Dutchess County, New York

Annual Financial Report
(and Report of Independent Auditors)
December 31, 2008

Dutchess County, New York
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Report of Independent Auditors

The Honorable Members of the County Legislature and
The County Executive
Dutchess County, New York

In our opinion, based on our audit and the reports of other auditors, 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 Dutchess County, New York (the "County") which collectively comprise the County's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position 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, at December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion 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, the Dutchess County Water and Wastewater Authority, and the Dutchess County Industrial Development Agency which represents 99 percent of the total assets, net assets and net expense of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us. As described in Note 2, the financial statements of the Dutchess Community College have been adjusted for the presentation of long-term liabilities and net assets included in these financial statements; and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The management's discussion and analysis on pages 3 through 17 and budgetary comparison information on pages 90 and 91 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

September 28, 2009

The following discussion and analysis of the financial statements of the County of Dutchess (the "County") provides an overview of the County's financial activities for the fiscal year ended December 31, 2008. It should be read in conjunction with the basic financial statements and notes to the financial statements contained herein.

Financial Highlights

- On December 15, 2008, the County issued $6.36 million Public Improvement (Serial) Bonds providing funding for the governmental and business type activities for a variety of capital projects, including improvements to various county facilities, equipment and vehicle purchases.

- At December 31, 2008, undesignated fund balance for the general fund was approximately $28.2 million. This represents a decrease of $8.9 million from 2007. This is primarily due to the general economic downturn in 2008 causing decreases in sales tax revenue, mortgage tax revenue, etc. There was also appropriated fund balance of $18.5 million used for the 2008 budget adopted in 2007. The summary of details of the major components of fund balance can be found on page 20.

- The principal sources of County revenue, other than state and federal aid, consist of property taxes and sales tax. Property tax collections for 2008, including adjustments (interest and penalty; real property tax auction) were $96.9 million which represents a 7.2% increase over 2007 and 22.8% of total revenues.

- GASB Statement 33 "Accounting and Reporting for Non-exchange Transactions", as amended by Statement 36 "Recipient Reporting for Certain Shared Non-exchange Revenues", now requires the County to recognize sales tax revenues on a gross basis and record expenditures for sales tax revenues that are shared. Gross Sales tax collected in 2008 is $152.8 million with 18.45% shared with the cities, towns and villages leaving the County portion to be $124.7 million. This is a decrease of $1.7 million from 2007, and represents 36% of County's total revenues.

- In 2008, the County expended $39.2 million on Medicaid which represents a 4.8% increase from 2007. Medicaid was significantly impacted by New York State's enacted legislation (Chapter 58 of the Laws of 2006) effective January 1, 2006. The law implemented a new controlled growth formula of an annual escalator percentage over the County's 2005 base year Medicaid costs. It also relieved counties of liabilities associated with prior year appropriations set aside to cover Medicaid bills that come in after the end of the year. This legislation resulted in a total savings to the County of $13.2 million. As part of the 2006 budget process, the County Executive proposed, and the County Legislature endorsed, a *Medicaid Stabilization Plan* which set aside this amount to be applied to the growth projected over the next three to four years.

- GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions,*" was implemented for the year ended December 31, 2007. It was calculated that as of December 31, 2008, the County wide obligation is $270,041,800 which is to be paid out in health benefits for its active and retired employees. The amounts recognized for the year ending December 31, 2008 are $22,591,200 for the County and $113,200 for the Airport. The remaining amounts unfunded for the year ended December 31, 2008 are $37,728,000 for the County and $235,800 for the Airport.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three components:

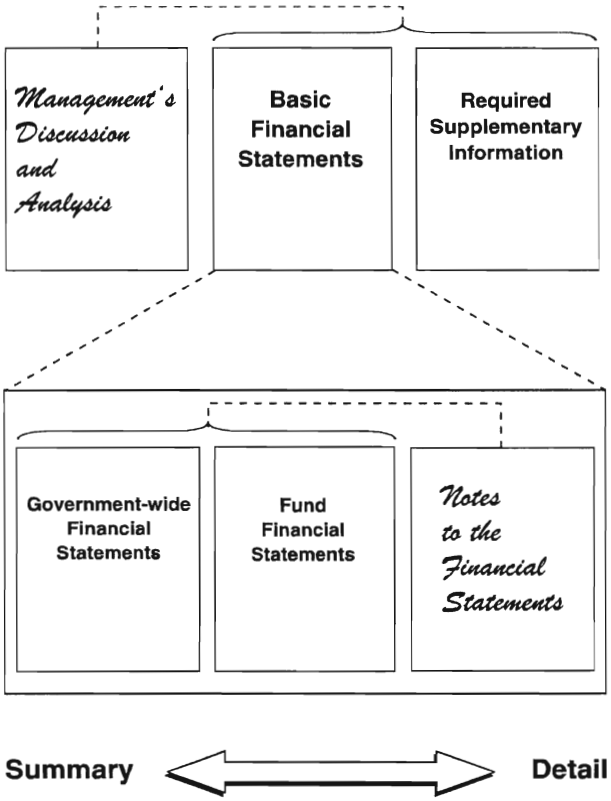


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Dutchess County's Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	*Entire County government (except fiduciary funds) and the County's component units.*	*The activities of the County that are not proprietary or fiduciary, such as public safety, education and health.*	*Activities the County operates similar to private businesses, such as bus transportation and the airport.*	*Instances in which the County is the trustee or agent for someone else's resources.*
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances • Reconciliation of the Statement of Revenues, Expenditures and changes in fund balances to the Statement of Activities.	• Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	*Accrual accounting and economic resources focus*	*Modified accrual accounting and current financial resources focus*	*Accrual accounting and economic resources focus*	*Accrual accounting and economic resources focus*
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

Government-wide financial statements – designed to provide a broad overview of County finances, in a manner similar to a private-sector business. These statements include the Statement of Net Assets and the Statement of Activities. The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

Fund financial statements – groupings of related accounts that are 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 finance-related legal compliance. These funds can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 funds 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 county's near-term financing requirements.

The governmental fund financial statements can be found on pages 20 through 21 of this report.

Proprietary funds for the County are 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 the Airport and the Loop Bus Transportation System.

The proprietary fund financial statements can be found on pages 23 through 25 of this report.

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

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

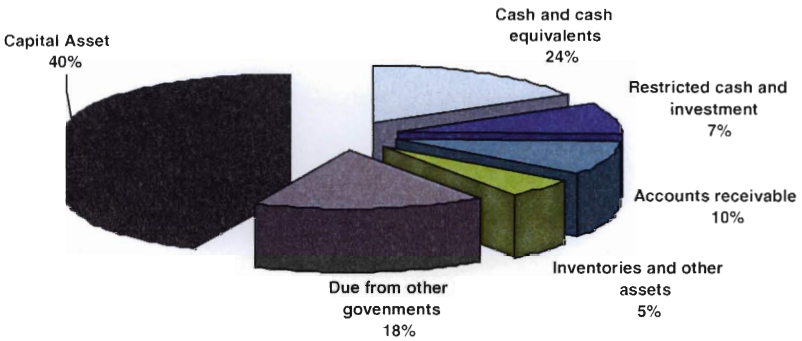
Financial Analysis of the County's Funds

The table below presents condensed financial information derived from the government-wide financial statements for the County as of December 31, 2008 and 2007.

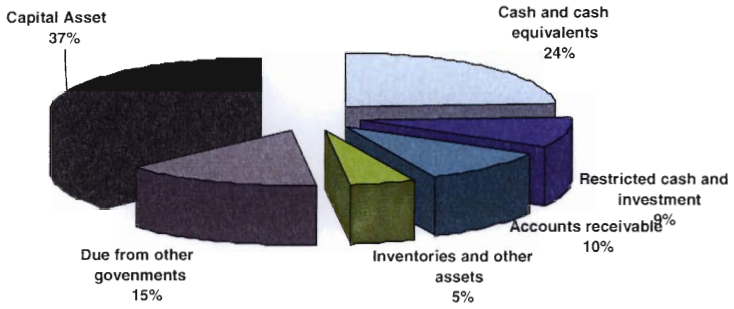
	2008			2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Asset						
Current and other assets	$ 225,005,811	$ 7,872,331	232,878,142	$ 234,134,052	$ 4,857,024	238,991,076
Capital assets	148,514,397	21,347,599	169,861,996	136,700,264	19,583,034	156,283,298
Total assets	373,520,208	29,219,930	402,740,138	370,834,316	24,440,058	395,274,374
Liabilities						
Other liabilities	96,488,741	4,044,722	100,533,463	92,878,611	1,825,410	94,704,021
Long-term liabilities	251,809,998	3,907,994	255,717,992	226,152,241	4,137,039	230,289,280
Total liabilities	348,298,739	7,952,716	356,251,455	319,030,852	5,962,449	324,993,301
Net Assets						
Invested in capital assets, net of related debt	5,370,549	17,666,765	23,037,314	10,773,061	15,610,005	26,383,066
Restricted	19,450,289	2,223,610	21,673,899	24,807,407	228,930	25,036,337
Unrestricted	400,634	1,376,839	1,777,473	16,222,996	2,638,674	18,861,670
Total net assets	$ 25,221,472	$ 21,267,214	$ 46,488,686	$ 51,803,464	$ 18,477,609	$ 70,281,073

The amount by which the County's assets exceed its liabilities is called net assets. At December 31, 2008, the County's net assets were $46.5 million. Of that amount, approximately $23 million was invested in capital assets, net of related debt. Another $21.7 million was subject to external restriction upon its use and the remaining $1.8 million was unrestricted and available for future use as directed by the County legislature.

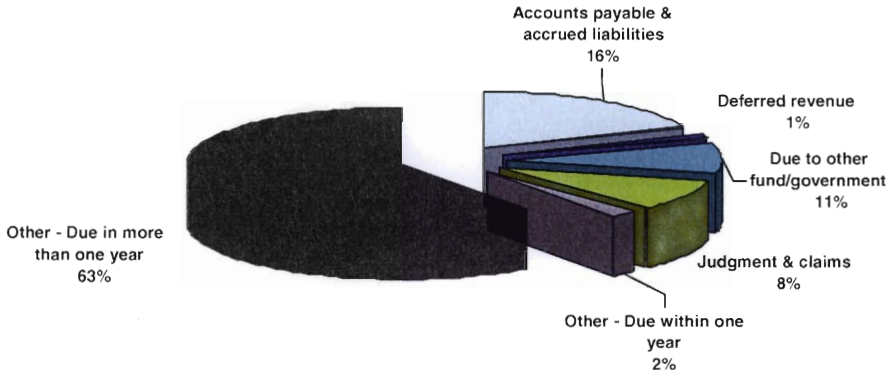
Assets - General Government - 2008 (Government Activities)



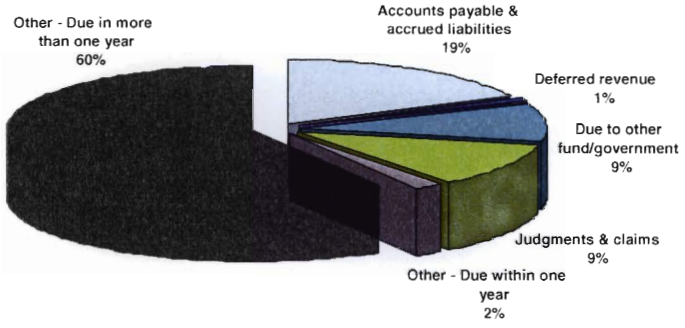
Assets - General Government - 2007 (Government Activities)



Liabilities - General Government - 2008 (Governmental Activities)



Liabilities - General Government - 2007 (Governmental Activities)

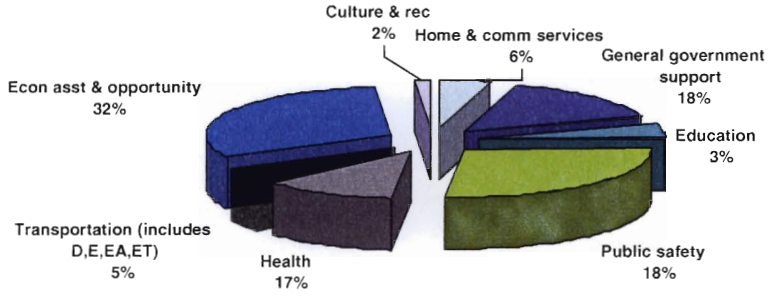


Activities for the Years Ended December 31, 2008 and 2007

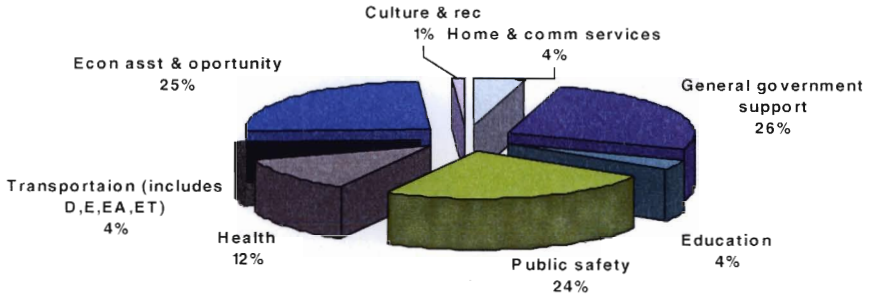
The table below presents condensed financial information derived from the government-wide financial statements for the County for the years ended December 31, 2008 and 2007.

