

**COUNTY OF DUTCHESS,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and
Federal Awards Information
for the Year Ended December 31, 2015 and
Independent Auditors' Reports*

COUNTY OF DUTCHESS, NEW YORK
Table of Contents
Year Ended December 31, 2015

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet—Governmental Funds	18
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities	21
Statement of Net Position—Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds	23
Statement of Cash Flows—Proprietary Funds.....	24
Statement of Net Position—Fiduciary Funds	26
Statement of Changes in Net Position—Fiduciary Funds	27
Discretely Presented Component Units:	
Combining Statement of Net Position—Discretely Presented Component Units	28
Combining Statement of Activities—Discretely Presented Component Units.....	29
Notes to the Financial Statements	30

(continued)

COUNTY OF DUTCHESS, NEW YORK
Table of Contents
Year Ended December 31, 2015

(concluded)

Page

Required Supplementary Information:

Schedule of Funding Progress—Other Post-Employment Benefits Plans	88
Schedule of the Local Government’s Proportionate Share of the Net Pension Liability—Employees’ Retirement System	89
Schedule of the Local Government’s Contributions—Employees’ Retirement System	91
Schedule of the Local Government’s Proportionate Share of the Net Pension Liability (Asset)—Teachers’ Retirement System	93
Schedule of the Local Government’s Contributions—Teachers’ Retirement System	94
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund	95
Note to the Required Supplementary Information	96

Federal Awards Information:

Schedule of Expenditures of Federal Awards	97
Notes to the Schedule of Expenditures of Federal Awards	100
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>	102
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	104
Schedule of Findings and Questioned Costs	106
Summary Schedule of Prior Audit Findings and Corrective Action Plan	108

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, 2015, 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 56.1 percent, 14.2 percent, and 28.4 percent, respectively, of the assets and 74.9 percent, 14.0 percent, and 9.8 percent, 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 0.6 percent and 0.6 percent, respectively, of the assets and 0.4 percent and 0.4 percent, 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 percent and 0.5 percent 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, 2015, 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, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015 the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and audit requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are 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 19, 2016 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.

 Duesch & Melchior LLP

September 19, 2016

COUNTY OF DUTCHESS, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2015

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, 2015. The information provided here should be read in conjunction with additional information that we have furnished in the County's financial statements and notes to the financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The liabilities and deferred inflows of resources of the County's primary government exceeded its assets and deferred outflows of resources at December 31, 2015 by \$17,062,064 (deficit net position). This consists of \$69,653,016 net investment in capital assets, \$36,843,068 restricted for specific purposes, offset by an unrestricted net deficit of \$123,558,148.
- The County's primary government net position increased \$24,317,816 during the year ended December 31, 2015. Governmental activities increased the County's net position by \$20,934,621, and the net position of business-type activities increased net position by \$3,383,195.
- As of December 31, 2015, the County's governmental funds reported combined ending fund balances of \$140,800,056, an increase of \$30,966,845 in comparison with the prior year.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$56,847,283, or 13.4 percent of total General Fund expenditures and transfers out. This total amount is available for spending at the County's discretion and constitutes approximately 61.9 percent of the General Fund's total fund balance of \$91,893,806 at December 31, 2015.
- The County's serial bonds, excluding its blended component unit's serial bonds, increased by \$11,566,690 during the current year as a result of the issuance of serial bonds of \$41,119,898 offset by scheduled principal payments of \$29,553,208.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or

decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

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

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

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

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Dutchess

Tobacco Asset Securitization Corporation (“DTASC”), which are considered to be major funds. Data from the other three governmental funds, which 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 18-21 of this report.

Proprietary funds—The County maintains two enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its Airport operations and Transportation operations.

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 22-25 of this report.

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

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

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

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.

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

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-87 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, the County’s net pension liability/(asset), and the County’s budgetary comparison for the General Fund. Required Supplementary Information and a related note to the Required Supplementary Information can be found on pages 88-96 of this report.

The Federal Awards Information section presents the County’s Schedule of Expenditures of Federal Awards. This section can be found on pages 97-109 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$17,062,064 (deficit net position) at the close of the most recent fiscal year, as compared to the deficit net position of \$41,379,880 (as restated) at the close of the fiscal year ended December 31, 2014.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Current assets	\$261,264,594	\$231,534,968	\$ 8,739,515	\$ 6,053,504	\$270,004,109	\$237,588,472
Noncurrent assets	183,853,823	183,622,747	26,366,425	23,462,059	210,220,248	207,084,806
Total assets	445,118,417	415,157,715	35,105,940	29,515,563	480,224,357	444,673,278
Deferred outflows of resources	18,610,684	16,917,387	100,457	94,977	18,711,141	17,012,364
Current liabilities	81,724,437	91,611,563	3,426,638	1,453,184	85,151,075	93,064,747
Noncurrent liabilities	425,480,064	405,582,790	4,653,116	4,417,985	430,133,180	410,000,775
Total liabilities	507,204,501	497,194,353	8,079,754	5,871,169	515,284,255	503,065,522
Deferred inflows of resources	709,230	-	4,077	-	713,307	-
Net position:						
Net investment in capital assets	46,512,461	46,783,182	23,140,555	20,364,202	69,653,016	67,147,384
Restricted	36,843,068	24,510,442	-	-	36,843,068	24,510,442
Unrestricted	(127,540,159)	(136,412,875)	3,982,011	3,375,169	(123,558,148)	(133,037,706)
Total net position	\$ (44,184,630)	\$ (65,119,251)	\$ 27,122,566	\$ 23,739,371	\$ (17,062,064)	\$ (41,379,880)

The largest portion of the County's net position, \$69,653,016, 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, \$36,843,068, 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, \$123,558,148 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, 2015 and December 31, 2014.

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,	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Revenues:						
Program revenues	\$ 163,437,771	\$ 147,810,941	\$ 12,348,064	\$ 13,554,887	\$ 175,785,835	\$ 161,365,828
General revenues	302,801,857	301,325,573	234,660	190,964	303,036,517	301,516,537
Total revenues	<u>466,239,628</u>	<u>449,136,514</u>	<u>12,582,724</u>	<u>13,745,851</u>	<u>478,822,352</u>	<u>462,882,365</u>
Total program expenses	<u>442,578,179</u>	<u>449,795,994</u>	<u>11,926,357</u>	<u>14,101,641</u>	<u>454,504,536</u>	<u>463,897,635</u>
Transfers	<u>(2,726,828)</u>	<u>(2,830,466)</u>	<u>2,726,828</u>	<u>2,830,466</u>	<u>-</u>	<u>-</u>
Change in net position	20,934,621	(3,489,946)	3,383,195	2,474,676	24,317,816	(1,015,270)
Net position—beginning	(65,119,251)	(57,303,328)	23,739,371	21,281,843	(41,379,880)	(36,021,485)
Restatement	-	(4,325,977)	-	(17,148)	-	(4,343,125)
Net position—ending	<u>\$ (44,184,630)</u>	<u>\$ (65,119,251)</u>	<u>\$ 27,122,566</u>	<u>\$ 23,739,371</u>	<u>\$ (17,062,064)</u>	<u>\$ (40,364,610)</u>

Governmental activities—Governmental activities increased the County’s net position by \$20,934,621, primarily due to increased operating grants and contributions coupled with a decrease in overall expenses.

A summary of sources of revenues for governmental activities for the years ended December 31, 2015 and 2014 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
Charges for services	\$ 32,770,045	\$ 27,323,378	\$ 5,446,667	19.9
Operating grants and contributions	122,009,029	114,839,042	7,169,987	6.2
Capital grants and contributions	8,658,697	5,648,521	3,010,176	53.3
Property taxes and tax items	118,456,068	117,571,499	884,569	0.8
Non-property taxes	180,677,216	179,497,801	1,179,415	0.7
Tobacco settlement revenues	3,560,602	4,131,430	(570,828)	(13.8)
Other	107,971	124,843	(16,872)	(13.5)
Total revenues	<u>\$ 466,239,628</u>	<u>\$ 449,136,514</u>	<u>\$ 17,103,114</u>	3.8

As presented in Table 3, the most significant source of revenues is non-property taxes, which accounts for \$180,677,216, or 38.8 percent of total governmental activities revenues for the year ended December 31, 2015, and \$179,497,801, or 40.0 percent of total governmental activities revenues for the year ended December 31, 2014. The next largest source of revenues is operating grants and contributions, which comprises \$122,009,029, or 26.2 percent, and \$114,839,042, or 25.6 percent of total governmental activities revenues for the years ended December 31, 2015 and 2014, respectively. The third largest source of revenues is property taxes and tax items, which comprises \$118,456,068, or 25.4 percent, and \$117,571,499, or 26.2 percent of total governmental activities revenues for the years ended December 31, 2015 and 2014, respectively.

During the year ended December 31, 2015, operating grants and contributions increased \$7,169,987. This is primarily the result of the recognition for increased deferred inflows of resources related to grants and aid revenues. Increase in charges for services of \$5,446,667 is primarily due to unanticipated child care program revenues collected in 2015.

A summary of program expenses of governmental activities for the years ended December 31, 2015 and 2014 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
General government support	\$ 85,696,053	\$ 89,627,941	\$ (3,931,888)	(4.4)
Education	13,322,914	13,346,198	(23,284)	(0.2)
Public safety	85,529,710	88,583,760	(3,054,050)	(3.4)
Health	59,821,315	57,850,691	1,970,624	3.4
Transportation	23,540,263	23,637,784	(97,521)	(0.4)
Economic assistance and opportunity	149,288,684	151,761,577	(2,472,893)	(1.6)
Culture and recreation	4,889,026	4,757,103	131,923	2.8
Home and community services	12,276,744	12,068,993	207,751	1.7
Interest and other fiscal charges	8,213,470	8,161,947	51,523	0.6
Total program expenses	<u>\$ 442,578,179</u>	<u>\$ 449,795,994</u>	<u>\$ (7,217,815)</u>	(1.6)

The County's most significant expense items for governmental activities were economic assistance and opportunity of \$149,288,684, or 33.7 percent of total governmental activities expenses, general government support of \$85,696,053, or 19.4 percent of total governmental activities expenses, and public safety of \$85,529,710, or 19.3 percent of total governmental activities expenses for the year ended December 31, 2015. Similarly, for the year ended December 31, 2014 significant expense items 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.

During the year-ended December 31, 2015, general government support, public safety and economic assistance and opportunity expenses decreased by \$3,931,888, \$3,054,050 and \$2,472,893, respectively, primarily due to a decrease in allocable employee benefits expenses as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* had on 2015 activity. During 2015, the County recognized its' proportionate share of the New York State Employee Retirement System net pension liability, which reduced the employee benefit expenses recognized on the government-wide statements.

Business-type activities—Business-type activities increased the County's net position by \$3,383,195. Operating revenues and expenses for the year ended December 31, 2015 decreased by 24.3 percent and 15.3 percent, respectively.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2015 and 2014 is presented on the following page.

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

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollar	Percent (%)
Operating revenues:				
Charges for services	\$ 2,590,918	\$ 4,819,567	\$ (2,228,649)	(46.2)
Operating grants and revenues	4,084,892	4,031,153	53,739	1.3
Other revenue	<u>68,812</u>	<u>61,279</u>	<u>7,533</u>	12.3
Total operating revenues	<u>\$ 6,744,622</u>	<u>\$ 8,911,999</u>	<u>\$ (2,167,377)</u>	(24.3)
Operating expenses:				
Personal services and employee benefits	\$ 1,069,405	\$ 1,155,606	(86,201)	(7.5)
Depreciation	3,270,632	3,174,121	96,511	3.0
Contracted services	<u>7,491,665</u>	<u>9,641,197</u>	<u>(2,149,532)</u>	(22.3)
Total operating expenses	<u>\$ 11,831,702</u>	<u>\$ 13,970,924</u>	<u>\$ (2,139,222)</u>	(15.3)

The County's business-type activities operating revenues for the year ended December 31, 2015 decreased 24.3 percent from the previous year. This is primarily a result of the prior year recognition of an asset transfer related to the Airport activities in the amount of \$1,684,357.

Additionally, the most significant expense items for the year ended December 31, 2015 were contracted services, which accounted for \$7,491,665, or 63.3 percent of total expenses, and depreciation expense of \$3,270,632, or 27.6 percent of total expenses. Similarly, for the year ended December 31, 2014, the most significant expense items 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.

Financial Analysis of the Governmental Funds

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

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

At December 31, 2015, the County's governmental funds reported combined ending fund balances of \$140,800,056, an increase of \$30,966,845 in comparison with the prior year. The County had fund balances of \$59,594,193, which constitutes *unassigned fund balance* and *assigned to specific use* in special revenue funds, which is available for spending at the County's discretion or amounts within special revenue funds that are not restricted or committed. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$5,012,225; (2) restricted for particular purposes, \$56,768,550; or (3) assigned for particular purposes, \$19,425,088.

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 \$56,847,283, while total fund balance was \$91,893,806. The General Fund fund balance increased \$20,690,833 from the prior year. The fund balance increase was primarily due to the issuance of serial bonds and increases in departmental income.

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 13.4 percent of General Fund expenditures and transfers out, while total fund balance represents 21.6 percent of that same amount.

The fund balance in the Capital Projects Fund increased \$9,370,319 from the prior year, resulting in fund balance of \$41,118,544 as of December 31, 2015. The \$19,688,215 issuance of public improvement serial bonds attributed to this increase.

At December 31, 2015, the DTASC Fund reported restricted fund balance of \$3,497,814 to be used for upcoming payments of principal and interest, the remainder of fund balance, \$41,540, constitutes assigned fund balance, which is available for spending for DTASC’s activities.

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, 2015 totaled \$13,052,084, which included \$13,890,371 net investment in capital assets and an unrestricted deficit of \$838,287. The Airport Fund net position increased \$240,730 during the year ended December 31, 2015 as a result of capital grants and contributions.

Net position of the Transportation Fund at December 31, 2015 totaled \$14,070,482, which included \$9,250,184 net investment in capital assets and unrestricted net position of \$4,820,298. The Transportation Fund net position increased \$3,142,465 as a result of capital contributions and transfers from the General Fund.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2015 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	\$ 413,710,487	\$ 438,986,612	\$ 460,449,991	\$ 21,463,379
Expenditures and other financing uses	432,811,579	465,989,090	439,759,158	26,229,932
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (19,101,092)</u>	<u>\$ (27,002,478)</u>	<u>\$ 20,690,833</u>	<u>\$ 47,693,311</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 and expenditures 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 \$47,693,311. The primary positive variances were realized in economic assistance and opportunity, general government support, public safety and health due to lower than anticipated costs within these functions. Additionally, grants and state aid revenue came in \$8,342,398 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, 2015 amounted to \$175,624,129 and \$26,366,425, 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, 2015 and 2014 are presented in Table 7 below.

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

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 12,114,499	\$ 12,053,192	\$ 3,385,364	\$ 3,385,364	\$ 15,499,863	\$ 15,438,556
Right of way and easements	13,794,200	13,228,657	-	-	13,794,200	13,228,657
Construction in progress	13,549,663	7,141,298	152,402	594,684	13,702,065	7,735,982
Infrastructure	67,526,555	71,466,133	13,366,801	10,477,370	80,893,356	81,943,503
Buildings and improvements	48,989,720	52,861,727	3,324,595	3,302,272	52,314,315	56,163,999
Improvements other than buildings	3,158,296	98,430	-	-	3,158,296	98,430
Machinery and equipment	16,491,196	18,269,046	6,137,263	5,702,369	22,628,459	23,971,415
Total	<u>\$ 175,624,129</u>	<u>\$ 175,118,483</u>	<u>\$ 26,366,425</u>	<u>\$ 23,462,059</u>	<u>\$ 201,990,554</u>	<u>\$ 198,580,542</u>

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

Long-term debt—The New York State Local Finance Law limits the County’s power to contract indebtedness to 7% of the five-year average full valuation of taxable real estate. At the end of 2015, the County’s governmental activities outstanding bonded debt totaled \$115,642,890 (excluding DTASC) and represents approximately 5.8% of the County’s debt limit.

