Division of Alcoholism and Alcohol Abuse:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	65,468
Total U.S. Department of Health and Human Services			<u>34,188,506</u>
U.S. Department of Homeland Security			
<i>Passed through NYS Emergency Management Office:</i>			
Emergency Food and Shelter National Board Program	97.024	615400	570
Emergency Management Performance Grants	97.042	N/A	31,404
Pre-Disaster Mitigation Plan	97.047	N/A	14,379
<i>Passed through NYS Office of Homeland Security:</i>			
Homeland Security Grant Program	97.067	N/A	27,274
Homeland Security Grant Program	97.067	C97021/C97023	820,609
Homeland Security Grant Program	97.067	C97022	6,505
Total U.S. Department of Homeland Security			<u>900,741</u>
Total Expenditures of Federal Awards (4)			<u>\$ 51,501,629</u>

(concluded)

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

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards—Amounts Provided to Subrecipients
Year Ended December 31, 2014

Program Title	Federal CFDA Number	Federal Expenditures
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 267,606
Community Development Block Grants/Entitlement Grants	14.218	954,652
Home Investment Partnership Program	14.239	710,925
Continuum of Care	14.267	534,785
WIA TAA Participant	17.245	51,739
WIA Adult Program	17.258	617,556
WIA Youth Activities	17.259	569,618
WIA National Emergency Grant	17.277	8,836
WIA Dislocated Workers	17.278	735,635
Temporary Assistance for Needy Families	93.558	1,971,752
Low-Income Home Energy Assistance	93.568	361,860
Child Care and Development Block Grant	93.575	255,317
Social Services Block Grant	93.667	1,221,290
Medical Assistance Program	93.778	<u>167,500</u>
Total		<u>\$ 8,429,071</u>

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

COUNTY OF DUTCHESS, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

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, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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:

- (1) 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.
- (2) Source: Catalog of Federal Domestic Assistance.
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (4) 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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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).

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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**

Honorable County Executive and County Legislature
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 aggregate 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, 2014 (with the Dutchess Community College for the year ended August 31, 2014), 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 10, 2015. Our report is qualified on the aggregate discretely presented component units and includes a reference to other auditors who audited the financial statements of 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 Local Development Corporation, 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.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

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 or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Handwritten signature in black ink that reads "Duescher & Malochi LLP".

September 10, 2015

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Honorable County Executive and County Legislature
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 U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2014. 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 Community College, which received \$21,709,885 in federal awards which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2014. Our compliance audit, described below, did not include the operations of the Dutchess Community College because other auditors were engaged to perform such audit in accordance with OMB Circular A-133, as applicable.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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, 2014.

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 as a basis for designing 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 OMB Circular A-133, 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 have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Drescher & Malochi LLP

September 10, 2015

COUNTY OF DUTCHESS, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*

*(which report is qualified on the aggregate discretely presented component units and includes a reference to other auditors)

Internal control over financial reporting:

- | | | |
|---|---|--|
| 1. Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> None reported |
| 3. Noncompliance material to the financial statements noted? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Federal Awards:

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

- | | | |
|---|------------------------------|---|
| 4. Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None |
| 7. The County's major programs were: | | |

<u>Name of Federal Program</u>	<u>CFDA Number</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers Formula Grants	17.278
Federal Transit Capital Investment Grants	20.500
Federal Transit Formula Grants	20.507
Temporary Assistance for Needy Families	93.558
Medical Assistance Program	93.778

- | | | |
|---|------------------------------|--|
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | | <u>\$ 1,545,049</u> |
| 9. Auditee qualified as low-risk auditee? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Part II. FINANCIAL STATEMENT FINDINGS SECTION

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2014-001—Enterprise Funds’ Fiscal Stability

Criteria: Enterprise funds are established to account for specific purpose governmental activities in a manner which is similar to that of a private sector business. The County’s Airport and Transportation Funds are financed through user fees and charges and should generate sufficient revenue to support the operations.

Condition and Context: Currently, the General Fund is subsidizing a portion of the enterprise funds’ operations through operating transfers. During the year ended December 31, 2014, the General Fund transferred \$619,545 and \$2,260,921 to the Airport and Transportation Funds, respectively.

Effect or Potential Effect: This subsidy to the enterprise funds has decreased the General Fund fund balance by \$2,880,466 during the year ended December 31, 2014.

Cause: The County’s enterprise funds are not generating sufficient revenues to support operations.

Recommendation: We recommend that the County continue to evaluate the operations of the enterprise funds to implement operating models which the General Fund is not relied upon to subsidize the shortfall of operating revenues.