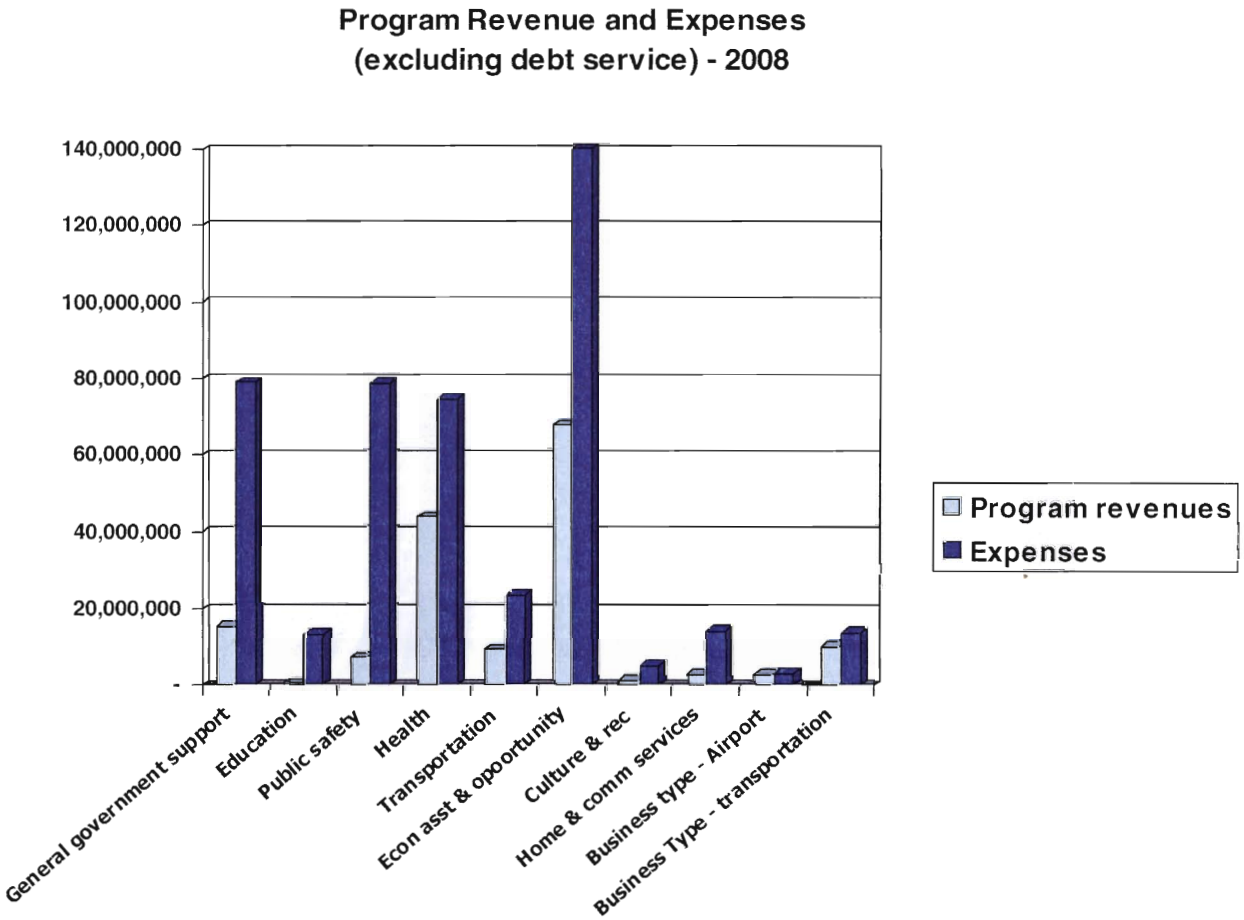
	2008			2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenues						
Charge for services	$ 36,538,342	$ 9,157,209	45,695,551	$ 37,463,096	$ 7,373,804	44,836,900
Operating grants and contribution	108,044,846	3,366,976	111,411,822	104,537,661	3,010,375	107,548,036
Capital grants and contributions	6,069,126	3,153,991	9,223,117	7,869,825	387,574	8,257,399
General Revenues			-			-
Property tax	95,238,591	-	95,238,591	92,254,166		92,254,166
Sales and other taxes	161,411,091	-	161,411,091	163,523,933		163,523,933
Interest income and other	6,203,335	33,824	6,237,159	5,003,883	70,893	5,074,776
Total Revenues	$ 413,505,331	$ 15,712,000	$ 429,217,331	$ 410,652,564	$ 10,842,646	$ 421,495,210
Program expenses						
General government	$ 78,878,101		$ 78,878,101	$ 79,583,672	$ -	$ 79,583,672
Education	13,462,866		13,462,866	12,432,407		12,432,407
Public Safety	78,552,531		78,552,531	72,036,697		72,036,697
Health	74,379,022		74,379,022	69,721,591		69,721,591
Transportation	23,415,458		23,415,458	22,507,263		22,507,263
Economic assistance and opportunity	140,327,558		140,327,558	133,554,704		133,554,704
Culture and recreation	5,033,233		5,033,233	4,709,325		4,709,325
Home and community service	14,157,270		14,157,270	17,512,379		17,512,379
Debt service	8,211,354		8,211,354	7,127,797		7,127,797
Airport	-	3,193,322	3,193,322		3,205,611	3,205,611
Transportation	-	13,399,002	13,399,002		10,704,517	10,704,517
Total program expenses	436,417,393	16,592,324	453,009,717	419,185,835	13,910,128	433,095,963
Increase (decrease) in net assets before transfers	(22,912,062)	(880,324)	(23,792,386)	(8,533,271)	(3,067,482)	(11,600,753)
Transfers	(3,669,929)	3,669,929	-	(2,913,893)	2,913,893	-
Increase (decrease) in net assets	(26,581,991)	2,789,605	(23,792,386)	(11,447,164)	(153,589)	(11,600,753)
Net assets, beginning of year	51,803,463	18,477,609	70,281,072	63,250,627	18,631,198	81,881,825
Net assets, end of year	$ 25,221,472	$ 21,267,214	$ 46,488,686	$ 51,803,463	$ 18,477,609	$ 70,281,072

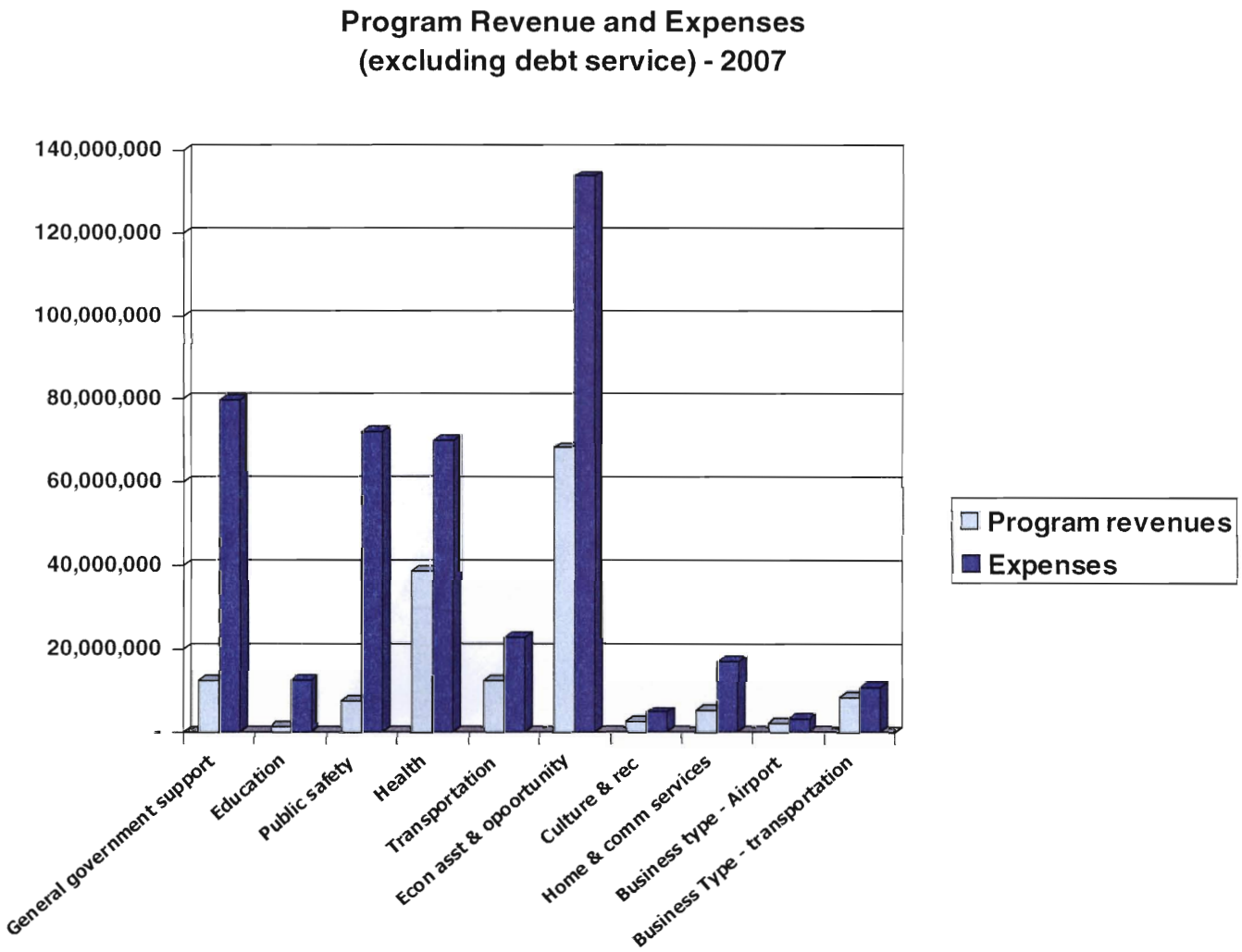
Net (Expense) Revenue per Function from the Government-Wide Financial Statements (excluding debt service) - 2008



Net (Expense) Revenue per Function from the Government-Wide Financial Statements (excluding debt service) - 2007




Program Revenue and Expenses
(excluding debt service) - 2008
140,000,000
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
-
General government support
Education
Public safety
Health
Transportation
Econ asst & opportunity
Culture & rec
Home & comm services
Business type - Airport
Business Type - transportation
Program revenues
Expenses


Program Revenue and Expenses
(excluding debt service) - 2007
140,000,000
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
-
General government support
Education
Public safety
Health
Transportation
Econ asst & opportunity
Culture & rec
Home & comm services
Business type - Airport
Business Type - transportation
Program revenues
Expenses

A summary of the County's overall financial position for individual funds (on the modified accrual basis of accounting) is presented below as of December 31.