A summary of the County’s long-term liabilities at December 31, 2015 and December 31, 2014 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,	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Bonds payable	\$ 201,035,711	\$ 185,104,923	\$ 3,225,870	\$ 3,092,641	\$ 204,261,581	\$ 188,197,564
Workers' compensation and general claims	26,503,283	32,844,927	-	-	26,503,283	32,844,927
Other post-employment benefits	174,181,204	157,171,086	1,294,749	1,161,053	175,475,953	158,332,139
Net pension liability	14,578,554	19,500,790	83,823	112,125	14,662,377	19,612,915
Compensated absences	9,142,812	8,553,064	48,674	52,166	9,191,486	8,605,230
Environmental cleanup	38,500	2,408,000	-	-	38,500	2,408,000
Total	<u>\$ 425,480,064</u>	<u>\$ 405,582,790</u>	<u>\$ 4,653,116</u>	<u>\$ 4,417,985</u>	<u>\$ 430,133,180</u>	<u>\$ 410,000,775</u>

Total outstanding long-term liabilities increased by \$20,132,405 from prior year, as restated. Major factors that contributed to this increase include:

- Obligations for other post-employment benefits (“OPEB”) increased in the governmental and business-type activities by \$17,010,118 and \$133,696, 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 \$27,873,760 on December 2, 2015. The bonds bear interest rates ranging between 2.0 - 5.0 percent. The bonds are expected to mature on May 1, 2035.
- The County issued public improvement refunding serial bonds in the amount of \$14,800,000 on June 11, 2015. The bonds refunded the 2004 and portions of the 2006 serial bonds and bear interest rates ranging between 2.0 - 5.0 percent. The bonds are expected to mature on December 15, 2027.

Additional information on the County’s long-term debt can be found in Note 12 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

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

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

<u>Year Ended December 31,</u>	
2016 (budgeted)	\$ 41,514,473
2015	40,917,312
2014	42,662,576

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

<u>Year Ended December 31,</u>	
2016 (budgeted)	\$ 18,295,758
2015	19,147,617
2014	20,785,809

The County has appropriated \$11.745 million in fund balance to finance the 2016 budget from various funds. The unassigned fund balance is \$56.8 million in the General Fund as of December 31, 2015.

The total tax levy for the 2016 budget is \$106.6 million, resulting in a property tax rate of \$3.62 per thousand of assessed value, which is .02% lower than \$3.68 in 2015. The true value assessment for the County has increased from \$29.22 billion for the 2015 budget to \$29.43 billion for the 2016 budget; an increase of .01%.

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

IBM, one of the County's two top high-tech employers, has an expansive campus in the City of Poughkeepsie. 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 manufactures the 300 microprocessor chip at its East Fishkill location. The chips are used in several devices ranging to mobile phones to high powered servers in data centers.

Another top employer, HealthQuest, with more than 5,000 employees, will break ground on their \$400 million expansion at their medical center in Poughkeepsie in September 2016. GAP Incorporated's plan to invest \$95 million at its Fishkill logistics center, and hire 1,200 new jobs remains on track. Hudson Valley Lighting will open in September 2016 marking the completion of its \$19 million investment to open its world headquarters and research and development center in Wappinger Falls, creating 47 new jobs in the County. Also plans for 2016 include, Fourth State Metals, a company that designs and fabricates art and architecture, to move its operations from Brooklyn to the City of Poughkeepsie.

One of the County's fastest growing industry sectors is higher education. Vassar College completed construction on its 80,000 square foot, \$120 million science facilities project. Marist College has invested approximately \$140 million to add new buildings and expand its technology center. Adjacent to campus, a \$40 million private development project for student housing has opened.

Development of the Poughkeepsie waterfront and downtown areas have seen recent economic development with construction of the Water Club, a luxury rental community and restoration of several

buildings in the City of Poughkeepsie. The Town of Poughkeepsie continues to expand economically with the addition of a new residential and commercial area in the Arlington Business District and the construction of new hotels and restaurants along the Route 9 corridor.

The County's tourism industry continues to see strong growth. Based on the 2015 figures released in 2016, Tourism spending was over \$528 million in Dutchess County, supporting 9,994 jobs and generating over \$37 million in local tax revenue. The State and National Parks, restaurants and arts and recreation are strong anchors for its success.

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. 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 2014 was \$47,151, which placed the County eleventh among all counties in New York State for the year. Unemployment for the County continues to be one of the lowest in the State at 4.2%, and the vacancy rate for available office and industrial space in the county is at 11.9%, our lowest since 2012.

Request for Information

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

BASIC FINANCIAL STATEMENTS

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

COUNTY OF DUTCHESS, NEW YORK
Statement of Net Position
December 31, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 62,659,081	\$ 4,996,793	\$ 67,655,874	\$ 33,207,528
Restricted cash and cash equivalents	61,076,069	-	61,076,069	14,857,844
Investments	5,000,000	-	5,000,000	-
Receivables (net of allowances for estimated uncollectible amounts):				
Taxes	49,318,753	-	49,318,753	-
Accounts receivable	2,774,032	238,968	3,013,000	10,265,850
Intergovernmental receivables	74,854,363	3,472,384	78,326,747	774,451
Internal balances	570,071	-	570,071	-
Prepaid items	4,902,785	27,739	4,930,524	1,458,877
Inventories	109,440	3,335	112,775	611,642
Total current assets	<u>261,264,594</u>	<u>8,739,219</u>	<u>270,003,813</u>	<u>61,176,192</u>
Noncurrent assets:				
Other assets	8,229,694	-	8,229,694	9,382,286
Capital assets:				
Capital assets not being depreciated	39,458,362	3,537,766	42,996,128	6,272,228
Capital assets, being depreciated (net of accumulated depreciation)	136,165,767	22,828,659	158,994,426	151,852,464
Total noncurrent assets	<u>183,853,823</u>	<u>26,366,425</u>	<u>210,220,248</u>	<u>167,506,978</u>
Total assets	<u>445,118,417</u>	<u>35,105,644</u>	<u>480,224,061</u>	<u>228,683,170</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	16,479,373	100,457	16,579,830	2,363,106
Deferred charge on refunding	2,131,311	-	2,131,311	269,084
Total deferred outflows of resources	<u>18,610,684</u>	<u>100,457</u>	<u>18,711,141</u>	<u>2,632,190</u>
LIABILITIES				
Current liabilities:				
Accounts payable	38,597,343	2,820,679	41,418,022	8,714,965
Retainages payable	145,395	-	145,395	-
Accrued liabilities	2,281,965	27,531	2,309,496	7,079,407
Interest payable	863,144	-	863,144	-
Intergovernmental payables	35,564,466	-	35,564,466	2,389,405
Internal balances	-	570,071	570,071	-
Unearned revenue	3,262,739	8,061	3,270,800	5,272,749
Other liabilities	1,009,385	-	1,009,385	2,359,532
Total current liabilities	<u>81,724,437</u>	<u>3,426,342</u>	<u>85,150,779</u>	<u>25,816,058</u>
Noncurrent liabilities:				
Due within one year	17,519,434	572,550	18,091,984	4,382,027
Due in more than one year	407,960,630	4,080,566	412,041,196	135,621,502
Total noncurrent liabilities	<u>425,480,064</u>	<u>4,653,116</u>	<u>430,133,180</u>	<u>140,003,529</u>
Total liabilities	<u>507,204,501</u>	<u>8,079,458</u>	<u>515,283,959</u>	<u>165,819,587</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows—relating to pensions	709,230	4,077	713,307	1,256,389
Unavailable revenue—deferred charges	-	-	-	26,473,880
Total deferred inflows of resources	<u>709,230</u>	<u>4,077</u>	<u>713,307</u>	<u>27,730,269</u>
NET POSITION				
Net investment in capital assets	46,512,461	23,140,555	69,653,016	63,336,279
Restricted for:				
Debt service	17,446,975	-	17,446,975	-
Capital projects	14,475,619	-	14,475,619	-
Other	4,920,474	-	4,920,474	18,408,968
Unrestricted	(127,540,159)	3,982,011	(123,558,148)	(43,979,743)
Total net position	<u>\$ (44,184,630)</u>	<u>\$ 27,122,566</u>	<u>\$ (17,062,064)</u>	<u>\$ 37,765,504</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government support	\$ 85,696,053	\$ 7,561,156	\$ 2,420,803	\$ -	\$ (75,714,094)	\$ -	\$ (75,714,094)	\$ -
Education	13,322,914	-	-	-	(13,322,914)	-	(13,322,914)	-
Public safety	85,529,710	3,628,076	5,166,017	-	(76,735,617)	-	(76,735,617)	-
Health	59,821,315	2,812,608	34,695,910	-	(22,312,797)	-	(22,312,797)	-
Transportation	23,540,263	2,809,145	317,008	8,286,182	(12,127,928)	-	(12,127,928)	-
Economic assistance and opportunity	149,288,684	14,586,276	75,916,708	-	(58,785,700)	-	(58,785,700)	-
Culture and recreation	4,889,026	528,071	266,180	372,515	(3,722,260)	-	(3,722,260)	-
Home and community services	12,276,744	794,152	3,226,403	-	(8,256,189)	-	(8,256,189)	-
Interest and other fiscal charges	8,213,470	50,561	-	-	(8,162,909)	-	(8,162,909)	-
Total governmental activities	<u>442,578,179</u>	<u>32,770,045</u>	<u>122,009,029</u>	<u>8,658,697</u>	<u>(279,140,408)</u>	<u>-</u>	<u>(279,140,408)</u>	<u>-</u>
Business-type activities:								
Airport	3,418,115	1,500,106	-	1,417,163	-	(500,846)	(500,846)	-
Transportation	8,508,242	1,090,812	4,084,892	4,255,091	-	922,553	922,553	-
Total business-type activities	<u>11,926,357</u>	<u>2,590,918</u>	<u>4,084,892</u>	<u>5,672,254</u>	<u>-</u>	<u>421,707</u>	<u>421,707</u>	<u>-</u>
Total primary government	<u>\$ 454,504,536</u>	<u>\$ 35,360,963</u>	<u>\$ 126,093,921</u>	<u>\$ 14,330,951</u>	<u>(279,140,408)</u>	<u>421,707</u>	<u>(278,718,701)</u>	<u>-</u>
Component units:								
Dutchess Community College	\$ 85,713,644	\$ 52,538,169	\$ 18,557,845	\$ 46,798				(14,570,832)
Resource Recovery Agency	16,384,009	14,648,665	-	-				(1,735,344)
Water and Wastewater Authority	7,954,560	5,618,081	2,073,579	-				(262,900)
Nonmajor component units	1,363,540	543,845	323,836	562				(495,297)
Total component units	<u>\$ 111,415,753</u>	<u>\$ 73,348,760</u>	<u>\$ 20,955,260</u>	<u>\$ 47,360</u>				<u>(17,064,373)</u>
General revenues:								
					103,092,367	-	103,092,367	-
					15,363,701	-	15,363,701	-
					176,781,835	-	176,781,835	-
					3,895,381	-	3,895,381	-
					107,971	234,660	342,631	161,796
					3,560,602	-	3,560,602	-
					-	-	-	14,896,833
					(2,726,828)	2,726,828	-	-
					<u>300,075,029</u>	<u>2,961,488</u>	<u>303,036,517</u>	<u>15,058,629</u>
					20,934,621	3,383,195	24,317,816	(2,005,744)
					(65,119,251)	23,739,371	(41,379,880)	39,771,248
					<u>\$ (44,184,630)</u>	<u>\$ 27,122,566</u>	<u>\$ (17,062,064)</u>	<u>\$ 37,765,504</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, 2015

	<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	\$ 58,258,830	\$ -	\$ 41,540	\$ 4,358,711	\$ 62,659,081
Restricted cash and cash equivalents	15,414,931	42,163,324	3,497,814	-	61,076,069
Investments	5,000,000	-	-	-	5,000,000
Receivables (net of allowances):					
Taxes	49,318,753	-	-	-	49,318,753
Accounts receivable	2,768,450	-	-	5,582	2,774,032
Due from other funds	4,919,613	-	-	-	4,919,613
Intergovernmental receivables	59,421,175	7,382,029	-	1,333,716	68,136,920
Prepaid items	4,645,391	-	-	257,394	4,902,785
Inventories	109,440	-	-	-	109,440
Total assets	<u>\$ 199,856,583</u>	<u>\$ 49,545,353</u>	<u>\$ 3,539,354</u>	<u>\$ 5,955,403</u>	<u>\$ 258,896,693</u>
LIABILITIES					
Accounts payable	\$ 32,911,867	\$ 4,103,229	\$ -	\$ 1,582,247	\$ 38,597,343
Accrued liabilities	2,183,123	-	-	98,842	2,281,965
Due to other funds	-	4,323,580	-	25,962	4,349,542
Intergovernmental payables	35,564,466	-	-	-	35,564,466
Unearned revenue	3,262,739	-	-	-	3,262,739
Other liabilities	1,009,385	-	-	-	1,009,385
Total liabilities	<u>74,931,580</u>	<u>8,426,809</u>	<u>-</u>	<u>1,707,051</u>	<u>85,065,440</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues—grants and aid	14,559,630	-	-	-	14,559,630
Unavailable revenues—property taxes	18,471,567	-	-	-	18,471,567
Total deferred inflows of resources	<u>33,031,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,031,197</u>
FUND BALANCES					
Nonspendable	4,754,831	-	-	257,394	5,012,225
Restricted	12,152,192	41,118,544	3,497,814	-	56,768,550
Assigned	18,139,500	-	41,540	3,990,958	22,171,998
Unassigned	56,847,283	-	-	-	56,847,283
Total fund balances	<u>91,893,806</u>	<u>41,118,544</u>	<u>3,539,354</u>	<u>4,248,352</u>	<u>140,800,056</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 199,856,583</u>	<u>\$ 49,545,353</u>	<u>\$ 3,539,354</u>	<u>\$ 5,955,403</u>	<u>\$ 258,896,693</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, 2015