View of Responsible Officials and Corrective Action Plan: An operational and financial assessment of the Dutchess County Airport was recently completed to analyze various operational models at other Airports and review potential options available to the county. This study was initiated to meet the county’s goal of finding the most effective ways for the Airport to become financially self-sustaining positioning the Airport as both a transportation resource for the region, as well as a source for increased opportunities for economic development. Based on findings of the study funding was recently approved to develop an RFP to hire an FBO (fixed-base operator) to be responsible for the activities of the airport. The Administration is also working with the Dutchess County Water & Wastewater Authority and the Dutchess County Planning & Development Department to develop plans to provide municipal water service to the Airport in order to promote future development and associated revenues. The County has secured a \$750,000 NYS economic development grant for a water infrastructure project at the Dutchess County Airport and continues to look for additional funding opportunities. The Airport is managing tenant leases to retain and promote maximum occupancy of lease spaces in the terminal building, outbuildings, hangars and tie-downs. An Open House will be held again this year to promote Airport awareness and foster a positive public image of the Airport. The Airport continues to focus on grant opportunities, setting competitive aviation fuel pricing and periodically adjusting user fees to maximize revenues while remaining competitive with other similar size airports in the region. Debt service previously budgeted in the EA fund for the county balefill project has been transferred to the general fund, resulting in annual decrease in the airport subsidy of \$154,800. Although the bale fill is located on Airport property, this project was not related to the operations of the Airport. Therefore, it’s more appropriately budgeted in the general fund. Over the last three years, the adopted general fund contribution to the Airport has decreased by \$314,949, going from \$793,403 in 2011 down to \$478,454 for 2014.

Again in 2015, the adopted general fund contribution to the Airport decreased to \$443,897 and the 2016 general fund contribution is expected to be less than \$275,000. This significant reduction is the result of the County’s new agreement with FlightLevel Dutchess, LLC, an independent fixed based operator, to provide aviation-related services at the Dutchess County Airport.

As the fixed based operator, FlightLevel Dutchess, LLC will provide line services such as fueling, hangaring, tie-down and parking, aircraft rental, aircraft maintenance and other services. FlightLevel will also provide customers with pilot lounges, car service and taxi scheduling, as well as hotel reservation assistance. FlightLevel will make an initial capital investment of up to \$100,000 to make improvements at both the Terminal and Hangar 9 buildings. Within the first three years of the agreement, FlightLevel will establish an aircraft maintenance repair station. They will also pay fees to store and sell fuel through the “fuel farm” located at the Airport. The County will receive 10% of gross revenue for all aircraft sales involving Dutchess County-based aircraft. The agreement calls for a minimum annual guarantee of \$200,000 (prorated for 2015), and also allows for optional 7 years additional terms for each \$500,000 spent in connection with the construction of a new hangar, up to a total of 40 years.

This public-private partnership eliminates the taxpayer subsidy for general operating costs at the Dutchess County Airport while enhancing services and the overall economic benefit of the Airport. Annual debt service expense related to various capital improvements will continue to be incurred by the County. The existing debt service expense decreases each year and will be eliminated in 10 years.

The largest growing expenditure for the Public Transportation Division is the payment to our transportation management contractor for their employee salaries and fringe benefits. Units installed in the fare boxes in 2013 will be activated in 2015, facilitating change in the form of a debit card for passengers who do not have exact change. This will also reduce the opportunity for potential fraud and cash handling errors insuring that all revenues collected are accounted for. The Public Transportation Division will continue to pursue all grant opportunities. Bus fares, routes and schedules will continue to be evaluated and adjusted periodically as needed to maximize ridership and revenue. A contractor has been selected to manage the transit system advertising programs. External advertising frames will be installed on all existing and new buses in 2014 with the goal to generate advertising revenue and reduce the general fund contribution. Our goal is to deliver quality transportation services at a reasonable cost to the public who rely on these services, while minimizing the impact to our taxpayers and fund balance.

COUNTY OF DUTCHESS, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014
(Follow Up on December 31, 2013 Findings)

Finding 2013-001—Airport Operations

Criteria: Adequate controls and procedures should be in place regarding cash receipts and recordkeeping, and depositing functions at the Airport.

Condition and Context: During our testing of monthly rental billing, we noted that amounts billed did not agree to amounts stated in contracts. Also, amounts that were past due were not charged a late fee. Lastly, deposits were not deposited in a timely manner as they were only deposited twice a month.

Effect or Potential Effect: Amounts may be being billed inappropriately since they do not match contracts. Since customers are able to make late payments and without being charged penalties, it cannot be assured that payments will be received in a timely manner. Finally, deposits' being made only twice a month increases the risk of a misappropriation of cash.

Cause: The Airport has not adopted formal controls and procedures surrounding cash receipts and recordkeeping.

Recommendation: We recommended that contracts are updated for the current billing amounts or signed memos are returned from customers indicating their agreement to the current billing amount.

Management Response: Per discussion with management, the Airport contract amounts have increased from when the customer first applied with the airport. The County maintains the original contract with the original cost, which includes a clause saying that the lessor will provide a 30 day notice of any price increase to the lessee. Per prior discussion, the County will send out memos to be signed and returned stating each customer's current rates.

Current Status: This recommendation has been partially addressed, and included in a separate communication to management in a modified version.

Finding 2013-002— Enterprise Funds' Fiscal Stability

See finding 2014-001 within the accompanying schedule of findings and questioned costs for inclusion as current year finding.