	Financial Position			
	2008	2007	$ Change	% Change
General Fund				
Total assets	$ 163,338,472	$ 157,454,628	$ 5,883,844	3.74%
Total liabilities	99,340,781	91,871,812	7,468,969	8.13%
Fund balance	63,997,691	65,582,816	(1,585,125)	-2.42%
Capital Projects				
Total assets	$ 36,398,020	$ 50,165,132	$ (13,767,112)	-27.44%
Total liabilities	8,616,592	9,198,871	(582,279)	-6.33%
Fund balance	27,781,428	40,966,261	(13,184,833)	-32.18%
Other Governmental Funds				
Total assets	$ 6,471,572	$ 7,073,359	$ (601,787)	-8.51%
Total liabilities	2,171,326	2,378,877	(207,551)	-8.72%
Fund balance	4,300,246	4,694,482	(394,236)	-8.40%
Dutchess TASC				
Total assets	$ 7,542,161	$ 7,493,840	$ 48,321	0.64%
Fund balance	7,542,161	7,493,840	48,321	0.64%

Total General Fund balance including the designated fund balance decreased from 2007 to 2008 by $1.6 million. The decrease was kept to a minimum by controlled spending and fiscal stewardship despite the down turn in the economy and the use of $18.5 million appropriated fund balance for the 2008 budget passed in 2007.

The decrease in the ending fund balance for the Capital Projects fund can be attributed to proceeds from December 15, 2008 borrowing of only $6.4 million. These funds are intended to provide funding for capital projects during 2009 and beyond.

A summary of the County's overall financial position for individual funds (on the modified accrual basis of accounting) is presented below for the years ended December 31.

	Results of Operations			
	2008	2007	$ Change	% Change
General Fund				
Revenues	$ 394,982,049	$ 389,391,745	$ 5,590,304	1.44%
Expenditures	383,046,216	366,674,360	16,371,856	4.46%
Excess (deficiency) of revenues over expenditures	11,935,833	22,717,385	(10,781,552)	-47.46%
Other financing sources (uses)	(13,520,958)	(12,045,154)	(1,475,804)	12.25%
Fund balance-beginning of year	65,582,816	54,910,585	10,672,231	19.44%
Fund balance-end of year	63,997,691	65,582,816	(1,585,125)	-2.42%
Capital Projects				
Revenues	$ 6,069,126	$ 8,859,910	$ (2,790,784)	-31.50%
Expenditures	25,612,722	22,199,380	3,413,342	15.38%
Excess (deficiency) of revenues over expenditures	(19,543,596)	(13,339,470)	(6,204,126)	46.51%
Other financing sources (uses)	6,358,763	26,983,277	(20,624,514)	-76.43%
Fund balance-beginning of year	40,966,261	27,322,454	13,643,807	49.94%
Fund balance-end of year	27,781,428	40,966,261	(13,184,833)	-32.18%
Other Governmental Funds				
Revenues	$ 18,664,278	$ 20,525,396	$ (1,861,118)	-9.07%
Expenditures	19,290,514	20,130,140	(839,626)	-4.17%
Excess (deficiency) of revenues over expenditures	(626,236)	395,256	(1,021,492)	-258.44%
Other financing sources (uses)	232,000	-	232,000	0.00%
Fund balance-beginning of year	4,694,482	4,299,226	395,256	9.19%
Fund balance-end of year	4,300,246	4,694,482	(394,236)	-8.40%
Dutchess TASC				
Revenues	$ 4,298,283	$ 4,087,800	$ 210,483	5.15%
Expenditures	4,249,962	4,020,270	229,692	5.71%
Excess (deficiency) of revenues over expenditures	48,321	67,530	(19,209)	-28.45%
Fund balance-beginning of year	7,493,840	7,426,310	67,530	0.91%
Fund balance-end of year	7,542,161	7,493,840	48,321	0.64%

General Fund Budgetary Highlights
Significant differences between the original budget and the modified budget for certain appropriations are summarized as follows (modified accrual basis of accounting):

Governmental Budgetary Highlights

Appropriation	Original	Decrease	Modified	Actual
General government support	$ 66,656,330	$ (216,731)	$ 66,439,599	$ 66,236,419
Total	$ 66,656,330	$ (216,731)	$ 66,439,599	$ 66,236,419

GASB Statement 33 "Accounting and Reporting for Non-exchange Transactions", as amended by Statement 36 "Recipient Reporting for Certain Shared Non-exchange Revenues", now requires the County to recognize sales tax revenues on a gross basis and record expenditures for sales tax revenues that are shared. Gross Sales tax collected in 2008 is $152.9 million with $28.2 million in Sales Tax revenue shared between the cities, towns and villages leaving the County portion to be $124.7 million.

Capital Asset and Debt Administration
Capital Assets – the County's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounted to $169.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. A breakdown of certain current year investments is as follows:

$7.4 million Various improvements to roads and bridges
$1.4 million Improvements at Dutchess Community College
$7.1 million Various building improvements and purchase of vehicles and equipment
$7.4 million Public Safety improvements
$2.3 million Various health, community service, culture and recreation improvements

The above have been offset by $25.6 million in depreciation expense in the current year.

The County expended $1.4 million on various improvements at Dutchess Community College. Financing for these projects was provided through serial bonds and state and federal funds.

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 2008, the County's outstanding debt totaled $107.8 million (without the Tobacco Asset Securitization Corporation) and represents approximately 4.39% of the County's debt limit.

Economic Factors and Next Year's Budgets and Rates
Appropriations - Dutchess, like other counties in New York State is challenged on a fiscal level by State imposed mandates. Medicaid is a federally mandated program that provides health benefits to low income individuals and their families. Medicaid was significantly impacted by New York State's enacted legislation (Chapter 58 of the Laws of 2005) effective January 1, 2006. The law implemented a new controlled growth formula of an annual escalator percentage of 3.5% in 2006, 3.25% in 2007, and 3% per year in 2008 and beyond, over the County's 2005 base year Medicaid costs.

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

2007	$ 37,405,403
2008	39,223,419
2009 (Budgeted)	39,174,164

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

2007	$ 11,198,193
2008	9,675,327

Fund Balance – The County has appropriated $23.1million in fund balance to finance the 2009 budget. It is comprised of $21.7million for various funds to meet budgetary needs and used all of the Medicaid Stabilization Plan's remaining $1.4 million to meet Department of Social Service's New York State mandates. The undesignated fund balance is $28.2 million in the general fund as of December 31, 2008.

The total tax levy for the 2009 budget is $94.6 million resulting in a property tax rate of $2.54 per thousand of assessed value which is 11% higher than $2.29 in 2008.

Economically, Dutchess County contains a mix of industries, including service related sectors, state and local governments, manufacturing, agriculture and retail trades. IBM is the largest single employer with 11,000 employees. IBM opened a new facility to produce the next generation of semi-conductor chips at its Hudson Valley Research facility in East Fishkill. The cost of this facility was approximately $2.5 billion and may create as many as 1000 new jobs. A second facility for semi-conductor research and manufacturing is under construction at an estimated cost of approximately $2.0 billion. The project is a joint venture with other hi-tech companies that include Toshiba Crop and Samsung Corp., among others. A $33 million water pipeline from the City of Poughkeepsie to IBM East Fishkill became operational in 2007. The County participated in the financing of this project.

Agriculture plays a significant role in the economy of the County. There are dairy, produce and horse farms as well as vineyards and wine operations which in recent years have increased in importance. It is approximated that 1500 workers benefit from direct employment through these operations and an additional 2000 from farm related jobs. Annually, it is estimated that the agricultural sector contributes from $100 to $200 million to the County's economy.

Wealth levels for Dutchess County residents are above State and National averages. The U.S. Census Bureau estimated the per capita personal income of the County residents in 2006 was $39,803 which placed the County ninth among all counties in the State for the year. Unemployment for the County was 6.2% as of December 2008.

A summary of the County's budget for 2009 and 2008 is as follows:

	(millions) 2008 Adopted	(millions) 2009 Adopted
Appropriations		
Salaries and Wages	$ 116.3	$ 118.7
NYS Retirement System	9.9	8.9
Other Employee Benefits	35.0	37.1
Total Personal Services	161.2	164.7
Pre-School Special Education	22.1	22.8
Other Mandates including Medicaid	93.6	92.3
Total State Mandates	115.7	115.1
Other Services	117.0	116.8
	$ 393.9	$ 396.6
Revenues		
Property Tax (net of tax reserve)	$ 87.1	$ 93.6
Sales Tax	126.3	121.5
State Aid	68.1	66.9
Federal Aid	31.8	31.3
Other Revenues	62.1	60.2
Total Revenues	375.4	373.5
Appropriate Fund Balance		
Various Funds to meet Budget	10.3	21.7
Medicaid Stabilization	8.2	1.4
	$ 393.9	$ 396.6

Contacting the County's Financial Management

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 Pamela Barrack, Commissioner of Finance, 22 Market Street, Poughkeepsie, New York 12601.

Dutchess County, New York
Statement of Net Assets
December 31, 2008

	Primary Government			Aggregate Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	$ 76,015,297	$ 3,059,921	$ 79,075,218	$ 21,431,773
Restricted cash and investments	27,339,726	-	27,339,726	17,259,468
Investments	-	-	-	9,127,833
Receivables, net of allowance of $3,022,864	38,223,018	4,752,986	42,976,004	17,025,124
Inventories	102,685	47,548	150,233	535,323
Due from other funds	821,928	655	822,583	-
Due from other governments	66,474,853	-	66,474,853	135,562
Deferred financing costs	1,020,708	-	1,020,708	-
Net deferred loss on bond refunding	3,065,780	-	3,065,780	-
Other assets	11,941,816	11,221	11,953,037	3,371,333
Capital assets				
Land	4,754,388	3,385,364	8,139,752	2,500,864
Buildings and improvements	118,956,503	10,427,481	129,383,984	159,463,349
Infrastructure	135,336,210	21,186,730	156,522,940	47,071,574
Machinery and equipment	52,264,202	12,167,269	64,431,471	14,012,314
Construction in progress	23,286,872	735,111	24,021,983	530,745
Less: Accumulated depreciation	(186,083,778)	(26,554,356)	(212,638,134)	(75,119,451)
Total capital assets	148,514,397	21,347,599	169,861,996	148,459,395
Total assets	$ 373,520,208	$ 29,219,930	$ 402,740,138	$ 217,345,811
Liabilities				
Accounts payable and accrued liabilities	$ 56,875,900	$ 2,822,764	$ 59,698,664	$ 13,273,092
Deferred revenue	1,938,705	399,703	2,338,408	47,028,717
Due to other governments	37,674,136	-	37,674,136	259,415
Due to other funds	-	822,255	822,255	-
Long-term liabilities				
Due within one year	6,508,386	325,377	6,833,763	8,307,479
Due in more than one year	218,956,178	3,582,617	222,538,795	101,548,977
Judgments and claims	26,345,434	-	26,345,434	-
Total liabilities	348,298,739	7,952,716	356,251,455	170,417,680
Net Assets				
Invested in capital assets, net of related debt	5,370,549	17,666,765	23,037,314	28,368,481
Restricted for				
Road and road machinery	3,842,931	-	3,842,931	-
Capital projects	6,624,407	-	6,624,407	-
Debt Service	7,542,161	-	7,542,161	-
Other	1,440,790	2,223,610	3,664,400	19,288,500
Unrestricted	400,634	1,376,839	1,777,473	(728,850)
Total net assets	$ 25,221,472	$ 21,267,214	$ 46,488,686	$ 46,928,131