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

Total fund balances—governmental funds (page 18)		\$ 140,800,056
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$460,778,841 and the accumulated depreciation is \$285,154,712.		175,624,129
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		8,229,694
Certain revenues are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows of resources in the funds.		33,031,197
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements.		
Deferred outflows related to employer contributions	\$ 13,480,587	
Deferred outflows related to experience and investment earnings	2,998,786	
Deferred inflows related to pension plans	<u>(709,230)</u>	15,770,143
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.		6,717,443
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.		2,131,311
Net accrued interest expense for general obligation bonds of \$723,435 and DTASC bonds of \$139,709 are not reported in the funds.		(863,144)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.		(145,395)
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:		
Serial bonds	\$ (115,642,890)	
Premiums on serial bonds	(7,754,000)	
DTASC bonds	(53,841,279)	
Discount on DTASC bonds	1,098,448	
Accreted interest on DTASC bonds	(24,895,990)	
Workers' compensation and general claims	(26,503,283)	
Other post-employment benefits obligation	(174,181,204)	
Net pension liability	(14,578,554)	
Compensated absences	(9,142,812)	
Environmental clean up	<u>(38,500)</u>	<u>(425,480,064)</u>
Net position of governmental activities		<u>\$ (44,184,630)</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, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>DTASC</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 107,242,325	\$ -	\$ -	\$ 11,213,743	\$ 118,456,068
Sales and use taxes	176,781,835	-	-	-	176,781,835
Other taxes	3,895,381	-	-	-	3,895,381
Departmental income	25,473,941	-	-	2,197,380	27,671,321
Use of money and property	4,509,749	25,000	165,524	4,951	4,705,224
Sale of property and compensation for loss	-	-	-	1,280	1,280
Miscellaneous	6,556,072	698,611	3,395,078	192,688	10,842,449
Grants and aid	113,441,366	6,514,257	-	4,316,387	124,272,010
Total revenues	<u>437,900,669</u>	<u>7,237,868</u>	<u>3,560,602</u>	<u>17,926,429</u>	<u>466,625,568</u>
EXPENDITURES					
Current:					
General government support	71,734,291	-	72,750	-	71,807,041
Education	13,322,914	-	-	-	13,322,914
Public safety	58,498,589	-	-	188,833	58,687,422
Health	53,366,230	-	-	-	53,366,230
Transportation	2,775,767	-	-	9,310,558	12,086,325
Economic assistance and opportunity	136,855,100	-	-	1,773,822	138,628,922
Culture and recreation	1,971,815	-	-	-	1,971,815
Home and community services	8,735,855	-	-	2,580,870	11,316,725
Employee benefits	54,884,212	-	-	3,983,378	58,867,590
Debt service:					
Principal	15,363,921	-	1,770,000	-	17,133,921
Interest and other fiscal charges	3,565,752	-	1,700,353	-	5,266,105
Capital outlay	-	<u>16,488,125</u>	-	-	<u>16,488,125</u>
Total expenditures	<u>421,074,446</u>	<u>16,488,125</u>	<u>3,543,103</u>	<u>17,837,461</u>	<u>458,943,135</u>
Excess (deficiency) of revenues over expenditures	<u>16,826,223</u>	<u>(9,250,257)</u>	<u>17,499</u>	<u>88,968</u>	<u>7,682,433</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,117,639	-	-	799,226	1,916,865
Transfers out	(3,576,054)	(1,067,639)	-	-	(4,643,693)
Proceeds of serial bonds	7,575,000	19,688,215	-	-	27,263,215
Proceeds of advanced refunding bonds	13,856,683	-	-	-	13,856,683
Payment to escrow agent	(15,108,658)	-	-	-	(15,108,658)
Total other financing sources (uses)	<u>3,864,610</u>	<u>18,620,576</u>	<u>-</u>	<u>799,226</u>	<u>23,284,412</u>
Net change in fund balances	20,690,833	9,370,319	17,499	888,194	30,966,845
Fund balances—beginning	71,202,973	31,748,225	3,521,855	3,360,158	109,833,211
Fund balances—ending	<u>\$ 91,893,806</u>	<u>\$ 41,118,544</u>	<u>\$ 3,539,354</u>	<u>\$ 4,248,352</u>	<u>\$ 140,800,056</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, 2015

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

Net change in fund balances—total governmental funds (page 20)	\$	30,966,845
<p>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.</p>		
Capital asset additions, net	\$	17,116,412
Depreciation expense	<u>(16,548,902)</u>	567,510
Loss on disposition of capital assets is recorded in the statement of activities, but not in the statement for governmental funds.		(61,864)
In the statement of activities, the cost of intangible assets is allocated and amortized over their estimated useful lives.		(274,570)
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.		8,677,599
<p>Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:</p>		
Direct pension contributions	\$	13,480,587
Cost of benefits earned net of employee contributions	<u>(7,963,021)</u>	5,517,566
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.		388,737
In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid.		(27,692)
<p>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:</p>		
Repayment of serial bonds	\$	15,363,921
Refunded bonds		14,189,287
Proceeds from serial bonds		(27,263,215)
Proceeds from advanced refunding bonds		(13,856,683)
Premium on bonds issued		(3,462,480)
Amortization of bond premiums		685,536
Repayment of DTASC bonds		1,770,000
Amortization of DTASC bond discount		(70,431)
Accreted interest on DTASC bonds		(3,286,723)
Change in workers' compensation and general claims		6,341,644
Change in other post-employment benefits obligation		(17,010,118)
Change in compensated absences		(589,748)
Change in environmental clean up	<u>2,369,500</u>	<u>(24,819,510)</u>
Change in net position of governmental activities	\$	<u>20,934,621</u>

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, 2015

	<u>Business-type Activities</u>		<u>Total Enterprise Funds</u>
	<u>Enterprise Funds</u>		
	<u>Airport</u>	<u>Transportation</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 343,532	\$ 4,653,261	\$ 4,996,793
Receivables	238,968	-	238,968
Intergovernmental receivables	66,218	3,406,166	3,472,384
Due from other funds	15	281	296
Prepaid items	23,862	3,877	27,739
Inventories	3,335	-	3,335
Total current assets	<u>675,930</u>	<u>8,063,585</u>	<u>8,739,515</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	3,136,399	248,965	3,385,364
Construction in progress	152,344	58	152,402
Capital assets, net of accumulated depreciation:			
Infrastructure	10,703,539	2,663,263	13,366,802
Buildings and building improvements	482,722	2,841,872	3,324,594
Machinery and equipment	910,345	5,226,918	6,137,263
Total noncurrent assets	<u>15,385,349</u>	<u>10,981,076</u>	<u>26,366,425</u>
Total assets	<u>16,061,279</u>	<u>19,044,661</u>	<u>35,105,940</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows—relating to pensions	86,487	13,970	100,457
Total deferred outflows of resources	<u>86,487</u>	<u>13,970</u>	<u>100,457</u>
LIABILITIES			
Current liabilities:			
Accounts payable	109,355	2,711,324	2,820,679
Accrued liabilities	15,183	12,348	27,531
Due to other funds	73,886	496,481	570,367
Unearned revenue	8,061	-	8,061
Current portion of long-term debt	281,142	291,408	572,550
Total current liabilities	<u>487,627</u>	<u>3,511,561</u>	<u>3,999,188</u>
Noncurrent liabilities:			
Bonds payable	1,216,270	1,439,484	2,655,754
Other post-employment benefits obligation	1,269,575	25,174	1,294,749
Net pension liability	72,446	11,377	83,823
Compensated absences	46,240	-	46,240
Total noncurrent liabilities	<u>2,604,531</u>	<u>1,476,035</u>	<u>4,080,566</u>
Total liabilities	<u>3,092,158</u>	<u>4,987,596</u>	<u>8,079,754</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows—relating to pensions	3,524	553	4,077
Total deferred inflows of resources	<u>3,524</u>	<u>553</u>	<u>4,077</u>
NET POSITION			
Net investment in capital assets	13,890,371	9,250,184	23,140,555
Unrestricted	(838,287)	4,820,298	3,982,011
Total net position	<u>\$ 13,052,084</u>	<u>\$ 14,070,482</u>	<u>\$ 27,122,566</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, 2015

	<u>Business-type Activities</u>		<u>Total Enterprise Funds</u>
	<u>Enterprise Funds</u>		
	<u>Airport</u>	<u>Transportation</u>	
Operating revenues:			
Charges for services	\$ 1,500,106	\$ 1,090,812	\$ 2,590,918
Operating grants and revenues	-	4,084,892	4,084,892
Other	<u>16,089</u>	<u>52,723</u>	<u>68,812</u>
Total operating revenues	<u>1,516,195</u>	<u>5,228,427</u>	<u>6,744,622</u>
Operating expenses:			
Personal services	525,090	81,746	606,836
Employee benefits	418,978	43,591	462,569
Depreciation	1,512,805	1,757,827	3,270,632
Contracted services	<u>903,097</u>	<u>6,588,568</u>	<u>7,491,665</u>
Total operating expenses	<u>3,359,970</u>	<u>8,471,732</u>	<u>11,831,702</u>
Operating loss	<u>(1,843,775)</u>	<u>(3,243,305)</u>	<u>(5,087,080)</u>
Nonoperating revenues (expenses):			
Interest income	147,297	1,154	148,451
Interest expense	(58,145)	(36,510)	(94,655)
Other	<u>1,974</u>	<u>15,423</u>	<u>17,397</u>
Total nonoperating revenues (expenses)	<u>91,126</u>	<u>(19,933)</u>	<u>71,193</u>
Loss before contributions and transfers	(1,752,649)	(3,263,238)	(5,015,887)
Capital contributions	1,417,163	4,255,091	5,672,254
Transfers in	576,216	2,200,612	2,776,828
Transfers out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Change in net position	240,730	3,142,465	3,383,195
Total net position—beginning, as restated	<u>12,811,354</u>	<u>10,928,017</u>	<u>23,739,371</u>
Total net position—ending	<u>\$ 13,052,084</u>	<u>\$ 14,070,482</u>	<u>\$ 27,122,566</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, 2015

	<u>Business-type Activities</u>		Total
	<u>Enterprise Funds</u>		Enterprise
	<u>Airport</u>	<u>Transportation</u>	<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided	\$ 1,666,195	\$ 1,657,130	\$ 3,323,325
Receipts from operating grants and revenue	-	1,924,283	1,924,283
Receipts from other operating revenue	16,089	52,723	68,812
Payments to employees	(875,585)	(139,493)	(1,015,078)
Payments to suppliers of contracted services	(1,135,538)	(4,638,880)	(5,774,418)
Net cash used for operating activities	<u>(328,839)</u>	<u>(1,144,237)</u>	<u>(1,473,076)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	576,216	2,200,612	2,776,828
Operating transfers out	-	(50,000)	(50,000)
Net cash provided by noncapital financing activities	<u>576,216</u>	<u>2,150,612</u>	<u>2,726,828</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions to noncurrent assets	1,417,163	4,255,091	5,672,254
Acquisition/disposal of capital assets	(1,444,311)	(4,730,687)	(6,174,998)
Proceeds from issuance of debt	708,740	845,122	1,553,862
Gain on issuance of refunding bonds	1,974	15,423	17,397
Principal payments on bonds	(287,198)	(172,720)	(459,918)
Refunded bonds	(710,715)	(250,000)	(960,715)
Interest payments	(58,145)	(36,510)	(94,655)
Net cash used for capital and related financing activities	<u>(372,492)</u>	<u>(74,281)</u>	<u>(446,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income earned	147,297	1,154	148,451
Net cash provided by investing activities	<u>147,297</u>	<u>1,154</u>	<u>148,451</u>
Increase in cash and cash equivalents	22,182	933,248	955,430
Cash and cash equivalents—beginning	321,350	3,720,013	4,041,363
Cash and cash equivalents—ending	<u>\$ 343,532</u>	<u>\$ 4,653,261</u>	<u>\$ 4,996,793</u>

(continued)

COUNTY OF DUTCHESS, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2015

	Business-type Activities		(concluded)
	Enterprise Funds		Total
	Airport	Transportation	Enterprise
			Funds
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (1,843,775)	\$ (3,243,305)	\$ (5,087,080)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation expense	1,512,805	1,757,827	3,270,632
(Increase) decrease in receivables	235,710	(2,069,493)	(1,833,783)
Decrease in inventories	77,564	-	77,564
Decrease in other assets	3,753	167	3,920
(Increase) in deferred outflows of resources	(3,643)	(1,837)	(5,480)
(Decrease) increase in accounts payable	(310,005)	1,949,688	1,639,683
(Decrease) in accrued liabilities	(40,850)	(9,242)	(50,092)
(Decrease) in compensated absences	(3,492)	-	(3,492)
(Decrease) increase in due to/from other funds	(41,865)	475,202	433,337
(Decrease) in unearned revenue	(27,756)	-	(27,756)
Increase in deferred inflows of resources	3,524	553	4,077
(Decrease) in net pension liability	(24,460)	(3,842)	(28,302)
Increase in other post-employment benefits	133,651	45	133,696
Total adjustments	1,514,936	2,099,068	3,614,004
Net cash used for operating activities	\$ (328,839)	\$ (1,144,237)	\$ (1,473,076)

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, 2015

	<u>Private Purpose Trust</u>	<u>Agency</u>	
ASSETS			
Cash and cash equivalents	\$ 4,352	\$ 8,281,632	
Investments	<u>1,500</u>	<u>-</u>	
Total assets	<u>\$ 5,852</u>	<u>\$ 8,281,632</u>	
LIABILITIES			
Agency liabilities	<u>\$ -</u>	<u>\$ 8,281,632</u>	
Total liabilities	<u>-</u>	<u>\$ 8,281,632</u>	
NET POSITION			
Restricted for cemetery plots	<u>\$ 5,852</u>		

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

COUNTY OF DUTCHESS, NEW YORK
Statement of Changes in Net Position—Fiduciary Funds
Year Ended December 31, 2015

	<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><u>\$ 5,852</u></u>

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

COUNTY OF DUTCHESS, NEW YORK
Combining Statement of Net Position—
Discretely Presented Component Units
December 31, 2015

	Dutchess Community College (August 31, 2015)	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	\$ 24,127,478	\$ 3,117,084	\$ 3,571,430	\$ 2,391,536	\$ 33,207,528
Restricted cash and investments	9,805,831	3,227,140	1,801,231	23,642	14,857,844
Receivables (net of allowances)	6,646,995	1,714,827	1,619,433	284,595	10,265,850
Intergovernmental receivables	-	690,652	-	83,799	774,451
Prepaid items	1,180,157	35,384	17,404	225,932	1,458,877
Inventories	611,642	-	-	-	611,642
Total current assets	<u>42,372,103</u>	<u>8,785,087</u>	<u>7,009,498</u>	<u>3,009,504</u>	<u>61,176,192</u>
Noncurrent assets:					
Other assets	5,076,692	1,838,858	2,466,736	-	9,382,286
Capital assets not being depreciated	1,195,405	-	5,076,823	-	6,272,228
Capital assets being depreciated (net of accumulated depreciation)	79,521,335	21,939,206	50,391,232	691	151,852,464
Total noncurrent assets	<u>85,793,432</u>	<u>23,778,064</u>	<u>57,934,791</u>	<u>691</u>	<u>167,506,978</u>
Total assets	<u>128,165,535</u>	<u>32,563,151</u>	<u>64,944,289</u>	<u>3,010,195</u>	<u>228,683,170</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows—relating to pensions	1,948,522	90,410	324,174	-	2,363,106
Deferred charge on refunding	-	-	269,084	-	269,084
Total deferred outflows of resources	<u>1,948,522</u>	<u>90,410</u>	<u>593,258</u>	<u>-</u>	<u>2,632,190</u>
LIABILITIES					
Current liabilities:					
Accounts payable	7,805,155	288,828	598,944	22,038	8,714,965
Accrued liabilities	1,688,561	4,896,271	481,453	13,122	7,079,407
Intergovernmental payables	505,403	1,883,551	-	451	2,389,405
Unearned revenues	5,064,279	-	-	208,470	5,272,749
Other liabilities	-	-	2,359,532	-	2,359,532
Total current liabilities	<u>15,063,398</u>	<u>7,068,650</u>	<u>3,439,929</u>	<u>244,081</u>	<u>25,816,058</u>
Noncurrent liabilities:					
Due within one year	1,323,440	975,000	2,083,587	-	4,382,027
Due in more than one year	88,946,849	14,882,364	31,792,289	-	135,621,502
Total noncurrent liabilities	<u>90,270,289</u>	<u>15,857,364</u>	<u>33,875,876</u>	<u>-</u>	<u>140,003,529</u>
Total liabilities	<u>105,333,687</u>	<u>22,926,014</u>	<u>37,315,805</u>	<u>244,081</u>	<u>165,819,587</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	1,256,389	-	-	-	1,256,389
Unavailable revenue—deferred charges	1,196,231	57,053	25,220,512	84	26,473,880
Total deferred inflows of resources	<u>2,452,620</u>	<u>57,053</u>	<u>25,220,512</u>	<u>84</u>	<u>27,730,269</u>
NET POSITION					
Net investment in capital assets	51,989,784	6,667,153	4,678,651	691	63,336,279
Restricted	10,576,848	5,065,998	2,742,480	23,642	18,408,968
Unrestricted	(40,238,882)	(2,062,657)	(4,419,901)	2,741,697	(43,979,743)
Total net position	<u>\$ 22,327,750</u>	<u>\$ 9,670,494</u>	<u>\$ 3,001,230</u>	<u>\$ 2,766,030</u>	<u>\$ 37,765,504</u>

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, 2015

	Dutchess Community College (August 31, 2015)	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	\$ -	\$ 2,131,108	\$ -	\$ -	\$ 2,131,108
Service fees	-	9,758,041	-	-	9,758,041
Administrative expenses	7,230,002	1,858,652	1,592,816	34,437	10,715,907
Interest expenses	90,917	696,388	1,465,653	-	2,252,958
Depreciaton	2,432,304	1,939,820	1,337,328	613	5,710,065
Instruction	32,579,492	-	-	-	32,579,492
Academic support	4,381,265	-	-	-	4,381,265
Libraries	1,313,928	-	-	-	1,313,928
Student services	6,520,121	-	-	-	6,520,121
General institution	7,170,220	-	-	-	7,170,220
Operation and maintenance of plant	7,496,787	-	3,513,514	30,293	11,040,594
Student aid	8,506,717	-	-	-	8,506,717
Personal services	-	-	-	386,519	386,519
Purchases and contracted services	-	-	-	87,289	87,289
Other	7,991,891	-	45,249	824,389	8,861,529
Total program expenses	<u>85,713,644</u>	<u>16,384,009</u>	<u>7,954,560</u>	<u>1,363,540</u>	<u>111,415,753</u>
Program revenues:					
Charges for services:					
Tipping fees	-	11,427,034	-	-	11,427,034
Energy sales	-	2,676,884	-	-	2,676,884
Other charges for services	3,890,551	544,747	5,417,561	144,916	9,997,775
Student tuition and fees	20,693,145	-	-	-	20,693,145
Grants and contracts	15,041,432	-	-	76,125	15,117,557
Other	12,913,041	-	200,520	322,804	13,436,365
Operating grants and contributions	18,557,845	-	2,073,579	323,836	20,955,260
Capital grants and contributions	46,798	-	-	562	47,360
Total program revenues	<u>71,142,812</u>	<u>14,648,665</u>	<u>7,691,660</u>	<u>868,243</u>	<u>94,351,380</u>
Net expense	(14,570,832)	(1,735,344)	(262,900)	(495,297)	(17,064,373)
General revenues:					
Use of money and property	-	5,037	153,639	3,120	161,796
Payments from primary government	10,837,898	690,652	2,842,496	525,787	14,896,833
Total general revenues	<u>10,837,898</u>	<u>695,689</u>	<u>2,996,135</u>	<u>528,907</u>	<u>15,058,629</u>
Change in net position	(3,732,934)	(1,039,655)	2,733,235	33,610	(2,005,744)
Net position—beginning, as restated	26,060,684	10,710,149	267,995	2,732,420	39,771,248
Net position—ending	<u>\$ 22,327,750</u>	<u>\$ 9,670,494</u>	<u>\$ 3,001,230</u>	<u>\$ 2,766,030</u>	<u>\$ 37,765,504</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, 2015

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 (“U.S. GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting principles are described below.

Description of Government-wide Financial Statements

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

Reporting Entity

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

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

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

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

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

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

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

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

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

Conservation District, and the Commissioner of the Dutchess County Department of Planning and Economic Development.

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

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

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

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

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.

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.

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

Basis of Presentation—Government-wide Financial Statements

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

As discussed earlier, the County has 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 combining Statement of Net Position—Discretely Presented Component Units and the combining Statement of Activities—Discretely Presented Component Units. 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, unearned revenues and 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—Inventories are valued at cost using the first in, first out method. Inventories largely consists of office supplies.

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

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, 2015, the County reported \$8,229,694 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	Years
Infrastructure	10-50
Buildings and building improvements	5-40
Improvements other than buildings	5-30
Machinery and equipment	3-15

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

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, 2015, the County has two items that qualify for reporting in this category. The first item is a deferred charge on refunding which the County reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the County’s proportion of the collective net pension liability, the difference during the measurement period between the County’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date.

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, 2015, the County has three items that qualify for reporting in this category. Two of the item 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 not be realized within the period of availability. These amounts are deferred and recognized in the period that the amounts become available. The final item represents the effect of the net change in the County’s proportion of the collective net pension liability and the difference during the measurement periods between the County’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements.

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

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

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

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

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

Revenues and Expenses/Expenditures

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

Property Taxes—The County levies its real property taxes on December 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 2015 is \$29,224,529,259. The effective tax rate on this value is \$3.68 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2015 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, 2015, the County reported unearned revenues within the General Fund and Airport Fund of \$3,262,739 and \$8,061, respectively. The County received cash in advance but has not performed the services and therefore recognizes a liability.

Compensated Absences—The County employees are entitled, with certain limitations, to accrue sick leave and vacation time. Estimated sick leave and vacation time is accumulated by governmental fund type employees is reported as a liability and expenditure in the government-wide financial statements under governmental activities. For proprietary fund type employees, the accumulation is recorded as a noncurrent liability of the proprietary fund type. The compensated absences liability for the County's governmental and business-type activities at December 31, 2015 totaled \$9,142,812 and \$48,674, respectively, and are reported in the government-wide financial statements and proprietary fund financial statements.

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

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

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

Workers' Compensation and General Claims—Estimated costs associated with workers' compensation and general claims and judgments for both reported and unreported events totaled \$26,503,283 at December 31, 2015. Estimates of both future payment of losses and related claim adjustment expenses are recorded as long-term liabilities in the government-wide financial statements.

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, 2015, the County implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 improve accounting and financial reporting by governments for pensions.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 72, *Fair Value Measurement and Application*; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and No. 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending December 31, 2016, 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending December 31, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans 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. 72, 73, 74, 75, 76, 77, 78, 79, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

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

- No later than November 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. RESTATEMENT OF NET POSTION

For the fiscal year ended December 31, 2015, the County and certain component units implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of an asset, deferred outflows of resources, a liability and a deferred inflow of resources related to the entities' participation in the New York State Teachers' and Employees' Retirement Systems.

The effect of the restatement to net position of governmental, business-type and component unit activities is summarized as follows:

	Primary Government			Component Units
	Governmental Activities Net Position	Business-type Activities Net Position	Total Net Position	
Net position—December 31, 2014, as previously stated GASB Statements No. 68 and No. 71:	\$ (60,793,274)	\$ 23,756,519	\$ (37,036,755)	\$ 38,840,464
Beginning system asset—				
Teachers' Retirement System	-	-	-	3,516,758
Beginning system liability—				
Employees' Retirement System	(19,500,790)	(112,125)	(19,612,915)	(2,053,092)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:				
Teachers' Retirement System	-	-	-	784,179
Employees' Retirement System	15,174,813	94,977	15,269,790	1,132,471
Beginning deferred inflows of resources	-	-	-	(2,449,532)
Net position—December 31, 2014, as restated	<u>\$ (65,119,251)</u>	<u>\$ 23,739,371</u>	<u>\$ (41,379,880)</u>	<u>\$ 39,771,248</u>

	Dutchess Community College (August 31, 2015)	Dutchess County Resource Recovery Agency	Dutchess County Water and Wastewater Authority	Nonmajor Component Units	Total Component Units
Net position—December 31, 2014, as previously stated GASB Statements No. 68 and No. 71:	\$ 25,141,486	\$ 10,691,649	\$ 274,909	\$ 2,732,420	\$ 38,840,464
Beginning system asset—					
Teachers' Retirement System	3,516,758	-	-	-	3,516,758
Beginning system liability—					
Employees' Retirement System	(1,828,995)	(23,519)	(200,578)	-	(2,053,092)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:					
Teachers' Retirement System	784,179	-	-	-	784,179
Employees' Retirement System	896,788	42,019	193,664	-	1,132,471
Beginning deferred inflows of resources	(2,449,532)	-	-	-	(2,449,532)
Net position—December 31, 2014, as restated	<u>\$ 26,060,684</u>	<u>\$ 10,710,149</u>	<u>\$ 267,995</u>	<u>\$ 2,732,420</u>	<u>\$ 39,771,248</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The County's investment policies are governed by State statutes. In addition, the County has its own written investment policy. County monies must be deposited in 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, 2015 consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 23,515	\$ 900	\$ -	\$ 24,415
Deposits	120,213,821	4,995,893	8,285,984	133,495,698
Securities and money market funds	56,377	-	1,500	57,877
Discount note	3,441,437	-	-	3,441,437
Investments	5,000,000	-	-	5,000,000
Total	<u>\$ 128,735,150</u>	<u>\$ 4,996,793</u>	<u>\$ 8,287,484</u>	<u>\$ 142,019,427</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2015 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 2,657,041	\$ 2,428,544
Uninsured:		
Collateral held by pledging bank's agent in the County's name	140,709,575	130,166,066
Uncollateralized	<u>904,227</u>	<u>901,088</u>
Total	<u>\$ 144,270,843</u>	<u>\$ 133,495,698</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, 2015, \$904,227 of the County’s deposits were not collateralized.

Restricted Cash and Cash Equivalents—Restricted cash of the County consists of unexpended debt proceeds restricted for capital projects in the amount of \$42,163,324, and cash restricted for future debt service within both the General Fund and DTASC Fund of \$7,231,718 and \$3,497,814, respectively. Also included in restricted cash is General Fund (including self-insurance) balances subject to externally enforceable legal purpose restrictions, totaling \$4,920,474 and unearned revenues of \$3,262,739.

Investments—Investments are carried at fair value, as determined by quoted market prices. At December 31, 2015, the County has investments in securities of \$1,500, note receivable of \$5,000,000 issued to the Board of Cooperative Educational Services and \$3,497,814 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, 2015.

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.

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, 2015, 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, 2015, the Agency had additional cash and cash equivalents and investments of \$7,833,082 in various accounts, which are not covered by FDIC. The cash balances are collateralized with securities held by the counter party's trust department or agent in the entity's name and the investments are held by the counter party's trust department in the entity's name which are considered Risk Category B, as defined by the GASB.

Cash, cash equivalents and investments are as follows at December 31, 2015:

Bank balance	\$ 4,158,653
U.S. Government money market	<u>3,674,429</u>
Total Risk Category B	<u>\$ 7,833,082</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, 2015, the trustee reported the following restricted cash and cash equivalents and investments:

2007 Series	
Project fund	\$ 512,246
Debt service reserve fund	<u>1,323,325</u>
Current restricted funds	<u>1,835,571</u>
Reserve and contingency fund	167,154
Debt service reserve fund	<u>1,671,704</u>
Noncurrent restricted funds	<u>1,838,858</u>
Total 2007 Series	<u><u>\$ 3,674,429</u></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 \$1,391,569 at December 31, 2015, and are included in restricted cash.

Restricted assets as of December 31, 2015 are summarized as follows:

Current restricted assets	
Series 2007	\$ 1,835,571
Energy revenues and debt service funds	<u>1,391,569</u>
Total current restricted assets	<u>3,227,140</u>
Noncurrent restricted assets	
Series 2007	\$ 1,838,858
Total noncurrent restricted cash and investments	<u>1,838,858</u>
Total restricted cash and investments	<u><u>\$ 5,065,998</u></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, 2015:

Cash in banks	<u>\$ 3,571,430</u>
Investments:	
Money market funds	2,599,441
U.S. Treasury bills and notes	<u>1,668,526</u>
Total investments	<u>\$ 4,267,967</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, 2015:

Construction reserve funds	\$ 1,383,811
Debt service sinking funds	552
Debt service reserve funds	<u>416,868</u>
Current restricted funds	<u>1,801,231</u>
Debt service reserve funds noncurrent	<u>2,466,736</u>
Total restricted funds	<u>\$ 4,267,967</u>

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

4. RECEIVABLES

Taxes Receivable—Represents amounts due from County taxpayers that remain unpaid. At December 31, 2015 the County recorded \$49,318,753 related to taxes receivable. These amounts are reported net of an allowance for uncollectible taxes provisions of \$7,256,555.

Accounts Receivable—Represents amounts due from various sources. The County’s accounts receivable at December 31, 2015 is presented below.

Governmental funds:	
General Fund	\$ 4,325,637
Less: allowance for doubtful accounts	(1,557,187)
Nonmajor governmental funds	<u>5,582</u>
Total	<u>\$ 2,774,032</u>
Proprietary funds:	
Airport Fund	<u>\$ 238,968</u>
Total	<u>\$ 238,968</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, 2015 are as shown below:

Governmental funds:	
General Fund:	
Due from state and federal	\$ 58,123,688
Other	<u>1,297,487</u> \$ 59,421,175
Capital Projects Fund:	
Due from state and federal	7,382,029
Nonmajor governmental funds:	
Due from state and federal	<u>1,333,716</u>
Total	<u>\$ 68,136,920</u>
Proprietary funds:	
Airport Fund:	
Due from state and federal	\$ 66,218
Transportation Fund:	
Due from state and federal	\$ 3,294,461
Other	<u>111,705</u> <u>3,406,166</u>
Total	<u>\$ 3,472,384</u>

Due to the length of time it often takes to receive reimbursement from other governments for certain requested reimbursements, the County currently has \$14,559,630 in receivables that are not anticipated to be received within 90 days of year end, and are accordingly reported within deferred inflows of resources at December 31, 2015.

A. Discretely presented component units

i) Dutchess Community College

Significant receivables include amounts due from grants, pledges and students for fees and tuitions. These receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated and recorded based on the College's historical bad debt experience and management's judgment. At August 31, 2015, the College reported total accounts receivable of \$6,646,995.

5. CAPITAL ASSETS

Governmental activities—Capital asset activity for the primary government's governmental activities, for the year ended December 31, 2015 was as follows:

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	\$ 12,053,192	\$ 61,307	\$ -	\$ 12,114,499
Right of way and easements	13,228,657	565,543	-	13,794,200
Construction in progress	7,141,298	16,644,870	10,236,505	13,549,663
Total capital assets, not being depreciated	<u>32,423,147</u>	<u>17,271,720</u>	<u>10,236,505</u>	<u>39,458,362</u>
Capital assets, being depreciated:				
Infrastructure	196,800,169	4,097,754	-	200,897,923
Buildings and building improvements	147,790,001	1,218,725	-	149,008,726
Improvements other than buildings	105,777	3,065,742	-	3,171,519
Machinery and equipment	68,043,601	1,698,976	1,500,266	68,242,311
Total capital assets, being depreciated	<u>412,739,548</u>	<u>10,081,197</u>	<u>1,500,266</u>	<u>421,320,479</u>
Less accumulated depreciation for:				
Infrastructure	125,334,036	8,037,332	-	133,371,368
Buildings and building improvements	94,928,274	5,090,732	-	100,019,006
Improvements other than buildings	7,347	5,876	-	13,223
Machinery and equipment	49,774,555	3,414,962	1,438,402	51,751,115
Total accumulated depreciation	<u>270,044,212</u>	<u>16,548,902</u>	<u>1,438,402</u>	<u>285,154,712</u>
Total capital assets, being depreciated, net	<u>142,695,336</u>	<u>(6,467,705)</u>	<u>61,864</u>	<u>136,165,767</u>
Governmental activities capital assets, net	<u>\$ 175,118,483</u>	<u>\$ 10,804,015</u>	<u>\$ 10,298,369</u>	<u>\$ 175,624,129</u>

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

General government support	\$ 4,606,720
Public safety	2,398,910
Public health	39,310
Transportation	6,996,748
Economic assistance and opportunity	394,240
Culture and recreation	2,101,450
Home and community services	<u>11,524</u>
Total governmental activities	<u>\$ 16,548,902</u>

Business-type activities—Capital asset activity for the primary government’s business-type activities (Enterprise Funds) for the year ended December 31, 2015 is presented below.