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Statement of Activities
Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities								
General government	$ 78,878,101	$ 10,157,541	$ 4,249,228	$ 906,780	$ (63,564,552)	$	$ (63,564,552)	$
Education	13,462,866	1,062	-	531,088	(12,930,716)		(12,930,716)	
Public safety	78,552,531	4,768,578	2,834,972	-	(70,948,981)		(70,948,981)	
Health	74,379,022	12,472,009	31,960,226	-	(29,946,787)		(29,946,787)	
Transportation	23,415,458	195,222	5,085,521	4,631,258	(13,503,457)		(13,503,457)	
Economic assistance and opportunity	140,327,558	7,586,944	60,622,860	-	(72,117,754)		(72,117,754)	
Culture and recreation	5,033,233	869,296	648,851	-	(3,515,086)		(3,515,086)	
Home and community services	14,157,270	487,690	2,643,188	-	(11,026,392)		(11,026,392)	
Debt service	8,211,354	-	-	-	(8,211,354)		(8,211,354)	
Total governmental activities	436,417,393	36,538,342	108,044,846	6,069,126	(285,765,079)		(285,765,079)	
Business-type activities								
Enterprise airport	3,193,322	1,790,814	-	1,263,522	-	(138,986)	(138,986)	
Enterprise transportation	13,399,002	7,366,395	3,366,976	1,890,469	-	(775,162)	(775,162)	
Total business-type activities	16,592,324	9,157,209	3,366,976	3,153,991	-	(914,148)	(914,148)	
Total primary government	$ 453,009,717	$ 45,695,551	$ 111,411,822	$ 9,223,117	(285,765,079)	(914,148)	(286,679,227)	
Component units								
Resource Recovery	$ 18,880,467	$ 15,276,084	$ 46,018	-				(3,558,365)
Industrial Development Agency	1,282,065	341,782	354,536	-				(585,747)
Water and Wastewater Authority	7,074,273	4,219,055	-	-				(2,855,218)
Soil and Water Conservation	683,728	70,341	323,154	-				(290,233)
Dutchess Community College	72,465,086	37,120,157	15,931,448	1,390,351				(18,023,130)
Total component units	$ 100,385,619	$ 57,027,419	$ 16,655,156	$ 1,390,351				(25,312,693)
General revenues								
Taxes								
Real property taxes, levied for general purposes					89,139,691		89,139,691	
Real property taxes, levied for debt service					6,098,900		6,098,900	
Sales and use taxes					152,879,803		152,879,803	
Other taxes					8,531,288		8,531,288	
TASC revenues					4,298,283		4,298,283	
Payments from primary government								15,935,930
Unrestricted interest income and other					1,905,052	33,824	1,938,876	1,912,024
Transfers					(3,669,929)	3,669,929	-	
Total general revenues and transfers					259,183,088	3,703,753	262,886,841	17,847,954
Change in net assets					(26,581,991)	2,789,605	(23,792,386)	(7,464,739)
Net assets, beginning					51,803,463	18,477,609	70,281,072	54,392,870
Net assets—ending					$ 25,221,472	$ 21,267,214	$ 46,488,686	$ 46,928,131

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Balance Sheet - Governmental Funds
December 31, 2008

	General (Major)	Capital Projects (Major)	Other Governmental Funds (Non-Major)	Dutchess Tobacco Asset Securitization Corporation (Major)	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 62,664,900	$ 7,589,246	$ 5,707,095	$ 54,056	$ 76,015,297
Restricted cash and cash equivalents	2,710,545	21,157,021	-	3,472,160	27,339,726
Delinquent property taxes, including interest, penalties and liens net of allowance of $3,022,864	38,223,018	-	-	-	38,223,018
Inventories	102,685	-	-	-	102,685
Due from other funds	3,227,207	-	-	-	3,227,207
Due from other governments	54,172,763	7,651,753	634,392	4,015,945	66,474,853
Other assets	2,237,354	-	130,085	-	2,367,439
Total assets	$ 163,338,472	$ 36,398,020	$ 6,471,572	$ 7,542,161	$ 213,750,225
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 49,056,830	$ 3,069,255	$ 2,074,764	-	$ 54,200,849
Accrued liabilities	332,634	1,152,206	49,249	-	1,534,089
Due to other governments	37,674,136	-	-	-	37,674,136
Due to other funds	-	2,371,444	33,835	-	2,405,279
Other liabilities	1,127,011	473	13,478	-	1,140,962
Deferred revenue	11,150,170	2,023,214	-	-	13,173,384
Total liabilities	99,340,781	8,616,592	2,171,326	-	110,128,699
Fund balances					
Reserved for					
Encumbrances	7,845,190	9,164,211	289,208	-	17,298,609
Inventories	120,000	-	-	-	120,000
Workers' compensation	1,097,269	-	-	-	1,097,269
Capital reserve	74,291	-	-	-	74,291
Debt Service	1,979,365	-	-	-	1,979,365
Other specified purposes	983,475	-	-	7,542,161	8,525,636
Unreserved					
Designated for					
Insurance reserve	2,636,254	-	-	-	2,636,254
Subsequent year's expenditure	21,054,647	-	2,011,384	-	23,066,031
Undesignated	28,207,200	18,617,217	1,999,654	-	48,824,071
Total fund balances	63,997,691	27,781,428	4,300,246	7,542,161	103,621,526
Total liabilities and fund balances	$ 163,338,472	$ 36,398,020	$ 6,471,572	$ 7,542,161	$ 213,750,225

Amounts reported for governmental activities in the statement of net assets are different because:	
Fund balance above	$ 103,621,526
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	148,514,397
Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds	9,574,377
Deferred property tax revenue represents taxes not expected to be collected currently (within 60 days) and therefore reported as deferred revenue in the fund net assets of government activities	11,234,679
Deferred financing costs used in governmental activities are recorded as an expense in the governmental funds, but, are capitalized for government wide purposes gross	1,020,708
Net deferred loss on bond refunding is recorded as an asset on the government wide financial statements and is not considered an asset for governmental purposes gross ($4,124,077)	3,065,780
Liabilities including bonds payable ($170,805,991), compensated absences ($9,521,873) judgments and claims ($26,345,434) accrued interest ($7,088,697) environmental cleanup costs ($320,000)and post employment benefits ($37,728,000) are not due and payable in the current period and therefore not reported in the governmental fund balance	(251,809,995)
Net assets of governmental activities	$ 25,221,472

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
Year Ended December 31, 2008

	General Fund (Major)	Capital Projects (Major)	Other Governmental Funds (Non-Major)	Dutchess Tobacco Asset Securitization Corporation (TASC) (Major)	Total Governmental Funds
Revenues					
Real property taxes	$ 84,109,657	$ -	$ 12,785,079	$ -	$ 96,894,736
Sales and use tax	152,879,803	-	-	-	152,879,803
Other taxes	8,531,288	-	-	-	8,531,288
Departmental	32,433,437	34,065	92,240	-	32,559,742
Interest and rentals	2,982,476	25,000	31,189	178,854	3,217,519
Grants and aid	105,526,702	6,010,061	5,610,855	-	117,147,618
Miscellaneous	8,518,686	-	144,915	4,119,429	12,783,030
Total revenues	394,982,049	6,069,126	18,664,278	4,298,283	424,013,736
Expenditures					
General Government	66,236,419	-	-	92,774	66,329,193
Education	2,577,375	-	-	-	2,577,375
Public safety	53,063,254	-	361,617	-	53,424,871
Health	62,563,620	-	-	-	62,563,620
Transportation	2,559,227	-	9,873,020	-	12,432,247
Economic assistance and opportunity	129,316,060	-	1,731,716	-	131,047,776
Culture and recreation	3,261,344	-	-	-	3,261,344
Home and community services	9,851,331	-	4,043,150	-	13,894,481
Employee benefits	40,956,957	-	3,281,011	-	44,237,968
Debt service					
Principal retirement	6,098,900	-	-	1,795,000	7,893,900
Interest	3,404,096	-	-	2,362,188	5,766,284
Self-insurance	3,157,633	-	-	-	3,157,633
Capital outlay	-	25,612,722	-	-	25,612,722
Total expenditures	383,046,216	25,612,722	19,290,514	4,249,962	432,199,414
Excess (deficiency) of revenues over expenditures	11,935,833	(19,543,596)	(626,236)	48,321	(8,185,678)
Other financing sources (uses)					
Proceeds of obligations	-	6,358,763	-	-	6,358,763
Transfers in	605,000	-	232,000	-	837,000
Transfers out	(14,125,958)	-	-	-	(14,125,958)
Total other financing sources (uses)	(13,520,958)	6,358,763	232,000	-	(6,930,195)
Net change in fund balances	(1,585,125)	(13,184,833)	(394,236)	48,321	(15,115,873)
Fund balances—beginning of year	65,582,816	40,966,261	4,694,482	7,493,840	118,737,399
Fund balances—end of year	$ 63,997,691	$ 27,781,428	$ 4,300,246	$ 7,542,161	$ 103,621,526

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2008

Net change in fund balances—total governmental funds		$ (15,115,873)
Amounts reported for *governmental activities* in the statement of revenues, expenditures and changes in fund balances of governmental funds are different because		
Revenues in the statement of activities that do provide current financial resources are reported as revenues in the funds.		(1,656,145)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	26,472,538	
Less: Current year depreciation	(14,649,461)	11,823,077
Governmental funds report the Wastewater Authority other asset capital outlay as expenditures. However, in the statement of activities the cost of this asset is amortized over its useful life.		
Expenditures for other asset	$ 8,944	
Amortization	(432,522)	(423,578)
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the statement of activities, these costs represent expenses of the current year.		(1,465,062)
Judgment and claims not payable from current year resources are not reported as expenditures of the current year. In the statement of activities, these costs represent expenses of the current year.		1,063,395
Post retirement annual required contribution is not recorded in governmental funds as an expense. In the statement of activities, these costs represent expenses of the current year.		(19,357,865)
Pollution remediation costs are not recorded in the governmental funds as an expense. In the statement of activities, these costs represent expenses of the current year.		(320,000)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Payment of financing costs requires the use of current financial resources for the governmental funds. However, in the statement of activities the costs of financing are capitalized and amortized over the life of the debt.		
Bond proceeds	(6,358,763)	
Bond premium	82,796	
Repayment of bonds	7,893,900	
Amortization of deferred loss on bond refunding	(93,900)	
Amortization of deferred financing costs	(17,811)	
Amoritization of bond discount	(52,595)	1,453,627
Interest expense reported in the statement of activities does not require the use of current financial resources and is therefore not reported as expenditures in the governmental funds.		(2,583,567)
Change in net assets of governmental funds		$ (26,581,991)

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Statement of Net Assets of Proprietary Funds
December 31, 2008

	Enterprise Funds		
	Airport	Transportation	Total
Assets			
Current assets			
Cash and cash equivalents	$ 1,740,661	$ 1,319,260	$ 3,059,921
Accounts receivable	215,966	4,537,020	4,752,986
Inventories	47,548	-	47,548
Due from other funds	336	319	655
Other assets	11,221	-	11,221
Total current assets	2,015,732	5,856,599	7,872,331
Noncurrent assets			
Net capital assets			
Land and buildings	6,527,728	7,285,117	13,812,845
Infrastructure	21,186,730	-	21,186,730
Machinery and equipment	2,449,392	9,717,877	12,167,269
Construction-in-progress	615,307	119,804	735,111
Less: Accumulated depreciation	(14,816,605)	(11,737,751)	(26,554,356)
Total noncurrent assets	15,962,552	5,385,047	21,347,599
Total assets	$ 17,978,284	$ 11,241,646	$ 29,219,930
Liabilities			
Current liabilities			
Accounts payable	$ 216,039	$ 2,512,673	$ 2,728,712
Accrued liabilities	77,806	16,246	94,052
Deferred revenue	-	399,703	399,703
Current portion of long-term debt	262,877	62,500	325,377
Due to other funds	483,036	339,219	822,255
Total current liabilities	1,039,758	3,330,341	4,370,099
Noncurrent liabilities			
Compensated absences	41,065	-	41,065
Long-term debt	2,916,552	390,000	3,306,552
Other postemployment benefits	235,000	-	235,000
Total noncurrent liabilities	3,192,617	390,000	3,582,617
Total liabilities	4,232,375	3,720,341	7,952,716
Net Assets			
Restricted	2,500	2,221,110	2,223,610
Invested in capital assets, net of related debt	12,733,344	4,933,421	17,666,765
Unrestricted (Note 1D)	1,010,065	366,774	1,376,839
Total net assets	$ 13,745,909	$ 7,521,305	$ 21,267,214

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Statement of Revenues, Expenses, and Changes in Fund Net Assets of Proprietary Funds
Year Ended December 31, 2008

	Enterprise Funds		
	Airport	Transportation	Total
Operating revenues			
Charges for services	$ 1,790,814	$ 7,366,395	$ 9,157,209
Operating grants and revenues	-	3,366,976	3,366,976
Total operating revenues	1,790,814	10,733,371	12,524,185
Operating expenses			
Personal services	572,880	-	572,880
Employee benefits	373,425	-	373,425
Depreciation	947,416	699,725	1,647,141
Contracted services	1,299,601	12,699,277	13,998,878
Total operating expenses	3,193,322	13,399,002	16,592,324
Loss from operations	(1,402,508)	(2,665,631)	(4,068,139)
Nonoperating revenues (expenses)			
Interest income	181,459	15,601	197,060
Other	5,219	16,731	21,950
Loss on sale of assets	-	-	-
Interest expense	(164,860)	(20,326)	(185,186)
Total nonoperating revenue (expense)	21,818	12,006	33,824
Loss before contributions and transfers	(1,380,690)	(2,653,625)	(4,034,315)
Capital contributions	1,263,522	1,890,469	3,153,991
Transfers in	699,072	3,100,857	3,799,929
Transfers out	(80,000)	(50,000)	(130,000)
Increase (decrease) in net assets	501,904	2,287,701	2,789,605
Fund net assets—beginning	13,244,005	5,233,604	18,477,609
Fund net assets—ending	$ 13,745,909	$ 7,521,305	$ 21,267,214

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Statement of Cash Flows of Proprietary Funds
Year Ended December 31, 2008

	Enterprise Funds		
	Airport	Transportation	Total
Cash flow from operating activities			
Charges for services and other	$ 1,664,975	$ 5,498,222	$ 7,163,197
Receipt of operating grants and revenue	-	3,366,976	3,366,976
Payments to employees	(834,249)	-	(834,249)
Payments to suppliers of contracted services	(1,146,408)	(11,314,149)	(12,460,557)
Other nonoperating receipts	5,219	16,731	21,950
Net cash used in operating activities	(310,463)	(2,432,220)	(2,742,683)
Cash flow from noncapital and related financial activities			
Operating transfers in	699,072	3,100,857	3,799,929
Operating transfers out	(80,000)	(50,000)	(130,000)
Net cash provided by noncapital and related financing activities	619,072	3,050,857	3,669,929
Cash flow from capital and related financial activities			-
Capital contributions for fixed asset acquisitions	1,645,292	1,952,243	3,597,535
Acquisition of capital assets	(1,278,231)	(2,133,474)	(3,411,705)
Principal paid on long-term debt	(278,602)	(62,500)	(341,102)
Interest paid on long-term debt	(164,860)	(20,326)	(185,186)
Net cash used in capital and related financing activities	(76,401)	(264,057)	- (340,458)
Cash flow from investing activities			-
Interest earned	181,459	15,601	197,060
Net cash provided by investing activities	181,459	15,601	197,060
Net decrease in cash and cash equivalents	413,667	370,181	783,848
Cash and cash equivalents - beginning of the year	1,326,994	949,079	2,276,073
Cash and cash equivalents - end of the year	$ 1,740,661	$ 1,319,260	$ 3,059,921
Reconciliation of operating loss to net cash used in operating activities			
Loss from operations	$ (1,280,708)	$ (2,665,631)	$ (3,946,339)
Adjustments to reconcile loss from operations to net cash used in operating activities			
Nonoperating revenue	5,219	16,731	21,950
Depreciation expense	947,416	699,725	1,647,141
Postretirement expense	-	-	-
Changes in operating assets and liabilities			
Accounts receivable	(125,839)	(1,859,564)	(1,985,403)
Inventories	28,585	-	28,585
Other assets	3,140	-	3,140
Accounts payable and accrued liabilities	121,468	1,385,128	1,506,596
Compensated absenses	3,688	-	3,688
Deferred revenue	-	(8,609)	(8,609)
Other postemployment benefits	(13,432)	-	(13,432)
Net cash used in operating activities	$ (310,463)	$ (2,432,220)	$ (2,742,683)

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Statement of Fiduciary Net Assets
December 31, 2008

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	$ 4,471	$ 9,532,081
Mortgage tax receivable	-	379,202
Investments, at fair value	1,500	-
Total assets	$ 5,971	$ 9,911,283
Liabilities		
Refunds payable and others	-	9,911,283
Total liabilities	$ -	$ 9,911,283
Net Assets		
Net assets held in trust	$ 5,971	

The accompanying notes are an integral part of these financial statements.

Dutchess County, New York
Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2008

	Private Purpose Trusts
Additions	
Interest	$ 119
Deductions	119
Economic assistance & opportunity	145
Changes in net assets	(26)
Net assets-beginning of the year	5,997
Net assets-end of the year	$ 5,971

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The accompanying general purpose financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, including component units, the County has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.* The County has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

The accompanying financial statements present the activities of the County (the primary government which include the Dutchess Tobacco Asset Securitization Corporation (TASC) as a blended component unit) and the County's five discretely presented component units, entities for which the County is financially accountable. Dutchess Community College, Dutchess County Resource Recovery Agency, Dutchess County Industrial Development Agency, Dutchess County Water and Wastewater Authority, and Dutchess County Soil and Water Conservation District, are combined and displayed in a separate, discrete column in the financial statements (to emphasize their legal separateness from the primary government). The TASC is a blended component unit based upon its financial accountability and governing authority.

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* including legal standing, fiscal dependency, financial accountability, selection of governing authority, ability to significantly influence operations, and the primary government's economic benefit from resources of the affiliated entity. Based on the application of these criteria, the following is a brief review of significant entities considered in determining the County's reporting entity.

Included within the reporting entity:

Dutchess Community College
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 (c) of Subdivision 6 of Section 6304 of the Education Act of the State of New York. DCC's 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 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 year end is August 31.

Dutchess County Resource Recovery Agency
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
The Dutchess County Water & 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 non-voting. 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 non-voting 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.

Dutchess County Industrial Development Agency (Non-Major 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 legislature of Dutchess County. 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 function of the IDA 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 (Non-Major Component Unit)
The Dutchess County Soil and Water Conservation District ("SWCD") (including the Dutchess County Environmental Management Council) is a non-profit 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 Environmental Management Council is actively involved in solid waste management, watershed and wetlands protection, land use management, geographic information system development and environmental education.

Dutchess Tobacco Asset Securitization Corporation (Blended Component Unit)
The Dutchess Tobacco Asset Securitization Corporation (the "TASC") 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.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the "County") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to balances related to transfers between governmental funds and between enterprise funds, but not between governmental and enterprise funds. These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for services rendered.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each segment of the business-type activities of the County. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Indirect expenses are not allocated.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including fiduciary funds. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund
The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Fund
The capital project fund is used to account for the receipt and disbursement of resources for the construction of capital assets.

Dutchess Tobacco Asset Securitization Corporation (TASC)
The TASC is used to account for the receipt and disbursement of resources related to Tobacco Assets and related obligations.

The County reports the following major business type funds:

Enterprise Funds
The enterprise funds are used to account for the operations of the Dutchess County Airport (Airport) and the Dutchess County Bus Transportation System (Transportation). Both are considered to be major funds. These entities are financed and operated in a manner similar to a private business enterprise. The intent of the County is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuous basis is to be financed or recovered primarily through user charges. The County may provide administrative, legal and operational assistance to the enterprise funds, for which they may not be charged. Additionally, the general fund periodically provides advances to the enterprise funds for operational needs.

The County reports the following fiduciary fund types:

Agency Funds
Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals or other governmental units.

Private Purpose Trust Funds
This fund represents a trust arrangement under which cemetery plots are maintained.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when all eligibility requirements are met and when they are measurable and available. The County considers property tax revenue reported in the governmental funds to be available if collected within sixty days after year-end and other revenues to be available if collected within one year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Assets and Liabilities

Primary Government:

Cash and Cash Equivalents
The County's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Short-term investments consist of certificates of deposit, obligations of New York State, the United States Government and its agents.

Property Tax Calendar
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 taxes are recognized in the period for which the tax was levied to finance the budget of that period.

Debt Financing Costs and Bond Discount Amortization
The County recognized debt financing costs of $1,145,912 which are being amortized over the life of the debt. Amortization expense of $17,811 was incurred in 2008. Discounts recognized from the issuance of debt of $1,902,637 are amortized over the life of the debt. Amortization expense of $71,089 was recognized in 2008. Premiums recognized from the issuance of debt amounted to $2,108,585. Amortization expense for these premiums amounted to $101,290 in the current year.

Investments
Investments are recorded at fair value.

Capital Assets
Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	$ 100,000	Straight-line	5-40 years
Machinery and equipment	5,000	Straight-line	3-15 years
Infrastructure	100,000	Straight-line	10-50 years

Real Property of the Dutchess Community College
Under the provisions of NYS Education Law Article 126, the Dutchess Community College (DCC) is prohibited from owning real property or incurring any obligations related to real property. Accordingly, the County holds title to all real property used by the DCC and has sole responsibility for payment of debt it has issued related to the property. Because the real property can only be used by the DCC, it is not considered to be capital assets of the County. Rather, the real property is held by the County in trust for the benefit of the DCC, effectively transferring the benefits and risks incident to the ownership of the property to the DCC. Accordingly, the discretely presented financial statement of the DCC, report real property as capital assets which are depreciated over the useful life of the assets. The County reports the obligation for the related debt as a general liability because it is legally required to make debt service payment.

Deferred Loss on Bond Refunding
The difference between the reacquisition cost and carrying value of old debt from bond refundings of $4,124,077 have been capitalized for government wide financial statement

purposes and are being amortized over the shorter life of the defeased or new debt. Amortization expense of $93,900 was recognized in 2008.

Judgments and Claims
Costs associated with workers' compensation or legal liabilities for both reported and unreported insured events of $26,345,434 at December 31, 2008, which include estimates of both future payment of losses and related claim adjustment expenses, are recorded as long-term liabilities in the government wide financial statements.

Post Retirement Benefits
The County provides health insurance coverage and survivor benefits for retired employees and their survivors. The County's employees may become eligible for these benefits upon retirement, with a minimum of ten years of service. The County's annual OPEB expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. 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 of thirty years beginning in 2007.

Compensated Absences
Vacation leave and other compensated absences with similar characteristics of $9,521,873 at December 31, 2008, are accrued as a liability as the benefits are earned by the employees if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Net Assets
Net assets are classified and displayed in three components:

Invested in capital assets, net of related debt – Consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds attributable to acquisition, construction or improvement of those assets, increased by costs incurred to obtain such financing and decreased by un-amortized cost reimbursements.

Restricted net assets – Consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. This includes unspent construction funds.

Unrestricted net assets – Consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The unrestricted net assets of the business type activity funds (enterprise funds) have been designated as follows at December 31, 2008:

	Airport	Transportation	Total
Unrestricted net assets (deficit) undesignated	$ (2,169,364)	$ (85,726)	$ (2,255,090)
Unrestricted net assets, designated for debt repayment	3,179,429	452,500	3,631,929
	$ 1,010,065	$ 366,774	$ 1,376,839

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

Component Units:

Dutchess Community College

The College's financial information has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States America applicable to public colleges and universities. The College's financial information applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The operations of the College are reported under the business-type activities model and as such, are accounted for on a flow of economic resources measurement focus. Within this measurement focus, all assets and liabilities associated with operations are included on the statement of net assets with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The Association and Foundation are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.

Cash Equivalents
The College considers all highly liquid debt instruments, with original maturities of three months or less, to be cash equivalents. Cash equivalents consist principally of certificates of deposit.

Capital Assets
Capital assets include land and improvements, buildings and improvements, infrastructure assets and furniture and equipment. Capital assets are defined by the College as assets with an initial unit cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the College are depreciated using the straight-line method over the following useful lives.