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	\$ 3,385,364	\$ -	\$ -	\$ 3,385,364
Construction in progress	<u>594,684</u>	<u>6,284,753</u>	<u>6,727,035</u>	<u>152,402</u>
Total capital assets, not being depreciated	<u>3,980,048</u>	<u>6,284,753</u>	<u>6,727,035</u>	<u>3,537,766</u>
Capital assets, being depreciated:				
Infrastructure	27,724,722	4,170,503	-	31,895,225
Buildings and building improvements	12,163,240	448,970	-	12,612,210
Machinery and equipment	<u>15,248,298</u>	<u>2,107,562</u>	<u>324,480</u>	<u>17,031,380</u>
Total capital assets, being depreciated	<u>55,136,260</u>	<u>6,727,035</u>	<u>324,480</u>	<u>61,538,815</u>
Less accumulated depreciation for:				
Infrastructure	17,247,352	1,281,072	-	18,528,424
Buildings and building improvements	8,860,968	426,647	-	9,287,615
Machinery and equipment	<u>9,545,929</u>	<u>1,562,913</u>	<u>214,725</u>	<u>10,894,117</u>
Total accumulated depreciation	<u>35,654,249</u>	<u>3,270,632</u>	<u>214,725</u>	<u>38,710,156</u>
Total capital assets, being depreciated, net	<u>19,482,011</u>	<u>3,456,403</u>	<u>109,755</u>	<u>22,828,659</u>
Business-type activities capital assets, net	<u>\$ 23,462,059</u>	<u>\$ 9,741,156</u>	<u>\$ 6,836,790</u>	<u>\$ 26,366,425</u>

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

Airport	\$ 1,512,805
Transportation	<u>1,757,827</u>
Total business-type activities	<u>\$ 3,270,632</u>

A. Discretely presented component units

i) Dutchess Community College

Capital asset activity for the Dutchess Community College for the year ended August 31, 2015 is presented below:

	Balance 9/1/2014	Increases	Decreases	Balance 8/31/2015
Capital assets, not being depreciated:				
Land	\$ 1,151,144	\$ -	\$ -	\$ 1,151,144
Construction in progress	263,918	1,845	221,502	44,261
Total capital assets, not being depreciated	<u>1,415,062</u>	<u>1,845</u>	<u>221,502</u>	<u>1,195,405</u>
Capital assets, being depreciated:				
Building and improvements	85,289,220	1,421,290	-	86,710,510
Furniture and equipment	8,605,169	439,027	527,809	8,516,387
Total capital assets, being depreciated	<u>93,894,389</u>	<u>1,860,317</u>	<u>527,809</u>	<u>95,226,897</u>
Less: Accumulated depreciation	<u>43,100,793</u>	<u>2,379,253</u>	<u>527,809</u>	<u>44,952,237</u>
Total capital assets, being depreciated, net	<u>50,793,596</u>	<u>(518,936)</u>	<u>-</u>	<u>50,274,660</u>
Total capital assets, net	<u>\$ 52,208,658</u>	<u>\$ (517,091)</u>	<u>\$ 221,502</u>	<u>\$ 51,470,065</u>

In addition to the College's capital assets, its component units, the Association and Foundation reported net capital assets of \$29,246,675 and \$0, respectively.

Assets under capital lease agreements at August 31, 2015 are as follows:

Cost basis	\$ 5,227,174
Accumulated depreciation	<u>(3,146,477)</u>
Total	<u>\$ 2,080,697</u>

Depreciation expense for the year ended August 31, 2015 was \$2,379,253 and amortization expense of \$53,051 for intangible assets for the year ended August 31, 2015, totaling \$2,432,304.

ii) Dutchess County Resource Recovery Agency

Capital asset activity for the Dutchess County Resource Recovery Agency for the year ended December 31, 2015 is presented below:

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, being depreciated:				
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	63,774,179	-	-	63,774,179
Equipment	192,671	-	-	192,671
Total capital assets, being depreciated	<u>64,484,441</u>	<u>-</u>	<u>-</u>	<u>64,484,441</u>
Less: Accumulated depreciation	<u>40,588,963</u>	<u>1,956,272</u>	<u>-</u>	<u>42,545,235</u>
Total capital assets, net	<u>\$ 23,895,478</u>	<u>\$ (1,956,272)</u>	<u>\$ -</u>	<u>\$ 21,939,206</u>

iii) Dutchess County Water and Wastewater Authority

Capital asset activity for the Dutchess County Water and Wastewater Authority for the year ended December 31, 2015 is presented below:

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	\$ 834,808	\$ 120,800	\$ -	\$ 955,608
Construction in progress	3,277,222	921,026	(77,033)	4,121,215
Total capital assets, not being depreciated	<u>4,112,030</u>	<u>1,041,826</u>	<u>(77,033)</u>	<u>5,076,823</u>
Capital assets, being depreciated:				
Improvements	175,907	75,431	-	251,338
Buildings	13,377,872	1,657,766	-	15,035,638
Water system	50,797,187	36,610	-	50,833,797
Machinery and equipment	7,260,823	267,340	-	7,528,163
Sewage collection system	1,644,932	-	-	1,644,932
Total capital assets, being depreciated	<u>73,256,721</u>	<u>2,037,147</u>	<u>-</u>	<u>75,293,868</u>
Less: Accumulated depreciation	<u>22,969,455</u>	<u>1,933,181</u>	<u>-</u>	<u>24,902,636</u>
Total capital assets, being depreciated, net	<u>50,287,266</u>	<u>103,966</u>	<u>-</u>	<u>50,391,232</u>
Total capital assets, net	<u>\$ 54,399,296</u>	<u>\$ 1,145,792</u>	<u>\$ (77,033)</u>	<u>\$ 55,468,055</u>

Depreciation was recorded in the amount of \$1,933,181, less 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, 2105. The effect of netting these amounts resulted in \$1,337,328 in depreciation expense.

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental and business-type activities at December 31, 2015, were as follows:

	Governmental Activities		
	General Fund	Nonmajor Governmental Funds	
		Total	
Salaries and employee benefits	\$ 1,937,725	\$ 98,842	\$ 2,036,567
Other	245,398	-	245,398
Total accrued liabilities	<u>\$ 2,183,123</u>	<u>\$ 98,842</u>	<u>\$ 2,281,965</u>
	Business-type Activities		
	Airport	Transportation	Total
Salaries and employee benefits	\$ 8,435	\$ 1,430	\$ 9,865
Other	6,748	10,918	17,666
Total accrued liabilities	<u>\$ 15,183</u>	<u>\$ 12,348</u>	<u>\$ 27,531</u>

A. Discretely presented component units

i) Dutchess Community College

Accrued expenses include the following at August 31, 2015:

Retirement plans	\$	848,051
Payroll		545,687
Payroll benefits		248,228
Other		46,595
Total		<u>1,688,561</u>

7. PENSION OBLIGATIONS

The County participates in the New York State and Local Employees’ Retirement System (“ERS”), which is collectively referred to as the New York State and Local Retirement System (the “System”). This cost-sharing multiple-employer public employee retirement system computes contribution retirements based on the New York State Retirement and Social Security Law (“NYSRSSL”).

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

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions—At December 31, 2015, the County reported the following liabilities for its proportionate share of the net pension liabilities for ERS. The net pension liabilities were measured as of March 31, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2014, with update procedures used to roll forward the total net pension liabilities to the measurement date. The County’s proportion of the net pension liabilities were based on projections of the County’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the County.

	Governmental Activities	Business-type Activities
	ERS	
Measurement date	March 31, 2015	March 31, 2015
Net pension liability	\$ 14,578,554	\$ 83,823
County's portion of the Plan's total net pension liability	0.4315423%	0.0024813%

For the year ended December 31, 2015, the County recognized pension expenses of \$13,016,425 and \$74,841 for ERS for governmental activities and business-type activities, respectively. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
	ERS			
Differences between expected and actual experiences	\$ 466,676	\$ 2,683	\$ -	\$ -
Changes of assumptions				
Net difference between projected and actual earnings on pension plan investments	2,532,110	14,559	-	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	-	709,230	4,077
County contributions subsequent to the measurement date	<u>13,480,587</u>	<u>83,215</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,479,373</u>	<u>\$ 100,457</u>	<u>\$ 709,230</u>	<u>\$ 4,077</u>

The County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities	Business-type Activities
Year Ending December 31,	ERS	
2016	\$ 572,389	\$ 3,292
2017	572,389	3,291
2018	572,389	3,291
2019	572,389	3,291

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

	<u>ERS</u>
Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.50%
Salary scale	4.90%
Decrement tables	April 1, 2005- March 31, 2010
Inflation rate	2.7%

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

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

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

	<u>ERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Measurement date	<u>March 31, 2015</u>	
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	<u>100.0 %</u>	

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

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

The chart below presents the County’s proportionate share of the net pension liabilities calculated using the discount rate of 7.5%, as well as what the County’s proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Governmental Activities:			
Employer's proportionate share of the net pension liability—ERS	\$ 97,172,366	\$ 14,578,554	\$ (55,151,105)
Business-type Activities:			
Employer's proportionate share of the net pension liability—ERS	\$ 558,718	\$ 83,823	\$ (317,107)

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

	(Dollars in Thousands)
	ERS
Valuation date	March 31, 2015
Employers' total pension liability	\$ 164,591,504
Plan fiduciary net position	<u>161,213,259</u>
Employers' net pension liability	<u>\$ 3,378,245</u>
System fiduciary net position as a percentage of total pension liability	97.95%

A. Discretely presented component units

i) Dutchess Community College

The College participates in the ERS and the Teachers’ Retirement System (“TRS”).

Plan Description and Benefits Provided

Employees’ Retirement System—The plan description is the same as disclosed within the County’s footnote.

Teachers’ Retirement System—The College participates in the New York State Teachers’ Retirement System (“TRS”). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual

relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

TRS is noncontributory except for employees who joined 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 1, 2010, who generally contribute between three percent (3%) and six percent (6%) depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS and by its Board of Trustee. The employer contribution rate for the plan's year ending in 2015 was 17.53%.

Pension Assets, Liabilities, Pension Expense, Deferred Outflows of Resources, and Inflows of Resources Related to Pensions—At August 31, 2015, the College reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of March 31, 2015 for ERS and June 30, 2014 for TRS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation. The College's proportion of the net pension liability/(asset) was based on a projection of the College's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS and TRS in reports provided to the College.

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Net pension liability/(asset)	\$ (3,326,364)	\$ 1,367,334
College's portion of the Plan's total net pension liability/(asset)	0.032025%	0.040475%

For the year ended August 31, 2015, the College recognized an actuarial increase of \$318,091 for the TRS and pension expense of \$1,206,946 for ERS. At August 31, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ -	\$ 43,770	\$ 92,188	\$ -
Changes of assumptions				
Net difference between projected and actual earnings on pension plan investments	-	237,489	1,051,481	-
Changes in proportion and differences between College's contributions and proportionate share of contributions	-	-	46,201	66,519
College contributions subsequent to the measurement date	954,056	713,207	-	-
Total	<u>\$ 954,056</u>	<u>\$ 994,466</u>	<u>\$ 1,189,870</u>	<u>\$ 66,519</u>

Amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	TRS	ERS
2016	\$ 430,066	\$ 53,685
2017	430,066	53,685
2018	430,066	53,685
2019	(168,903)	53,685
2020	17,454	-
Thereafter	51,121	-

Actuarial Assumptions—The total pension (asset)/liability as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension (asset)/liability to the measurement dates. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.00%	7.50%
Salary scale	4.01-10.91%	4.90%
Decrement tables	July 1, 2005- June 30, 2010	April 1, 2005- March 31, 2010
Inflation rate	3.0%	2.7%

For TRS, annuitant mortality rates are based on July 1, 2005-June 30, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale AA. The actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2014	March 31, 2015
Asset class:				
Domestic equities	37.0 %	38.0 %	7.3 %	7.3 %
International equities	18.0	13.0	8.5	8.6
Private equity	0.0	10.0	0.0	11.0
Real estate	10.0	8.0	5.0	8.3
Alternative investments	7.0	0.0	11.0	0.0
Absolute return strategies	20.0	3.0	1.4	6.8
Opportunistic portfolio	0.0	3.0	0.0	8.6
Real assets	0.0	3.0	0.0	8.7
Bonds and mortgages	8.0	18.0	3.4	4.0
Cash	0.0	2.0	0.0	2.3
Inflation-indexed bonds	0.0	2.0	0.0	4.0
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.5% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the College’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5% for ERS and 8.0% for TRS, as well as what the College’s proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.5% for ERS and 7.0% for TRS) or one percentage-point higher (8.5% for ERS and 9.0% for TRS) than the current assumption.

TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 226,901	\$ (3,326,364)	\$ (6,356,552)
ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability/(asset)	\$ 9,113,875	\$ 1,367,334	\$ (5,172,667)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the valuation dates were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Valuation date	June 30, 2014	March 31, 2015	
Employers' total pension liability	\$ 97,015,706	\$ 164,591,504	\$ 261,607,210
Plan fiduciary net position	<u>108,155,083</u>	<u>161,213,259</u>	<u>269,368,342</u>
Employers' net pension liability	<u><u>\$ (11,139,377)</u></u>	<u><u>\$ 3,378,245</u></u>	<u><u>\$ (7,761,132)</u></u>
System fiduciary net position as a percentage of total pension liability	111.48%	97.95%	102.97%

ii) Dutchess County Resource Recovery Agency

The Agency participates in the ERS.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions—At December 31, 2015, the Agency reported a liability of \$17,583 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2015, the Agency's proportion was 0.0005205 percent of the ERS liability, which is the initial determination as this is the first year implementation of GASB Statement No. 68.

For the year ended December 31, 2015, the Agency recognized pension expense of \$22,024. At December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	<u>ERS</u>
Differences between expected and actual experiences	\$ 563
Net difference between projected and actual earnings on pension plan investments	3,054
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	24,448
Agency contributions subsequent to the measurement date	<u>62,345</u>
Total	<u><u>\$ 90,410</u></u>

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

Year Ending December 31,	ERS
2016	\$ 7,017
2017	7,016
2018	7,016
2019	7,016

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below represents the Agency’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Agency’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability—ERS	\$ 117,197	\$ 17,583	\$ (66,516)

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

iii) Dutchess County Water and Wasterwater Authority

The Authority participates in the ERS.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions—At December 31, 2015, the Authority reported a liability of \$149,950 for its proportionate share of the net pension liability. At March 31, 2015, the Authority’s proportion was 0.0044387 percent of the ERS liability, which is the initial determination.

For the year ended December 31, 2015, the Authority recognized pension expense of \$143,653. At December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	<u>ERS</u>
Differences between expected and actual experiences	\$ 4,800
Net difference between projected and actual earnings on pension plan investments	26,044
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	31,788
Authority contributions subsequent to the measurement date	<u>261,542</u>
Total	<u>\$ 324,174</u>

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

<u>Year Ended December 31,</u>	<u>ERS</u>
2016	\$ 15,658
2017	15,658
2018	15,658
2019	15,658

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability—ERS	\$ 999,482	\$ 149,950	\$ (567,265)

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

8. OTHER 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 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, 2015, the County’s, Airport’s and Transportation’s annual OPEB costs of \$22,180,323, \$135,398 and \$45, 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, 2015			
	Governmental	Business-type Activities		Total
	Activities	Airport	Transportation	
Annual required contribution ("ARC")	\$ 21,899,371	\$ 133,367	\$ -	\$ 22,032,738
Interest on net OPEB obligation	6,286,843	45,437	1,005	6,333,285
Adjustment to ARC	(6,005,891)	(43,406)	(960)	(6,050,257)
Annual OPEB cost (expense)	22,180,323	135,398	45	22,315,766
Contributions made	(5,170,205)	(1,747)	-	(5,171,952)
Increase in net OPEB obligation	17,010,118	133,651	45	17,143,814
Net OPEB obligation—beginning	157,171,086	1,135,924	25,129	158,332,139
Net OPEB obligation—ending	\$ 174,181,204	\$ 1,269,575	\$ 25,174	\$ 175,475,953

	Year Ended December 31, 2014			
	Governmental Activities	Business-type Activities		Total
		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	<u>\$ 157,171,086</u>	<u>\$ 1,135,924</u>	<u>\$ 25,129</u>	<u>\$ 158,332,139</u>

Funding Status and Funding Progress—As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was \$262,225,962 and \$1,311,303 for governmental activities and business-type activities, respectively.