	Estimated Useful Life
Buildings	20 – 50
Building improvements	20 – 50
Infrastructure	20 – 50
Furniture and equipment	3 – 10

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, and from moneys in the debt service reserve fund held by the trustee. Capital appropriations include the annual debt service requirements on the County debt. The provisions of the State Education Law regarding the State appropriations from principal and interest payments do not constitute a legally enforceable obligation of the State.

Operating Revenue
The College's operating revenues consist principally of student tuition and fees, federal and state student financial aid grants and certain nongovernmental grants and contracts.

Nonoperating Revenue
Nonoperating revenues consist principally of state and local government appropriations.

Employee Benefits
The College recognizes a liability of vesting sick leave and other compensated absences with similar characteristics to the extent it is probable that the College will compensate the employees for the benefits through cash payments at retirement rather than being taken as absences due to illness or other contingencies.

Through its negotiated contracts with certain employee groups the College offered retirement incentives to eligible employees making irrevocable notifications of intent to retire. Employees electing to retire under the incentive receive a contractual percentage of their base pay. The liability for these incentives is included in accrued expenses.

Income Taxes
The College is a political subdivision, and as such, is exempt from income taxes.

Resource Recovery Agency

Measurement Focus and Basis of Accounting

The Agency performs the function of solid waste management for the residents of the County of Dutchess. Its operations are financed primarily through user charges (tipping fees). Under standards set by the GASB, the Agency is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects on an enterprise of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources.

The basis differs from that used by governmental funds in that the effects of transactions in government funds are recorded when revenues are measurable and available and when expenditures are incurred. The measurement focus is the flow of current transactions.

The Agency considers all revenues as operating revenues, except that that subsidies and grants which finance either capital or current operations are reported as non-operating revenues.

The Agency generally applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Agency's policy is to apply, first, (a) all GASB pronouncements, and then (b) Financial Accounting Standards Board Statements and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Cash and Cash Equivalents

The Agency considers all cash and cash equivalents classified as current assets, whether unrestricted or restricted, with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets are recorded at cost less accumulated depreciation. Cost includes interest incurred during construction. The Agency provides for depreciation of the capital assets on a straight-line basis over periods ranging from 3 to 40 years.

Debt Issuance Costs

Costs incurred relating to the issuance of Agency bonds and bond anticipation notes have been capitalized and are amortized on a straight-line basis over the life of the related bonds and notes.

Income Taxes

The Agency is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Insurance

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

Equity Classifications
Equity is classified as net assets and displayed in three components:

Invested in capital-type assets, net of related debt - Consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds attributable to acquisition, construction or improvement of those assets, increased by costs incurred to obtain such financing and decreased by un-authorized cost reimbursements.

Restricted net assets - Consist of net assets with constraints placed in their use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation; or (3) cash and cash equivalents that are restricted for capital asset acquisition.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital-type assets, net of related debt.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Water and Wastewater Authority

Measurement Focus and Basis of Accounting
The Authority performs the function of supplying water and sewer services to areas within the County of Dutchess. Its operations are financed primarily through user charges. Under standards set by the GASB, the Authority is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects on an enterprise of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources.

This basis differs from that used by governmental funds in that the effects of transactions in government funds are recorded when revenues are measurable and available and when expenditures are incurred. The measurement focus is the flow of current transactions.

In accordance with GASB No. 20 regarding proprietary fund accounting, the Authority applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statement and Interpretations, Accounting Principles Board Opinions, the American Institute of Certified Public Accountant's (AICPA) Accounting Research Bulletins and any FASB or AICPA pronouncements made applicable by GASB Statement or Interpretation.

The Authority generally applies restricted resources when an expense is incurred for purpose for which both restricted and unrestricted net assets are available.

The Authority considers all revenues as operating revenues, except that subsidies and grants which finance either capital or current operations are reported as non-operating revenues.

Cash, Cash Equivalents and Investments
The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of inception.

State statutes govern the investment policies of the Authority. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, obligations of New York State and repurchase agreements secured by U.S. Treasury obligations.

Restricted Assets
Proceeds from acquisition and construction financing are set aside for completion of capital improvements and reduction of debt service. The disbursements from the restricted accounts are under the control of third party trustees.

Deferred Bond Financing Costs
Bond financing costs are amortized over the life of the related bond issue, using the straight-line method.

Capital Assets
Capital assets are recorded at cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, and net of interest earned on the invested proceeds over the same period.

Depreciation is computed using the straight-line method over the following estimated useful lives, beginning in the year the asset is placed in service:

	Estimated Useful Life
Buildings	20
Improvements other than Buildings	30
Machinery & Equipment	3-20
Sewage Collection System	50
Water Transmission System	50

Revenues and Receivables
Revenues are derived generally from quarterly billing of user fees for customers and operating grants from Dutchess County, New York.

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.

Deferred Revenue
Revenues received in advance of the period to which they relate are deferred and recorded as revenue when earned. Grants and aid received for construction costs are deferred until construction is complete and the assets are placed in service.

Equity Classifications
Equity is classified as net assets and displayed in three components:

Invested in capital-type assets, net of related debt - Consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds attributable to acquisition, construction or improvement of those assets, increased by costs incurred to obtain such financing and decreased by un-amortized cost reimbursements.

Restricted net assets-Consist of net assets with constraints placed in their use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets-Consist of all other net assets that do not meet the definition of "restricted" or "invested in capital-type assets, net or related debt.

The Authority is required to segregate and reserve the net income generated under the service agreements between the Authority and the County and local municipalities by each service agreement area.

Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Income Taxes
The Authority is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Industrial Development Agency

Measurement Focus and Basis of Accounting
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.

Agency administrative fees are recognized upon transfer of property during the accrual period. Closing fees on transfer agreements are recognized when earned. Expenses are recognized when incurred.

The IDA operates from the same offices as the Dutchess County Economic Development Corporation (DCEDC). A portion of the contractual expenses are for administrative expenses provided by the DCEDC.

Basis of Accounting
The financial statements of the IDA have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Adjustment to DCC Separately Issued Financial Statements

The debt issued by the County for DCC is the obligation of the County, not DCC, as presented in DCC's separately issued financial statements, reported on by other auditors. As the County has sole responsibility for the debt, it has been included in the general long-term debt fund of the County primary government; and, the net assets and long-term liabilities presented in the separately issued financial statements of DCC have been adjusted herein to conform with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments.*

As a result of this adjustment, net assets and long-term liabilities of DCC, as reported on by other auditors and included in the aggregate discretely presented component unit column of these financial statements have been increased and decreased, respectively, for the outstanding debt balance of $14,487,716 at December 31, 2008.

3. Detailed Disclosures Regarding Assets and Revenues

A. Restricted and Unrestricted Cash and Cash Equivalents

Primary Government:

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

Cash equivalents consist of certificates of deposit and repurchase agreements and are stated at cost plus accrued interest receivable. Such basis approximates market.

The following schedule presents cash and cash equivalents by type at December 31, 2008:

	Carrying Amount
Primary government	
Cash and cash equivalents	$ 79,075,218
Restricted cash and cash equivalents	27,339,726
	$ 106,414,944
Fiduciary funds	
Cash and cash equivalents	$ 9,536,552
Business-type activities	
Cash and cash equivalents	$ 3,059,921

At year end, the bank balance of the County's deposits of cash and cash equivalents and restricted cash was $120,808,517, of which $1,700,000 was covered by Federal Depository Insurance.

The bank balance of the County's cash and cash equivalents (including fiduciary funds) of $104,310,774 are classified as Risk Category A, the lowest risk, as defined by the Governmental Accounting Standards Board (the "GASB"), as insured or registered, or securities held by the entity or its agent in the entity's name. The bank balance of the County's cash and cash equivalents of $16,497,743 are classified as Risk Category B, as defined by GASB, with securities held by the pledging financial institution's trust department or agency in the entity's name. Disclosures relating to risk and type of investment as presented above are indicative of activity and positions held during the year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The TASC manages and attempts to minimize interest rate risk by investing in short-term investments that mature within one year, so that they can react to changing interest rates.

Component Units:

The following schedule presents cash, cash equivalents and investments by type at December 31, 2008 for the aggregate discretely presented component units:

Cash and cash equivalents	$ 21,431,773
Restricted cash investments	17,259,468
Investments	9,127,833
	$ 47,819,074

Dutchess Community College

Cash and Cash Equivalents and Short-Term Investments
The College's investment policies are governed by State statutes. Monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Collateral is required for demand deposits and time deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, repurchase agreements, and obligations of the State and its municipalities and school districts.

The carrying amount of the College's deposits with financial institutions was approximately $11,731,000 and the bank balance was approximately $12,642,000 as of August 31, 2008. The bank balance is collateralized as follows as of August 31, 2008:

Amount insured by FDIC	$ 210,361
Securities collateral held by a third party in the College's name	13,113,442
	$ 13,323,803

Restricted Cash and Investments
The College has entered into various financing agreements to finance construction projects and has deposited funds with trustees for such projects. Bond proceeds, not yet expended for new construction and used to establish debt service funds, and related accumulated investment income, are held on deposit for such projects.

Deposits with bond trustees consist of the following:

	August 31, 2008		
	DASNY	County	Total
Cash and cash equivalents	$ 61,944	$ 1,111	$ 63,055
U.S. Government obligations			
Construction Fund	631,846	-	631,846
Debt Service Fund	144,439	-	144,439
Debt Service Reserve Fund	149,917	-	149,917
Total	$ 988,146	$ 1,111	$ 989,257

Deposits with Dormitory Authority of the State of New York (DASNY) are insured or collateralized by using a pooling method. Under this pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the trustees' agents in the name of the trustees. Since the trustees are acting in a fiduciary capacity for the College, these deposits are considered to be held by agents in the College's name. The amount of the pledged collateral is based on an approval averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using a pooling method report to the trustees the adequacy of their pooled collateral covering uninsured deposits. The trustees do not confirm amounts of collateral pledged for the College under a pooling method, so the potential exists for under-collateralization at any given point in time. However, the trustees must adhere to collateralization standards set forth by the State of New York.

At August 31, 2008, the College's deposits (including amounts in-transit) with the County and DASNY were covered by Federal Depository Insurance.

At August 31, 2008, the College's investments with DASNY were as follows:

Investment Type	Fair Value	Less than One Year	One to Five Years
U.S. Treasury Notes	$ 322,404	$ 317,991	$ 4,413
U.S. Treasury Bills	479,791	479,791	-
U.S. Treasury Strips	124,007	124,007	-
Total	$ 926,202	$ 921,789	$ 4,413

With regard to amounts on deposit with bond trustees, the College 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. Further, the College's investments with the DASNY include only U.S. Government Treasury securities pursuant to the College's and DASNY investment policies.

Resource Recovery Agency

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

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

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

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

As of December 31, 2008, the Agency had cash deposited in various banks aggregating approximately $250,000, which are classified as Risk Category A, the lowest risk, as defined by the 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, 2008, the Agency had cash and cash equivalents and investments of $11,602,636 in various accounts, which are not covered by FDIC. Bank balances differ from the Agency's cash balances by the amount of outstanding items clearing in the following month. The cash balances and repurchase agreements 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.

Total risk category B, cash and cash equivalents, and investments are as follows at December 31, 2008:

Bank Balance	$ 1,675,170
U.S. Treasury Bills	4,708,401
Insured Investment	5,219,065
Total Risk Category B	$ 11,602,636

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, 2008, the trustee reported the following restricted cash and cash equivalents and investments:

1998 Series C		
Reserve and contingency funds	$	10,225
Current restricted funds		10,225
Debt service reserve fund - non-current		447,000
Total 1998 Series C	$	457,225
1999 Series A		
Project funds	$	115,995
Current restricted funds		115,995
Reserve and contingency fund		379,430
Debt service reserve fund		3,449,555
Non-current restricted funds		3,828,985
Total 1999 Series A	$	3,944,980
2007 Series		
Project funds	$	837,233
Cost of insurance fund		98,001
Debt service reserve fund		371,319
Current restricted funds		1,306,553
Reserve and contingency fund		85,853
Debt service reserve fund		857,227
Non-current restricted funds		943,080
Total 2007 Series	$	2,249,633
Total	$	6,651,838

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 assets.

In addition, as a result of the assignment of the service agreement and other documents, in 1998, the Agency received funds to be used for capital improvements. At December 31, 2008, these funds, including interest earnings, amounted to $37,482.

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 $4,915,709 at December 31, 2008, and are included in restricted cash and cash equivalents.

Restricted assets are summarized as follows as of December 31, 2008:

Current restricted assets	
Series 1998 B&C bonds	$ 10,225
Series 1999 A	115,995
Series 2007	1,306,553
Capital Improvement funds	37,472
Energy revenues and debt service funds	4,915,709
Total current restricted cash and investments	6,385,954
Noncurrent restricted cash and investments	
Series 1998 B&C bonds	$ 447,000
Series 1999 A	3,828,985
Series 2007	943,080
Total non current restricted cash and investments	5,219,065
Total restricted cash and investments	$ 11,605,019

Water and Wastewater Authority

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 Federal Deposit Insurance Corporation insurance. The Authority's deposits are categorized below to give an indication of the level of 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; 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 and cash equivalents and investments by category are as follows as of December 31, 2008:

	Category 1	Category 2	Total
Cash in Banks	$ 55,269	$ 6,942,229	$ 6,997,498
Investments			
Money Market Funds	1,789,749	-	1,789,749
U.S. Treasury Bills & Notes	1,583,293	-	1,583,293
Investment Total	$ 3,373,042	$ -	$ 3,373,042

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, 2008:

Litigation Reserve Funds	$ 275,789
Construction Reserve Funds	709,406
Debt Service Sinking Funds	76,544
Debt Service Reserve Funds	80,953
Current Restricted Funds	1,142,692
Debt Service Reserve Funds Non Current	2,230,350
Total	$ 3,373,042

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 classified as restricted non-current assets on the balance sheet. Interest earnings on these reserves have been classified as current as they are available to pay current debt.

Industrial Development Agency

Cash and Cash Equivalents and Investments
IDA monies are deposited in FDIC insured commercial banks or trust companies located within the State. The IDA is authorized to use demand deposit, time and money market savings accounts and certificates of deposit. At December 31, 2008, the IDA's deposits of $3,173,633 were completely covered by Federal Depository Insurance or collateralized with securities held by an agent of the IDA in the IDA's name.

B. Property Taxes

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 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 2008 is $38,433,462,947. The effective tax rate on this value is $2.29 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2008 levy represents approximately 18.6% of the constitutional tax limit.

C. Capital Assets

Primary Government:

Capital assets activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Govermental activities				
Capital assets, not being depreciated:				
Land	$ 4,754,388	$ -	$ -	$ 4,754,388
Construction in progress	25,184,368	24,082,660	(25,980,156)	23,286,872
Total capital assets, not being depreciated	29,938,756	24,082,660	(25,980,156)	28,041,260
Capital assets, being depreciated:				
Buildings and improvements	104,593,905	14,362,598	-	118,956,503
Machinery and equipment	47,184,751	5,079,451	-	52,264,202
Infrastructure	126,417,169	8,919,041	-	135,336,210
Totals	278,195,825	28,361,090	-	306,556,915
Less: Accumulated depreciation for:				
Buildings and improvements	(62,436,609)	(4,411,263)	-	(66,847,872)
Machinery and equipment	(34,227,053)	(3,576,775)	-	(37,803,828)
Infrastructure	(74,770,655)	(6,661,423)	-	(81,432,078)
Totals	(171,434,317)	(14,649,461)	-	(186,083,778)
Total capital assets, being depreciated, net	106,761,508	13,711,629	-	120,473,137
Governmental activity capital assets, net	$ 136,700,264	$ 37,794,289	$ (25,980,156)	$ 148,514,397
Business-type activities				
Capital assets, not being depreciated:				
Land	3,385,364	-	-	3,385,364
Construction in progress	2,144,640	3,367,520	(4,777,049)	735,111
Total capital assets, not being depreciated	5,530,004	3,367,520	(4,777,049)	4,120,475
Capital assets, being depreciated:				
Buildings and improvements	9,549,018	878,463	-	10,427,481
Infrastructure	19,466,832	1,719,898	-	21,186,730
Equipment	9,944,395	2,222,874	-	12,167,269
Totals	38,960,245	4,821,235	-	43,781,480
Less: Accumulated depreciation for:				
Buildings and improvements	(5,706,067)	(392,596)	-	(6,098,663)
Infrastructure	(10,843,787)	(614,749)	-	(11,458,536)
Equipment	(8,357,361)	(639,796)	-	(8,997,157)
Totals	(24,907,215)	(1,647,141)	-	(26,554,356)
Total capital assets, being depreciated, net	14,053,030	3,174,094	-	17,227,124
Business-type activity capital assets, net	$ 19,583,034	$ 6,541,614	$ (4,777,049)	$ 21,347,599

Component Units:

Dutchess Community College

Capital assets activity consists of the following for the year ended August 31, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance
Grounds	$ 1,148,465	$ -	$ -	$ 1,148,465
Building and improvements	85,784,792	1,969,583	(6,297,326)	81,457,049
Furniture and equipment	9,288,742	192,562	(1,055,861)	8,425,443
	$ 96,221,999	$ 2,162,145	$ (7,353,187)	$ 91,030,957
Less: Accumulated depreciation	36,180,682	2,094,839	(6,784,297)	31,491,224
Capital assets, net	$ 60,041,317	$ 67,306	$ (568,890)	$ 59,539,733

At August 31, 2008, the cost basis and accumulated depreciation of assets under capital lease agreements were $2,054,000.

Depreciation expense for the year ended August 31, 2008 was approximately $2,095,000.

Resource Recovery Agency

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Property	$ 517,591	$ -	$ -	$ 517,591
Plant	64,830,619	890,748	-	65,721,367
Equipment	1,077,978	15,423	-	1,093,401
	$ 66,426,188	$ 906,171	$ -	$ 67,332,359
Less: Accumulated depreciation	(29,028,932)	(2,098,688)	-	(31,127,620)
Capital assets, net	$ 37,397,256	$ (1,192,517)	$ -	$ 36,204,739

Depreciation was recorded in the amount of $2,098,688 less amortization of deferred revenues associated with the funding of capital improvements of $68,520 resulting in $2,030,168 in depreciation expense for the year ended December 31, 2008.

Water and Wastewater Authority

Capital assets consisted of the following as of December 31, 2008:

	Beginning Balance	Increase	Decrease	Ending Balance
Land	$ 819,468	$ 15,340	$ -	$ 834,808
Improvements	120,255	-	-	120,255
Buildings	11,351,563	813,115	-	12,164,678
Water system	45,449,275	257,428	-	45,706,703
Machinery and equipment	4,398,872	66,372	-	4,465,244
Sewage collection system	1,364,871	-	-	1,364,871
Construction in progress	37,467	493,278	-	530,745
Sub-total	63,541,771	1,645,533	-	65,187,304
Less: Accumulated depreciation	(10,863,667)	(1,610,575)	-	(12,474,242)
Net capital assets	$ 52,678,104	$ 34,958	$ -	$ 52,713,062

Depreciation was recorded in the amount of $1,610,575, less amortization of deferred revenues associated with the Central Dutchess Utility Corridor of $595,853. The effect of netting these amounts resulted in $1,014,722 in depreciation expense for the year ended December 31, 2008.

D. Depreciation Expense

Depreciation expense was charged to functions/programs as follows for the year ended December 31, 2008:

Primary Government:

Governmental activities:	
General government	$ 4,136,225
Public safety	2,137,207
Health	269,525
Transportation	6,311,820
Economic assistance and opportunity	381,929
Culture and recreation	943,856
Home and community services	468,899
Total depreciation expense – governmental activities	$ 14,649,461
Business type activities:	
Airport	$ 947,416
Transportation	699,725
Total depreciation expense – business type activities	$ 1,647,141

4. Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Long-term Liabilities

Primary Government:

Long-term liability activity for the year ended December 31, 2008, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	$ 105,942,759	$ 6,441,559	$ (6,228,120)	$ 106,156,198	$ 6,508,386
Tobacco Asset Securitization Bonds (TASC debt) , net of discount	66,373,704	-	(1,723,911)	64,649,793	-
Total bonds and BANS payable	172,316,463	6,441,559	(7,952,031)	170,805,991	6,508,386
Judgments and claims	27,408,830	-	(1,063,396)	26,345,434	-
Post retirement liability	18,370,135	19,357,865	-	37,728,000	-
Compensated absences	8,056,813	1,465,060	-	9,521,873	-
Environmental clean up	-	320,000	-	320,000	-
Governmental activity long-term liabilities	$ 226,152,241	$ 27,584,484	$ (9,015,427)	$ 244,721,298	$ 6,508,386

General long-term debt of the County (not including the TASC debt) is issued principally as serial bonds, which are due at various times through 2028. 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 5.06% of its constitutional debt limit as of December 31, 2008.

On June 2, 1993, the County of Dutchess issued $7.445 million in General Obligation Bonds with an average interest rate of 4.37 percent to advance refund $6.525 million of outstanding 1988 Series bonds with an average interest rate of 7.26 percent. The net proceeds of $7.373 million (after payment of $118,000 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 Series bonds. As a result, the 1988 Series bonds are considered to be defeased and the liability for those bonds has been removed from the County's long term liabilities. The balance of the defeased debt is approximately $910,000 at December 31, 2008.

In August 2001, the County refunded its outstanding 1990 Series bonds of $1,575,000, its 1994 Series bonds of $5,370,000 and its 1995 Series bonds of $8,905,000, carrying a weighted average interest rate of 5.64% with new debt of $16,360,000 issued with a weighted average interest rate of 3.25%. The net proceeds of $16,360,000 plus an additional $439,000 premium from bond issuance and $53,000 of County monies (net of $130,000 of issuance costs and discount) were used to purchase U.S. Government Securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service for the 1990, 1994 and 1995 bonds. As a result, the bonds are considered to be defeased and the liabilities for these bonds have been removed from the County's long term liabilities. The balance of the defeased debt is approximately $6,325,000 at December 31, 2008. In May 2006, the County refunded its outstanding 1996 Public Improvement Bond of $5,800,000, its 1997 Public Improvement Bond of $1,500,000 and its 1998 Public Improvement Bond of $2,920,000 carrying a weighted average interest rate of 5.07% with new debt of $10,265,000 issued with a weighted average interest rate of 4.46%. The net proceeds of the $10,265,000 were used to purchase U.S. Government Securities, which were placed on an irrevocable trust with an escrow agent to provide for all future debt service for the 1996, 1997 and 1998 bonds. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the County's long-term liabilities. The balance of the defeased debt is approximately $10,220,000 at December 31, 2008.

In December 2003, the TASC issued $47,815,000 in bonds (TASC debt, see below) to finance the acquisition of tobacco assets from the County. The TASC transferred $40,811,628 in proceeds to the General Fund to refund $36,141,402 of general obligation debt. The proceeds of $47,815,000 ($40,811,628 for the General Fund and $1,158,722 for the Enterprise Funds), net of $1,902,637 in discount, $425,576 in bond issue costs and $3,516,437 deposited into a liquidity reserve were transferred to the general fund which then deposited the $41,970,350 in irrevocable trust with an escrow agent to provide for all future debt service payments for the 1996, 1997, 1998, 2001, 2004 Series bonds at interest rates ranging from 2% to 7%. As such, $37,300,124 of debt was removed from the General Fund and Enterprise Funds debt. The County recorded a deferred loss from refunding in the amount of $4,670,226 related to this transaction. This deferred loss is amortized over the life of the TASC debt; accordingly, amortization expense of $233,511 was recognized in 2008. The balance of the defeased debt is $38,413,514 at December 31, 2008. The TASC recorded $45,912,362 of debt from this sale of tobacco bonds. The TASC debt will be repaid with proceeds from tobacco sales, in future periods, as dictated by the Master Settlement Agreement and Indenture Agreement, as defined.