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 2015 and the preceding two years were as follows:

Year Ended December 31,	Total		
	Annual OPEB Cost	Contributions Made	Percentage Contributed
	2015	\$ 22,315,766	\$ 5,171,952
2014	22,031,473	4,770,031	21.7%
2013	24,931,040	4,426,662	17.8%

Year Ended December 31,	Governmental Activities		
	Annual OPEB Cost	Contributions Made	Percentage Contributed
	2015	\$ 22,180,323	\$ 5,170,205
2014	21,907,349	4,767,900	21.8%
2013	24,785,055	4,426,030	17.9%

Business-type—Airport			
Year Ended December 31,	Annual		
	OPEB Cost	Contributions Made	Percentage Contributed
2015	\$ 135,398	\$ 1,747	1.3%
2014	118,051	2,131	1.8%
2013	139,803	632	0.5%

Business-type—Transportation			
Year Ended December 31,	Annual		
	OPEB Cost	Contributions Made	Percentage Contributed
2015	\$ 45	\$ -	0.0%
2014	6,073	-	0.0%
2013	6,182	-	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, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of January 1, 2015 and measurement date of December 31, 2015. The RP-2014 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 23 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.

	<u>Year Ended August 31,</u>	
	<u>2015</u>	<u>2014</u>
Annual required contribution ("ARC")	\$ 6,892,107	\$ 8,065,797
Interest on net OPEB Obligation	2,116,796	1,891,085
Adjustment to ARC	<u>(2,942,656)</u>	<u>(2,628,886)</u>
Annual OPEB cost (expense)	6,066,247	7,327,996
Contributions made	<u>(1,424,562)</u>	<u>(1,685,242)</u>
Increase in net OPEB obligation	4,641,685	5,642,754
Net OPEB obligation—beginning	<u>52,919,891</u>	<u>47,277,137</u>
Net OPEB obligation—ending	<u>\$ 57,561,576</u>	<u>\$ 52,919,891</u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

<u>Year Ended,</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net OPEB</u>
<u>August 31,</u>	<u>OPEB Cost</u>	<u>Annual OPEB</u>	<u>Obligation</u>
		<u>Cost Contributed</u>	
2015	\$ 6,066,247	23.48%	\$ 57,561,576
2014	7,327,996	23.00%	52,919,891
2013	6,982,366	20.98%	47,277,137

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, 2015 is \$624,781.

iii) Dutchess County Water and Wastewater Authority

From an accrual accounting perspective, the cost of other 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, 2015 is \$1,386,829.

9. DEFERRED COMPENSATION PLAN

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

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

At December 31, 2015, the market value, as reported by the New York State Deferred Compensation Plan, of the plan assets totaled \$127,973,558.

10. RISK MANAGEMENT

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

The Dutchess County Self-Insured Workers' Compensation Plan (the "Plan") was organized in 1980 to provide a program of workers' compensation coverage for its member organizations. All political subdivisions in the County are eligible to participate. The Plan's general objectives are to formulate, develop, and administer, on behalf of the member political subdivisions, a program of workers' compensation insurance and to develop a comprehensive loss control program. Plan members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities but would remain responsible for their individual liabilities, which would include their estimated claims and related administrative obligations. A Plan member would also be responsible for its individual liabilities if it were to withdraw from the Plan. Plan members currently include one city, nine towns, three villages, Dutchess Community College, Dutchess County Resource Recovery Agency and Dutchess County. The 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 \$1,000,000 related to general claims against the County which is recorded within governmental activities long-term liabilities at December 31, 2015.

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
2015	\$ 24,344,927	\$ 3,769,097	\$ 2,610,741	\$ 25,503,283
2014	23,595,823	3,281,238	2,532,134	24,344,927

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

11. LEASES

Operating Leases—The County leases buildings and equipment under non-cancelable operating leases. Total costs for such leases were \$3,603,949 for governmental activities for the year ended December 31, 2015. Future minimum lease payments at December 31, 2015 are presented below:

Year Ending December 31,	Governmental Activities
2016	\$ 3,714,269
2017	3,384,291
2018	<u>1,536,797</u>
Total	<u>\$ 8,635,357</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, 2015 are presented below:

Year Ending August 31,	Principal	Interest
2016	\$ 216,988	\$ 81,517
2017	226,776	71,693
2018	237,005	61,427
2019	247,695	50,698
2020	258,868	39,483
Thereafter	<u>773,693</u>	<u>46,547</u>
Total	<u>\$ 1,961,025</u>	<u>\$ 351,365</u>

Interest expense related to capital lease obligations was approximately \$90,917 in 2015.

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, 2015:

Year Ending August 31,	
2016	573,570
2017	<u>576,570</u>
Total	<u>\$ 1,150,140</u>

Rental expense for 2015 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 \$583,781.

12. 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, net pension liability, compensated absences, and environmental clean up. A summary of changes in the County's long-term liabilities for the year ended December 31, 2015 is presented on the following page.

	Balance 1/1/2015 (as restated)	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Governmental activities:					
Bonds payable:					
Serial bonds	\$ 104,076,200	\$ 41,119,898	\$ 29,553,208	\$ 115,642,890	\$ 15,673,644
Premiums on serial bonds	4,977,056	3,462,480	685,536	7,754,000	569,993
DTASC tobacco settlement bonds	29,375,000	-	1,770,000	27,605,000	-
Discount on DTASC bonds	(1,168,879)	-	(70,431)	(1,098,448)	(495,008)
DTASC subordinate turbo CABs	47,845,546	3,286,723	-	51,132,269	-
Total bonds payable	185,104,923	47,869,101	31,938,313	201,035,711	15,748,629
Workers' compensation and general claims	32,844,927	3,769,097	10,110,741	26,503,283	1,275,164
OPEB obligation	157,171,086	22,180,323	5,170,205	174,181,204	-
Net pension liability*	19,500,790	-	4,922,236	14,578,554	-
Compensated absences	8,553,064	650,967	61,219	9,142,812	457,141
Environmental clean up	2,408,000	-	2,369,500	38,500	38,500
Total governmental activities	<u>\$ 405,582,790</u>	<u>\$ 74,469,488</u>	<u>\$ 54,572,214</u>	<u>\$ 425,480,064</u>	<u>\$ 17,519,434</u>
Business-type activities:					
Bonds payable:					
Airport bonds	\$ 1,784,150	\$ 708,741	\$ 997,913	\$ 1,494,978	\$ 278,708
Transportation bonds	1,308,491	845,121	422,720	1,730,892	291,408
Total bonds payable	3,092,641	1,553,862	1,420,633	3,225,870	570,116
OPEB obligation	1,161,053	135,443	1,747	1,294,749	-
Net pension liability*	112,125	-	28,302	83,823	-
Compensated absences	52,166	-	3,492	48,674	2,434
Total business-type activities	<u>\$ 4,417,985</u>	<u>\$ 1,689,305</u>	<u>\$ 1,454,174</u>	<u>\$ 4,653,116</u>	<u>\$ 572,550</u>

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

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 2035. 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 5.47% of its constitutional debt limit as of December 31, 2015.

On June 11, 2015, the County issued \$14,800,000 in public improvement refunding serial bonds, which refunded \$4,450,000 and \$10,700,000 of previously issued 2004 and 2006 serial bonds. The refunding bonds were issued at a premium of \$1,395,024 and included issuance costs of \$143,049. The interest rate on the refunding bond ranges from 2.0 to 5.0 percent. The County deposited \$16,051,975 with an escrow agent and as a result, the portion of the original bonds are considered refunded and the liability of these bonds, \$15,150,000 has been removed from the financial statements. The refunding bonds will provide a net present value debt service savings of \$865,201.

On December 2, 2015, the County issued \$27,873,760 in public improvement serial bonds. The bonds were issued at a premium of \$2,067,456, and the interest rate on the bonds ranges from 2.0 to 5.0 percent. The bonds are expected to mature on May 1, 2035.

DTASC Debt—In 2003, DTASC issued \$47,815,000 of the New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds, Series 2003 (“Series 2003 Term Bonds”) pursuant to an indenture dated as of December 18, 2003. The issue value of the bonds was \$45,912,363, net of a bond discount of \$1,902,637. Net proceeds were paid to the County for deposit to an escrow fund as a purchase from the County of all of the County’s right, title and interest, under the MSA and the Decree, including the Tobacco Settlement Revenues (“TSR”).

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 2015, DTASC made a Turbo Redemption payment of \$1,770,000.

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, 2015 is presented below:

Description	Year of Maturity	Interest Rate	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015
Tobacco Settlement Bonds:						
Series 2003	2043	various	\$ 29,375,000	\$ -	\$ 1,770,000	\$ 27,605,000
Less:						
Bond discount			1,168,879	-	70,431	1,098,448
Net Tobacco Settlement Bonds			\$ 28,206,121	\$ -	\$ 1,699,569	\$ 26,506,552

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
2016	\$ -	\$ 1,649,462	\$ 1,649,462
2017	-	1,649,463	1,649,463
2018	-	1,649,462	1,649,462
2019	-	1,649,463	1,649,463
2020	-	1,649,462	1,649,462
2021-2025	-	8,247,313	8,247,313
2026-2030	-	8,247,313	8,247,313
2031-2035	4,560,000	7,896,581	12,456,581
2036-2040	11,185,000	5,318,550	16,503,550
2041-2043	11,860,000	1,480,200	13,340,200
Total	<u>\$ 27,605,000</u>	<u>\$ 39,437,269</u>	<u>\$ 67,042,269</u>

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

A summary of the Subordinate Turbo CABs net bond balance activity for the year ended December 31, 2015 follows:

	Interest Rate (%)	Original Principal	Balance 1/1/2015	Annual Net Interest Accretion	Turbo Redemption Payments	Balance 12/31/2015
Subordinate Turbo CABs	6.00%-7.85%	<u>\$ 26,236,279</u>	<u>\$ 47,845,546</u>	<u>\$ 3,286,723</u>	<u>\$ -</u>	<u>\$ 51,132,269</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 included a bond premium. The premiums are being amortized on a straight-line basis over the life of the bonds, with maturity dates ranging from 2021 to 2034. The total unamortized premiums as of December 31, 2015 was \$7,754,000. During 2003, DTASC issued bonds totaling \$45,912,363 and included 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, 2015 was \$1,098,448.

Workers' Compensation and General Claims—As explained in Note 10, the County is self-insured. Liabilities are established for workers' compensation and general claims in accordance with GASB requirements. At December 31, 2015, the County reported \$25,503,283 of workers' compensation liability and \$1,000,000 as general claims. Estimated long-term contingent loss liabilities in the governmental fund types have been reported as long-term liabilities in the government-wide financial statements. The proprietary funds have no loss contingency liability other than worker's compensation, which is only recognized when invoiced from the County.

OPEB Obligation—As explained in Note 8, the County provides medical, dental, and life insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The County's annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The County's long-term OPEB obligation is estimated to be \$174,181,204 and \$1,294,749 at December 31, 2015, for governmental and business-type activities, respectively.

Net Pension Liability—The County reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The net pension liability is estimated to be \$14,578,554 and \$83,823 in the governmental and business-type activities, respectively. Refer to Note 7 for additional information related to the County's net pension liability.

Compensated Absences—As explained in Note 1, compensated absences are recorded in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and benefits. The payment of compensated absences is dependent on many factors and, therefore, cannot be reasonably estimated as to future timing of payment. The annual budgets of operating funds provide for such as amounts become payable. The values recorded at December 31, 2015 for governmental and business-type activities are \$9,142,812 and \$48,674, respectively.

Environmental Clean Up—The results of the County's evaluation of its underground storage tank removal concluded with an estimate of \$38,500 liability being recorded in the governmental activities of the government-wide financial statements.

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

Year ending December 31,	Governmental Activities				
	Serial Bonds	Premiums on Serial Bonds	DTASC Tobacco Settlement Bonds	Discount on DTASC Bonds	DTASC Subordinate Turbo CABs
2016	\$ 15,673,644	\$ 569,993	\$ -	\$ (495,008)	\$ -
2017	14,341,421	569,993	-	(165,533)	-
2018	12,691,398	569,993	-	(202,340)	-
2019	11,826,302	569,993	-	(215,273)	-
2020	9,977,735	569,993	-	(20,294)	-
2021-2025	31,581,352	2,491,135	-	-	-
2026-2030	15,122,038	1,506,466	-	-	-
2031-2035	4,429,000	906,434	4,560,000	-	-
2036-2040	-	-	11,185,000	-	-
2041 and thereafter	-	-	11,860,000	-	51,132,269
Total	<u>\$ 115,642,890</u>	<u>\$ 7,754,000</u>	<u>\$ 27,605,000</u>	<u>\$ (1,098,448)</u>	<u>\$ 51,132,269</u>

(continued)

(concluded)

Governmental Activities

Year ending December 31,	Workers' Compensation and General Claims		Net Pension Liability		Compensated Absences	Environmental Clean Up	Total
		OPEB					
2016	\$ 1,275,164	\$ -	\$ -	\$ -	\$ 457,141	\$ 38,500	\$ 17,519,434
2017	-	-	-	-	-	-	14,745,881
2018	-	-	-	-	-	-	13,059,051
2019	-	-	-	-	-	-	12,181,022
2020	-	-	-	-	-	-	10,527,434
2021-2025	-	-	-	-	-	-	34,072,487
2026-2030	-	-	-	-	-	-	16,628,504
2031-2035	-	-	-	-	-	-	9,895,434
2036-2040	-	-	-	-	-	-	11,185,000
2041 and thereafter	25,228,119	174,181,204	14,578,554	8,685,671	-	-	285,665,817
Total	<u>\$ 26,503,283</u>	<u>\$ 174,181,204</u>	<u>\$ 14,578,554</u>	<u>\$ 9,142,812</u>	<u>\$ 38,500</u>	<u>\$ -</u>	<u>\$ 425,480,064</u>

Business-type Activities

Year ending December 31,	Airport Bonds	Transportation Bonds	OPEB	Net Pension Liability	Compensated Absences	Total
2016	\$ 278,708	\$ 291,408	\$ -	\$ -	\$ 2,434	\$ 572,550
2017	252,978	280,601	-	-	-	533,579
2018	262,599	206,003	-	-	-	468,602
2019	172,146	206,552	-	-	-	378,698
2020	154,400	207,865	-	-	-	362,265
2021-2025	374,147	444,281	-	-	-	818,428
2026-2030	-	93,182	-	-	-	93,182
2031-2035	-	1,000	1,294,749	83,823	46,240	1,425,812
Total	<u>\$ 1,494,978</u>	<u>\$ 1,730,892</u>	<u>\$ 1,294,749</u>	<u>\$ 83,823</u>	<u>\$ 48,674</u>	<u>\$ 4,653,116</u>

Interest requirements relating to bonds payable are as follows:

Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2016	\$ 4,259,286	\$ 123,972	\$ 4,383,258
2017	3,697,620	99,818	3,797,438
2018	3,074,479	78,659	3,153,138
2019	2,507,300	57,369	2,564,669
2020	2,024,190	41,917	2,066,107
2021-2025	5,558,226	88,280	5,646,506
2026-2030	1,727,297	6,875	1,734,172
2031-2035	279,469	28	279,497
Total	<u>\$ 23,127,867</u>	<u>\$ 496,918</u>	<u>\$ 23,624,785</u>

A. Discretely presented component units

i) Dutchess Community College

The following table summarizes changes in the College's long-term liabilities for the year ended August 31, 2015:

	Balance 9/1/2014 (as restated)	Additions	Reductions	Balance 8/31/2015	Due Within One Year
Capital lease obligations	\$ 2,168,648	\$ -	\$ 207,623	\$ 1,961,025	\$ 216,988
Compensated absences	2,751,559	137,864	275,000	2,614,423	261,000
Net pension liability	1,828,995	-	461,661	1,367,334	-
OPEB obligation	<u>52,919,891</u>	<u>6,066,247</u>	<u>1,424,562</u>	<u>57,561,576</u>	<u>-</u>
Total long-term liabilities	<u>\$ 59,669,093</u>	<u>\$ 6,204,111</u>	<u>\$ 2,368,846</u>	<u>\$ 63,504,358</u>	<u>\$ 477,988</u>

In addition to the College, its component unit, the Association reported a long-term mortgage payable and capital leases in the amounts of \$26,201,425 and \$564,506, respectively, as of August 31, 2015.

ii) Dutchess County Resource Recovery Agency

Bonds Payable

2007 Tax-Exempt Forward Series

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

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

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.

Bonds payable, with interest payable semi-annually on January 1 and July 1, consisted of the following as of December 31, 2015:

Interest Rate	Issue Date	Maturity Date	Outstanding December 31, 2015
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	1,595,000
			<u>15,215,000</u>
			Less: current portion (975,000)
			<u>\$ 14,240,000</u>

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

Year Ending December 31,	Principal	Interest	Total
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	1,180,000	461,813	1,641,813
2021-2025	6,720,000	1,479,094	8,199,094
2026-2027	3,125,000	142,089	3,267,089
Total	<u>\$ 15,215,000</u>	<u>\$ 4,462,048</u>	<u>\$ 19,677,048</u>

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as restricted assets, which are subject to minimum funding requirements. At December 31, 2015 these debt service reserves exceeded their funding requirements.

OPEB Obligation—The Agency provides certain benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The Agency’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The Agency’s long-term OPEB obligation is estimated to be \$624,781 at December 31, 2015.

Net Pension Liability—The Agency reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System. The net pension liability is estimated to be \$17,583.

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.

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

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

Debt service requirements to maturity as of December 31, 2015 are as follows:

Description	Maturity	Interest Rate (%)	Balance December 31, 2015
1998 Revenue Bonds (Zero Coupon) Series One	2029	3.90-5.40	\$ 3,817,818
2000 Service Agreement Revenue Bond Series 2000	2020	5.65	300,000
2001 Service Agreement Revenue (Refunding) Bond Series 2001	2041	3.00-5.36	1,153,410
2004 Water Service Agreement Revenue Bond Series 2004	2024	2.00-4.25	1,140,000
2004 Sewer Service Agreement Revenue Bond Series 2004	2024	2.00-4.25	1,215,000
2009 Water Service Agreement Revenue Bond Series 2009	2029	3.00-5.00	5,815,000
2009 Water Service Agreement Revenue Bond Series 2009	2030	5.62-5.96	1,347,524
New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2010 C	2029	0.85-3.36	4,780,000
New York State Environmental Facilities Corporation State Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2011C	2023	0.54-3.17	1,400,000
2011 Service Agreement Revenue Bond Series 2011	2041	3.50-4.25	1,805,000
New York State Environmental Facilities Corporation Revenue Refunding Bond Series 2014B	2026	0.15-2.75	314,054
New York State Environmental Facilities Corporation Revenue Refunding Bond Series 2014B	2037	0.15-4.20	1,904,533
Total bonds			24,992,339
Accreted interest recorded on zero coupon bonds			7,165,955
Total bonds payable			32,158,294
Portion due within one year			(2,083,587)
Net long-term bonds payable			\$ 30,074,707

Debt issued and outstanding under the above listed authorizations as of December 31, 2015 is presented below:

	Balance 1/1/2015 (as restated)	Additions	Payments	Balance 12/31/2015	Due Within One Year
Bonds payable*	\$ 33,610,643	\$ 657,651	\$ 2,110,000	\$ 32,158,294	\$ 2,083,587
Long-term bond anticipation notes**	575,635	-	394,832	180,803	-
Net pension liability***	200,578	-	50,628	149,950	-
OPEB liability	1,242,623	144,206	-	1,386,829	-
	<u>\$ 35,629,479</u>	<u>\$ 801,857</u>	<u>\$ 2,555,460</u>	<u>\$ 33,875,876</u>	<u>\$ 2,083,587</u>

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 14.

13. NET POSITION AND FUND BALANCE

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

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

*Bonds payable increased by \$657,651 in adjustments for accreted interest on 1998 series I debt, 2001 debt, and 2009 debt.

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

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

Capital assets, net of accumulated depreciation		\$ 175,624,129
Intangible asset, net of amortization		8,229,694
Less related debt:		
Serial bonds issued for capital improvements	(108,067,890)	
Premium on serial bonds	(7,754,000)	
DTASC bonds	(53,841,279)	
Discount on DTASC bonds	1,098,448	
Serial bonds issued on behalf of Dutchess Community College	4,580,434	
Unspent debt proceeds reported within the Capital Projects Fund	<u>26,642,925</u>	<u>(137,341,362)</u>
Net investment in capital assets		<u>\$ 46,512,461</u>

- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The total restricted component of net position, \$36,843,068, is restricted for debt service, \$17,446,975, capital projects, \$14,475,619, and other restrictions, which represents workers’ compensation, \$2,978,956, self-insurance, \$768,553, unallocated capital reserves, \$904,602, and miscellaneous special reserves, \$268,363.
- **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, 2015 is presented on the below.

- **Prepaid Items**— Represents amounts prepaid to the retirement system that are applicable to future accounting periods. The General Fund, County Road Fund and Road Machinery Fund reported amounts of \$4,645,391, \$222,542 and \$34,852, respectively, at December 31, 2015.
- **Inventories**—Represents the portion of fund balance, \$109,440, 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, 2015, the County had the following restricted fund balances:

	General Fund	Capital Projects Fund	DTASC Fund	Total
Restricted for:				
Workers' compensation	\$ 2,978,956	\$ -	\$ -	\$ 2,978,956
Self insurance	768,553	-	-	768,553
Capital projects	904,602	41,118,544	-	42,023,146
Debt service	7,231,718	-	3,497,814	10,729,532
Other	<u>268,363</u>	<u>-</u>	<u>-</u>	<u>268,363</u>
Total restricted fund balance	<u>\$ 12,152,192</u>	<u>\$ 41,118,544</u>	<u>\$ 3,497,814</u>	<u>\$ 56,768,550</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, 2015, 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, 2015, the County reported the following fund balances assignments:

	General Fund	DTASC	Nonmajor Governmental Funds	Total
Assigned for:				
Encumbrances	\$ 8,639,500	\$ -	\$ 40,588	\$ 8,680,088
Subsequent year's expenditures	9,500,000	-	1,245,000	10,745,000
Specific use	-	41,540	2,705,370	2,746,910
Total assigned fund balance	<u>\$ 18,139,500</u>	<u>\$ 41,540</u>	<u>\$ 3,990,958</u>	<u>\$ 22,171,998</u>

- **Assigned to Encumbrances**—Represents commitments related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Subsequent Year's Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2016 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.

14. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and its component units during the year ended December 31, 2015:

	Component Unit	Nature of Transaction
Dutchess Community College	\$ 10,837,898	Operating and capital support
Dutchess County Resource Recovery Agency	690,652	Net service fee
Dutchess County Water and Wastewater Authority	2,842,496	Net service fee
Aggregated Nonmajor Component Units	<u>525,787</u>	Charges for services
Total	<u>\$ 14,896,833</u>	

The County paid economic support to the above component units based on contractual obligations between the parties (see Note 18).

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 \$690,652 during 2015. At December 31, 2015 \$690,652 was due from Dutchess County and included in intergovernmental receivables.

During 2015, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$140,624.

ii) Dutchess County Water and Wastewater Authority:

The Authority has entered into service agreements with Dutchess County for the Water District and Part County Sewer Districts to provide water and/or sewer services and receive a service fee from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover certain operating expenses and debt service requirements. The Authority also receives payments from Dutchess County for the completion of certain consulting projects. Although these payments are subject to budgetary resolutions by the Dutchess County Legislature for approval, no approvals have been withheld by the Legislature. For the year ended 2015, the Authority recorded net revenues of \$2,842,496, having recorded a return of \$75,720 to the County during the year. Nothing was due to the County at year-end. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

15. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification. The composition of interfund balances as of December 31, 2015 is shown on the following page.

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 4,919,613	\$ -
Capital Projects Fund	-	4,323,580
Nonmajor governmental funds	-	25,962
Proprietary funds:		
Airport Fund	15	73,886
Transportation Fund	281	496,481
Total	<u>\$ 4,919,909</u>	<u>\$ 4,919,909</u>

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

The County made the following transfers during the year ended December 31, 2015:

Transfers out:	Governmental funds		Proprietary funds		Total
	Transfers in:				
	General Fund	Nonmajor Funds	Airport Fund	Transportation Fund	
Governmental funds:					
General Fund	\$ -	\$ 799,226	\$ 576,216	\$ 2,200,612	\$ 3,576,054
Capital Projects Fund	1,067,639	-	-	-	1,067,639
Proprietary fund:					
Transportation Fund	50,000	-	-	-	50,000
Total	<u>\$ 1,117,639</u>	<u>\$ 799,226</u>	<u>\$ 576,216</u>	<u>\$ 2,200,612</u>	<u>\$ 4,693,693</u>

16. 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, 2015 is presented below:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
ASSETS				
Cash and cash equivalents	\$ 6,977,065	\$ 96,292,908	\$ 94,988,341	\$ 8,281,632
Intergovernmental receivables	955,975	-	955,975	-
Total assets	<u>7,933,040</u>	<u>96,292,908</u>	<u>95,944,316</u>	<u>8,281,632</u>
LIABILITIES				
Agency liabilities	7,905,230	90,811,063	90,434,661	8,281,632
Due to other funds	27,810	520	28,330	-
Total liabilities	<u>\$ 7,933,040</u>	<u>\$ 90,811,583</u>	<u>\$ 90,462,991</u>	<u>\$ 8,281,632</u>

17. LABOR RELATIONS

The County’s employees operate under three collective bargaining units, the CSEA Local 1000 AFSCME/AFL-CIO (“CSEA”), the Dutchess County Sheriff’s Employees Association (“DCSEA”), and the Dutchess County Sheriff and Deputy Sheriff’s P.B.A., Inc, (“PBA”). The PBA contract is negotiated through December 31, 2015 and the CSEA and DCSEA are negotiated through December 31, 2016.

18. 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, 2015, the County recorded the following significant encumbrances:

Description	Amount
General Fund—Municipal contracts and shared services	\$ 1,000,000
General Fund—Workers' compensation benefits and awards	2,090,218

The County had the following outstanding construction projects in progress as of December 31, 2015, as evidenced by contractual commitments.

Project	Encumbrances Outstanding
Transportation	\$ 152,401
County roads and bridges	10,500,384
Parks and recreation	902,585
Building and building improvements	1,091,501
Jail project - design phase	1,055,192
Total	<u>\$ 13,702,063</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, 2015, the County has provided \$8,229,694 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 2015.

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, 2015, the County’s portion of these costs was \$3,533,148.

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.

19. CONTINGENCIES

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

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

A. Discretely presented component units

i) Dutchess Community College

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

State and Federal Grant Programs and State Aid—The College participates in various State and Federal grant programs. These programs are subject to program compliance audits by the grantors or their representative. The audits of these programs are an ongoing process and many have not yet been conducted or completed. Accordingly, the College's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the College anticipates such amounts, if any, will not be material. The College's Federal compliance audit under OMB Circular A-133 and Uniform Guidance, as applicable, is performed in conjunction with the audit of the Sponsor and is included in the Sponsor's report.

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

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

ii) Dutchess County Resource Recovery Agency

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

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

The Agency's current operating permit allows for up to 164,000 tons to be processed at the plant. However the Agency is required to supply the 140,000 tons, or pay the corporation \$68 a ton for each ton of solid waste below that amount which is not delivered to the plant, adjusted based upon changes in labor and material price indexes. During 2015, the Agency caused to have delivered 154,966 tons, and 73,796 tons in the first half of 2014 (old operator), and 77,027 tons in the second half of 2014 (new operator), totaling 150,823 acceptable tons, meeting its guarantees.

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

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

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

Landfill Agreement—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, 2016.

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 yet been made for payment of 2015 fees due to the Agency by the Legislature. For the years ended 2015, the Agency recorded net service revenue of \$690,652.

Operating Permits—The Agency is required to maintain operating permits for its small power production and solid waste management facility. The Part 360 Operating permit expired in July 2011 and the Title V Air Control permit expired in September 2011. Applications to renew each permit were submitted to the New York State Department of Environmental Conservation (“NYDEC”) prior to their expiration. The Title V Air Control permit has been renewed and runs through September 2016. The Part 360 Operating permit is pending NYSDEC approval of a Local Solid Waste Management Plan, which has been submitted by Dutchess County.

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. The Agency and the current Operator have agreed upon and accepted the 2015 annual reconciliation.

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 \$37,117,699 and workers’ compensation of \$100,000.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2016, 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.

A. Discretely presented component units

i) Dutchess County Water and Wastewater Authority

The Authority has signed transfer agreements and a memorandum of understanding regarding the acquisition of various new water and wastewater systems in 2016.

The Authority has received an award letter for \$404,619 in funding from the NYS Local Government Efficiency Program for the consolidation of certain water systems. This project is expected to begin in 2016.

The Authority entered into a contract with Dutchess County in October 2015 to act as Program Administrator for a construction project to construct a new pipeline expected to begin in 2016. The Authority will receive \$125,000 for providing the program management services.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF DUTCHESS, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plans
Year Ended December 31, 2015

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, 2015	\$ -	\$ 263,537,265	\$ 263,537,265	\$ -	\$ 114,070,716	231.0%
As of January 1, 2013	-	310,314,836	310,314,836	-	106,629,230	291.0%
As of January 1, 2011	-	317,867,649	317,867,649	-	111,789,696	284.3%

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, 2014	\$ -	\$ 64,708,432	\$ 64,708,432	\$ -	\$ 25,421,014	254.5%
As of September 1, 2013	-	73,831,086	73,831,086	-	24,661,449	299.4%
As of September 1, 2012	-	68,890,220	68,890,220	-	25,993,680	265.0%

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	\$ -	\$ 282,986	363.0%
As of December 31, 2011	-	1,027,127	1,027,127	-	344,260	298.4%
As of August 1, 2009	-	701,700	701,700	-	360,022	194.9%

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	\$ -	\$ 1,513,848	108.7%
As of December 31, 2011	-	1,195,514	1,195,514	-	1,322,276	90.4%
As of August 1, 2009	-	1,703,200	1,703,200	-	n/a	n/a

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

	Year Ended December 31,	
	2015	2014
Measurement date	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%
Governmental Activities:		
County's proportion of the net pension liability	0.4315423%	0.4315423%
County's proportionate share of the net pension liability	<u>\$ 14,578,554</u>	<u>\$ 19,500,790</u>
County's covered-employee payroll	\$ 111,314,366	\$ 106,341,809
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.1%	18.3%
Business-type Activities:		
County's proportion of the net pension liability	0.0024813%	0.0024813%
County's proportionate share of the net pension liability	<u>\$ 83,823</u>	<u>\$ 112,125</u>
County's covered-employee payroll	\$ 640,032	\$ 640,050
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.1%	17.5%
Discretely presented component units:		
Dutchess Community College (the "College"):		
	Year Ended August 31,	
	2015	2014
College's proportion of the net pension liability	0.0404747%	n/a
College's proportionate share of the net pension liability	<u>\$ 1,367,334</u>	n/a
College's covered-employee payroll	\$ 9,576,118	n/a
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.3%	n/a

(continued)

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

(concluded)

	Year Ended December 31,	
	2015	2014
Dutchess County Resource Recovery Agency (the "Agency"):		
Agency's proportion of the net pension liability	0.0005205%	n/a
Agency's proportionate share of the net pension liability	<u>\$ 17,583</u>	n/a
Agency's covered-employee payroll	<u>\$ 269,736</u>	n/a
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	6.5%	n/a
Dutchess County Water and Wastewater Authority (the "Authority"):		
Authority's proportion of the net pension liability	0.0044387%	n/a
Authority's proportionate share of the net pension liability	<u>\$ 149,950</u>	n/a
Authority's covered-employee payroll	<u>\$ 1,513,848</u>	n/a
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	9.9%	n/a

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

	Year Ended December 31,	
	2015	2014
Governmental Activities:		
Contractually required contributions	\$ 20,233,084	\$ 19,363,553
Contributions in relation to the contractually required contribution	<u>(20,233,084)</u>	<u>(19,363,553)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 111,314,366	\$ 106,341,809
Contributions as a percentage of covered-employee payroll	18.2%	18.2%
Business-type Activities:		
Contractually required contributions	\$ 126,635	\$ 131,931
Contributions in relation to the contractually required contribution	<u>(126,635)</u>	<u>(131,931)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 640,032	\$ 640,050
Contributions as a percentage of covered-employee payroll	19.8%	20.6%
Discretely presented component unit:		
Dutchess Community College (the "College"):		
	Year Ended August 31,	
	2015	2014
Contractually required contributions	\$ 1,897,221	n/a
Contributions in relation to the contractually required contribution	<u>(1,897,221)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	n/a
College's covered-employee payroll	\$ 9,576,118	n/a
Contributions as a percentage of covered-employee payroll	19.8%	n/a

(continued)

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

(concluded)

	Year Ended December 31,	
	2015	2014
Dutchess County Resource Recovery Agency (the "Agency"):		
Contractually required contributions	\$ 56,026	n/a
Contributions in relation to the contractually required contribution	(56,026)	n/a
Contribution deficiency (excess)	\$ -	n/a
Agency's covered-employee payroll	\$ 269,736	n/a
Contributions as a percentage of covered-employee payroll	20.8%	n/a
Dutchess County Water and Wastewater Authority (the "Authority"):		
Contractually required contributions	\$ 256,914	n/a
Contributions in relation to the contractually required contribution	(256,914)	n/a
Contribution deficiency (excess)	\$ -	n/a
Authority's covered-employee payroll	\$ 1,513,848	n/a
Contributions as a percentage of covered-employee payroll	17.0%	n/a

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

Discretely Presented Component Unit:

Dutchess Community College (the "College"):

	<u>Year Ended August 31,</u>	
	<u>2015</u>	<u>2014</u>
Measurement date	June 30, 2014	n/a
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.5%	n/a
College's proportion of the net pension liability (asset)	0.032025%	n/a
College's proportionate share of the net pension liability (asset)	<u>\$ (3,326,364)</u>	n/a
College's covered-employee payroll	\$ 5,442,419	n/a
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(61.1%)	n/a

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

Discretely Presented Component Unit:

Dutchess Community College (the "College"):

	Year Ended August 31,	
	2015	2014
Contractually required contributions	\$ 954,056	n/a
Contributions in relation to the contractually required contribution	<u>(954,056)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	n/a
College's covered-employee payroll	\$ 5,442,416	n/a
Contributions as a percentage of covered-employee payroll	17.5%	n/a

COUNTY OF DUTCHESS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2015

	<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	\$ 106,051,577	\$ 106,051,577	\$ 107,242,325	\$ 1,190,748
Sales and use taxes (includes other taxes)	177,877,000	177,877,000	180,677,216	2,800,216
Departmental income	23,249,659	23,848,179	25,473,941	1,625,762
Use of money and property	1,019,258	1,019,258	4,509,749	3,490,491
Miscellaneous	2,554,987	3,659,947	6,556,072	2,896,125
Grants and aid	<u>102,908,006</u>	<u>105,098,968</u>	<u>113,441,366</u>	<u>8,342,398</u>
Total revenues	<u>413,660,487</u>	<u>417,554,929</u>	<u>437,900,669</u>	<u>20,345,740</u>
EXPENDITURES				
Current:				
General government support	67,840,098	78,065,401	71,734,291	6,331,110
Education	13,463,884	13,458,910	13,322,914	135,996
Public safety	59,365,938	62,836,417	58,498,589	4,337,828
Health	56,191,248	57,566,056	53,366,230	4,199,826
Transportation	2,787,381	2,787,381	2,775,767	11,614
Economic assistance and opportunity	145,549,550	145,635,942	136,855,100	8,780,842
Culture and recreation	1,918,219	2,035,795	1,971,815	63,980
Home and community services	7,931,067	7,953,952	8,735,855	(781,903)
Employee benefits	56,510,903	57,086,473	54,884,212	2,202,261
Debt service:				
Principal	15,166,662	15,384,172	15,363,921	20,251
Interest	<u>3,462,367</u>	<u>3,593,879</u>	<u>3,565,752</u>	<u>28,127</u>
Total expenditures	<u>430,187,317</u>	<u>446,404,378</u>	<u>421,074,446</u>	<u>25,329,932</u>
Excess (deficiency) of revenues over expenditures	<u>(16,526,830)</u>	<u>(28,849,449)</u>	<u>16,826,223</u>	<u>45,675,672</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	-	1,117,639	1,117,639
Transfers out	(2,624,262)	(4,476,054)	(3,576,054)	900,000
Proceeds of serial bonds	-	7,575,000	7,575,000	-
Proceeds of advanced refunding bonds	-	13,856,683	13,856,683	-
Payment to escrow agent	<u>-</u>	<u>(15,108,658)</u>	<u>(15,108,658)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,574,262)</u>	<u>1,846,971</u>	<u>3,864,610</u>	<u>2,017,639</u>
Net change in fund balance*	(19,101,092)	(27,002,478)	20,690,833	47,693,311
Fund balances—beginning	<u>71,202,973</u>	<u>71,202,973</u>	<u>71,202,973</u>	<u>-</u>
Fund balances—ending	<u>\$ 52,101,881</u>	<u>\$ 44,200,495</u>	<u>\$ 91,893,806</u>	<u>\$ 47,693,311</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, 2015

1. BUDGETARY INFORMATION

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

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

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

Excess of Expenditures Over Appropriations—The County's General Fund appropriations for the year ended December 31, 2015 exceeded the adjusted budget as follows:

- *Home and community services*—Exceeded the adjusted budget by \$781,903. 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, 2015

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures (3)
U.S. Department of Agriculture				
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>				
<i>SNAP Cluster:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	\$ -	\$ 2,356,938
Total U.S. Department of Agriculture			<u>-</u>	<u>2,356,938</u>
U.S. Department of Housing and Urban Development				
<i>Direct Program:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	1,495,447	1,495,447
Home Investment Partnerships Program	14.239	N/A	454,217	454,217
Continuum of Care Program	14.267	N/A	591,603	591,603
Total U.S. Department of Housing and Urban Development			<u>2,541,267</u>	<u>2,541,267</u>
U.S. Department of the Interior / National Park Service				
<i>Direct Program:</i>				
National Heritage Area Federal Financial Assistance	15.939	N/A	-	5,000
Total U.S. Department of the Interior / National Park Service			<u>-</u>	<u>5,000</u>
U.S. Department of Justice				
<i>Direct Program:</i>				
State Criminal Alien Assistance Program	16.606	N/A	-	131,761
Total U.S. Department of Justice			<u>-</u>	<u>131,761</u>
U.S. Department of Labor				
<i>Passed through NYS Department of Labor:</i>				
Trade Adjustment Assistance	17.245	80060	49,496	49,496
<i>Workforce Investment Act Cluster:</i>				
WIA/WIOA Adult Program	17.258	80060	561,049	561,049
WIA/WIOA Youth Activities	17.259	80060	579,062	579,062
WIA/WIOA Dislocated Workers Formula Grants	17.278	80060	585,512	585,512
<i>Total Workforce Investment Act Cluster</i>			<u>1,725,623</u>	<u>1,725,623</u>
Total U.S. Department of Labor			<u>1,775,119</u>	<u>1,775,119</u>
U.S. Department of Transportation				
<i>Direct Program:</i>				
Airport Improvement Program	20.106	N/A	-	1,343,265
<i>Federal Transit Cluster:</i>				
Federal Transit Capital Investment Grants	20.500	N/A	-	2,196,275
Federal Transit Formula Grants	20.507	N/A	-	1,874,081
Bus and Bus Facilities Formula Program	20.526	N/A	-	1,612,000
<i>Total Federal Transit Cluster</i>			<u>-</u>	<u>5,682,356</u>
New Freedom Program	20.521	N/A	85,059	85,059
<i>Passed through NYS Department of Transportation:</i>				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MPO C33462	-	119,940
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	8755.26	-	21,801
Highway Planning and Construction	20.205	8755.38	-	26,554
Highway Planning and Construction	20.205	8755.41	-	1,052,355
Highway Planning and Construction	20.205	8755.44	-	128,429

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures (3)
Highway Planning and Construction	20.205	8755.45	-	18,941
Highway Planning and Construction	20.205	8755.86	-	13,770
Highway Planning and Construction	20.205	8755.91	-	110,047
Highway Planning and Construction	20.205	8756.01	-	(444,641)
Highway Planning and Construction	20.205	8757.26	-	40,826
Highway Planning and Construction	20.205	8757.27	-	1,599,127
Highway Planning and Construction	20.205	8757.37	-	463,719
Highway Planning and Construction	20.205	8758.69	-	215,667
Highway Planning and Construction	20.205	8758.71	-	32,652
Highway Planning and Construction	20.205	8758.74	-	11,659
Highway Planning and Construction	20.205	MPO C33462	-	415,884
Highway Planning and Construction	20.205	8757.53	-	(514,210)
Highway Planning and Construction	20.205	8760.26	-	(21,556)
<i>Total Highway Planning and Construction Cluster</i>			-	3,171,024
<i>Passed through NYS Governor's Traffic Safety Committee and Stop DWI Foundation:</i>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	HS1-2015/00169(088)	-	61,190
National Priority Safety Programs	20.616	HS1-2016/00033-(088)	-	33,216
<i>Passed through NYS STOP-DWI Foundation:</i>				
State and Community Highway Safety	20.600	HS1-2015/ TBS-00020-(014)	-	53,403
Occupant Protection Incentive Grants	20.602	CPS-2015/ TSB-00025-(014)	-	13,608
Occupant Protection Incentive Grants	20.602	PTS-2015/ TSB-00025-(014)	-	77,843
<i>Total Highway Safety Cluster</i>			-	239,260
Total U.S. Department of Transportation			85,059	10,640,904
U.S. Department of Education				
<i>Passed through NYS Department of Health:</i>				
Special Education—Grants for Infants and Families	84.181	C02476	-	56,498
Total U.S. Department of Education			-	56,498
U.S. Department of Health and Human Services				
<i>Direct Program:</i>				
Medical Reserve Corps Small Grant Program	93.008	N/A	-	3,500
<i>Passed through Health Research Institute:</i>				
Public Health Emergency Preparedness	93.069	001600-10	-	216,330
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	4975-01	-	39,535
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	HSLC-DC	-	8,000
<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	-	14,286

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures (3)
<i>Aging Cluster:</i>				
Special Programs for the Aging, Title III, Part B— Grants for Supportive Services and Senior Centers	93.044	N/A	-	280,713
Special Programs for the Aging, Title III, Part C—Nutrition Services	93.045	N/A	-	383,075
Nutrition Services Incentive Program	93.053	N/A	-	114,199
<i>Total Aging Cluster</i>			-	<u>777,987</u>
Special Programs for the Aging, Title IV and Title II—Discretionary Projects	93.048	N/A	-	4,218
National Family Caregiver Support Title III, Part E	93.052	N/A	-	109,281
Medicare Enrollment Assistance Program	93.071	N/A	-	14,174
Medical Assistance Program	93.778	N/A	-	189,343
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	-	31,890
<i>Passed through NYS Department of Health:</i>				
Immunization Cooperative Agreements	93.268	C0028288	-	74,436
Medical Assistance Program	93.778	N/A	-	3,364,488
Maternal and Child Health Services Block Grant to the States	93.994	C020605	-	28,388
Maternal and Child Health Services Block Grant to the States	93.994	C029713	-	29,408
<i>Passed through National Association of County and City Health Officials:</i>				
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations- financed in part by Prevention and Public Health Funds (PPHF)	93.524	2015-070114	-	20,884
<i>Passed through NYS Board of Elections:</i>				
Voting Access for Individuals with Disabilities_ Grants to States	93.617	T002780/T002968	-	153,498
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>				
Temporary Assistance for Needy Families	93.558	N/A	367,264	13,318,982
Child Support Enforcement	93.563	N/A	-	2,277,678
Low-Income Home Energy Assistance	93.568	N/A	-	5,536,672
<i>Passed through NYS Office of Children and Family Services:</i>				
Guardianship Assistance	93.090	N/A	-	44,905
Promoting Safe and Stable Families	93.556	N/A	-	283,842
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	-	272,929
Foster Care, Title IV-E	93.658	N/A	-	5,776,115
Adoption Assistance	93.659	N/A	-	1,702,315
Social Services Block Grant	93.667	N/A	-	3,791,260
Chafee Foster Care Independence Program	93.674	N/A	-	43,386
<i>Passed through NYS Division of Alcoholism and Alcohol Abuse:</i>				
Medical Assistance Program	93.778	N/A	-	46,936
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	-	66,494
Total U.S. Department of Health and Human Services			<u>367,264</u>	<u>38,241,160</u>
U.S. Department of Homeland Security				
<i>Direct Program:</i>				
State Homeland Security Program	97.073	N/A	-	2,298
<i>Passed through NYS Emergency Management Office:</i>				
Emergency Management Performance Grants	97.042	N/A	-	78,268
<i>Passed through NYS Office of Homeland Security:</i>				
Homeland Security Grant Program	97.067	C97021/C97023	-	444,985
Total U.S. Department of Homeland Security			<u>-</u>	<u>525,551</u>
Total Expenditures of Federal Awards (4)			<u>\$ 4,768,709</u>	<u>\$ 56,274,198</u>

(concluded)

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, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of County of Dutchess, New York (the "County") under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (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 the Uniform Guidance, 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 Standard*, 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, 2015 (with the Dutchess Community College for the year ended August 31, 2015), 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 19, 2016. 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. The financial statements of the Dutchess County Soil and Water Conservation District have not been audited.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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*.

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.

 Duesch & Melch LLP

September 19, 2016

Certified Public Accountants

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

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) 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, 2015. The County's major federal programs are identified in the summary of auditor's 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 \$21,274,682 in federal awards which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2015. 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 the Uniform Guidance or 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2015.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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



September 19, 2016

COUNTY OF DUTCHESS, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section I. SUMMARY OF AUDITOR'S 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:

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

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None
--	------------------------------	--

Identification of major federal programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
<i>SNAP Cluster:</i>	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Airport Improvement Program	20.106
Child Support Enforcement	93.563
Foster Care, Title IV-E	93.658
Adoption Assistance	93.659

Dollar threshold used to distinguish between Type A and Type B programs? \$ 1,688,226

Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
--	---	-----------------------------

Section II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings noted.

COUNTY OF DUTCHESS, NEW YORK
Summary Schedule of Prior Audit Findings and Planned Corrective Action Plan
Year Ended December 31, 2015
(Follow up of December 31, 2014 Findings)

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.

Follow up: The County subsidizes a portion of its business-type activities annually. The difference between estimated operating expenses and the subsidy is utilized to establish fees and charges.