In November 2005, the TASC issued $26,236,279 in bonds (TASC debt, see below) to finance the acquisition of tobacco assets from the County. The proceeds of $26,236,279, net of $692,437 in bond issue costs were transferred ($9,543,842) to the General Fund and ($16,000,000) to the Capital Projects Fund. The County deposited the $9,543,842 in an irrevocable trust with an escrow agent to provide for all future debt service payments for a portion of the 2004 Series bond at interest rates ranging from 6% to 7.85%. As such, $10,090,000 of debt was removed from the General Fund. The County recorded a deferred gain from refunding in the amount of $546,158 related to this transaction. This deferred gain is amortized over the life of the TASC debt; accordingly, amortization of $27,308 was recognized in 2008. The balance of the defeased debt is $26,236,279 at December 31, 2008. The TASC recorded $26,236,279 of debt from this sale of tobacco bonds. The TASC debt will be repaid with proceeds from tobacco sales, in future periods, as dictated by the Master Settlement Agreement and Indenture Agreement, as defined.

In December 2006, the County issued $24,000,000 in public improvement serial bonds with an average interest rate of 4.25%. The proceeds will be used to finance various capital projects. The balance of the debt is $20,184,000 at December 31, 2008.

Dutchess County issued $10.3 million Public Improvement Refunding Bonds, 2006 Series dated May 18, 2006. The series consisted of $8.7 million Public Improvement (Serial) Bonds 2006, Series A, maturity date February 15, 2018 and $1.5 million Public Improvement (Serial) Bonds, Series B, maturity date August 15, 2014.

The 2006 bonds were issued to advance refund $10.2 million in Public Improvement (Serial) Bonds originally issued by the County as follows: $5.8 million remaining from the $18.3 million Public Improvement (Serial) Bonds, July 15,1996, maturity date March 15, 2016; $1.5 million remaining from the $5.2 million Public Improvement (Serial) Bonds, August 1,1997, maturity date October 15, 2014; and $2.9 million remaining from the $11.5 million Public Improvement (Serial) Bonds, July 15, 1998, maturity date June 15, 2018. Their interest rates ranged between 5.50% and 4.6%.

In December 2007, the County issued $27,000,000 in public improvement serial bonds with an average interest rate of 4.5%. The proceeds will be used to finance various capital projects. The balance of the debt is $26,111,000 at December 31, 2008.

In December 2008, the County issued $6,358,763 in public improvement serial bonds with an average interest rate of 4%. The proceeds will be used to finance various capital projects. The balance of the debt is $6,358,763 at December 31, 2008.

Dutchess County issued $15,095,000 Public Improvement Refunding (Serial) Bonds, 2009 Series dated February 18, 2009. The series consisted of $2.165 Million Public Improvement (Serial) Bonds 2009, Series A, maturity date February 15, 2018; and $12.930 Million Public Improvement (Serial) Bonds, Series B, maturity date August 15, 2021. Their interest rates range from 3% to 4%.

The 2009 bonds were issued to advance refund $15,485,000 in Public Improvement (Serial) Bonds originally issued by the County as follows: $2.24 Million remaining from the $8.55 Million Public Improvement (Serial) Bonds, February 15,1998, maturity date February 15, 2018 and $13.24 Million remaining from the $29.85 Public Improvement (Serial) Bonds, August 1, 2001, maturity date August 15, 2021. Their interest rates ranged between 4.875% and 4.00%.

The bond principal decreased $390,000; interest decreased $679,585. The total overall savings is $1,069,585 to the County.

TASC Debt

On December 18, 2003, the TASC issued the 2004 New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds (TASC debt, Series 2003 Term Bonds) amounting to $47,815,000, with an issue value of $45,912,363, net of bond discount of $1,902,637. The TASC recognized $71,089 in amortization expense related to the bond discount and $15,901 related to the amortization of deferred financing costs in 2008.

On November 28, 2005, the TASC issued the 2005 New York Tobacco Trust V, Tobacco Settlement Pass Through Bonds (Subordinate Turbo Capital Appreciation Bonds ("CABs")) amounting to $26,236,279. The TASC recognized $1,910 related to the amortization of deferred financing costs in 2008.

Collectively these bonds are considered the "TASC Debt"

The TASC debt is secured and payable from collections including all Tobacco Settlement Revenues (TSR) to be received by the TASC, reserves, amounts held in other accounts established by the indenture and the TASC's rights under the purchase agreement. The proceeds will be used for the purpose of (i) purchasing all rights, title and interest in certain litigation awards under the Master Settlement Agreement (MSA) entered into by participating cigarette manufacturers, and (ii) issuance of Tobacco Settlement Asset Backed Bonds to pay the purchase price for the rights. These rights were purchased from Dutchess County and accounted for as a transaction between entities under common control (therefore, no gain or loss on the transfer was recognized).

The TASC Debt is payable only from the assets of the TASC. In the event that the assets of the TASC have been exhausted, no amounts will thereafter be paid on the TASC Debt. The TASC Debt is not a legal or moral obligation of Dutchess County, and no recourse may be had thereto for payment of amounts owing on the TASC Debt. The TASC's only sources of funds for payments on the TASC Debt are the TSRs. The TASC has no taxing power. Because of the many adjustments included in the MSA, it is not possible to know the exact future collections under the MSA.

The ability of the TASC to make debt service payments on the TASC Debt is contingent upon the receipt of TSRs. TSR payments may vary based on inflation adjustments, volume adjustments of cigarette sales, litigation adjustments from non-settling states, offsets for miscalculated or disputed payments, federal tobacco legislation offsets, litigation releasing parties offsets, and offsets for claims over the amounts of the award.

The assets of the TASC are not available to pay any creditor of Dutchess County. The TASC Debt issued by the TASC does not constitute a claim against the full faith, credit and taxing power of the General Fund of Dutchess County. The ability of the TASC to meet debt service payments of bonds is contingent upon the receipt of Tobacco Settlement awards.

The TASC Debt includes various administrative covenants, including required filing of audited financial statements within a specific timeframe.

Long-term debt, the proceeds of which have been used primarily to provide funds for various capital projects, consists of the following at December 31, 2008:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2008	Annual Principle Installments
Serial Bonds					
2.50% – 5.25%	1993	2013	$ 7,445,000	$ 910,000	$ 150,000 - 225,000
4.00 – 5.25	1998	2018	8,550,000	2,240,000	175,000 - 300,000
3.50 – 5.00	2001	2021	29,850,000	13,240,382	470,000 - 1,850,000
3.25 – 5.00	2001	2016	16,360,000	6,325,000	305,000 - 1,265,000
2.00 – 4.50	2003	2022	18,800,000	7,800,603	200,000 - 1,350,000
3.00 – 3.88	2003	2008	3,660,000	-	750,000 - 850,000
5.00 – 6.00	2003	2043	45,912,362	38,413,514	0 - 3,245,000
5.00 – 6.00	2004	2019	17,085,000	10,787,085	640,000 - 825,000
6.00 – 7.85	2005	2060	26,236,279	26,236,279	2,604,375 - 10,384,242
4.00 – 4.25	2006	2014	1,525,000	1,500,000	5,000 - 305,000
4.00 – 5.00	2006	2018	8,740,000	8,720,000	0 - 1,385,000
3.50 – 5.00	2006	2027	24,000,000	20,686,753	550,000 - 1,670,000
4.00 – 5.00	2007	2028	28,467,174	27,504,815	525,000 - 2,225,000
3.00 – 5.00	2008	2023	6,358,763	6,441,560	350,000 - 525,000
				$ 170,805,991	

Compensated absences for governmental activities typically have been liquidated from the General Fund and the Special Revenue Funds. Claims and judgments typically have been liquidated from the General Fund.

Business-Type Activities

Long-term liability activity for the year ended December 31, 2008 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable:					
Airport bonds	$ 3,458,030	$ -	$ (278,601)	$ 3,179,429	$ 262,877
Transportation bonds	515,000	-	(62,500)	452,500	62,500
Total bonds payable	3,973,030	-	(341,101)	3,631,929	325,377
Compensated absences	37,378	3,687	-	41,065	-
Other post employment benefits	126,632	108,368	-	235,000	-
Business-type activity long-term liabilities	$ 4,137,040	$ 112,055	$ (341,101)	$ 3,907,994	$ 325,377

Long-term debt at December 31, 2008 consists of the following:

Airport

2001 serial bond, interest at 3.5% to 5% due in various installments through 2010	$ 4,618
2003 serial bonds, interest at 2% to 4.5% due in various installments through 2022	934,397
2004 public improvement bonds, interest at 2% to 5% due in various installments through 2019	1,395,414
2006 public improvement bonds, interest at 3.5% to 5% due in various installments through 2027	831,000
2007 public improvement bonds, interest at 4% to 5% due in various installments through 2028	14,000
Total airport bonds	3,179,429
Less: current portion	(262,877)
Total bonds, net of current portion	$ 2,916,552

Transportation

2004 public improvement bonds, interest at 2% to 5% due in various installments through 2022	$ 42,500
2004 public improvement bonds, interest at 3.5% to 5% due in various installments through 2027	410,000
Total transportation bonds	452,500
Less: current portion	(62,500)
Total bonds, net of current portion	$ 390,000

As of December 31, 2008, the County's debt service requirements relating to bonds payable are as follows:

Year Ended	Government Activities General Obligation Bonds		TASC Bonds		Business-type Activities Revenue Bonds	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 6,508,386	$ 4,221,952	$ -	$ 2,317,313	$ 325,377	$ 142,399
2010	10,527,183	3,931,129	-	2,317,313	327,818	130,879
2011	10,666,918	3,497,427	-	2,317,313	408,082	116,146
2012	10,162,271	3,078,479	-	2,317,313	417,729	101,565
2013-2017	40,529,837	9,578,998	-	11,586,563	1,310,163	322,577
2018-2022	18,757,239	3,418,033	350,000	11,577,813	717,761	96,352
2023-2027	6,425,000	851,782	5,900,000	10,784,563	125,000	15,000
2028-2032	600,000	26,250	7,225,000	9,026,006	-	-
2033-2037	-	-	9,805,000	6,575,838	-	-
2038-2042	-	-	23,894,242	63,669,558	-	-
2043-2047	-	-	3,245,000	97,350	-	-
2048-2052	-	-	4,889,934	66,030,066	-	-
2053-2057	-	-	2,604,375	70,490,625	-	-
2058-2060	-	-	8,357,728	547,342,272	-	-
Total	$ 104,176,834	$ 28,604,050	$ 66,271,279	$ 806,449,906	$ 3,631,930	$ 924,918
Less: Discount	-	-	(1,621,486)	-	-	-
Add: Premium	1,979,364	-	-	-	-	-
Total	$ 106,156,198	$ 28,604,050	$ 64,649,793	$ 806,449,906	$ 3,631,930	$ 924,918

Component Units:

Dutchess Community College

The College has entered into financing agreements with DASNY and Dutchess County to finance most of its educational facilities. The DASNY bonds for these facilities, which have a maximum 30-year life, will be repaid from the appropriations received from the State of New York. Dutchess County has issued general obligation bonds, with a maximum 30-year life, to fund their portion of the construction costs. The College is currently paying the County an annual fee for service on these bonds ($100,000 in 2008 and 2007) derived from capital chargebacks.

	Balance August 31, 2007	New Borrowings	Repayments	Balance August 31, 2008
Financing agreements	$ 36,576,892	$ 985,208	$ (1,559,070)	$ 36,003,030
Less: current portion	1,559,070			1,851,939
Noncurrent portion	$ 35,017,822			$ 34,151,091

As of August 31, 2008, debt service requirements relating to these obligations are as follows:

	DASNY	Dutchess County	Total Principal	Total Interest
Year Ending August 31:				
2009	$ 681,510	$ 1,170,429	$ 1,851,939	$ 1,638,303
2010	728,233	1,227,779	1,956,012	1,559,204
2011	668,650	1,288,000	1,956,650	1,472,442
2012	883,021	1,314,000	2,197,021	1,385,917
2013	821,666	1,300,000	2,121,666	1,289,598
2014-2018	5,505,384	5,564,000	11,069,384	4,891,814
2019-2023	5,632,965	1,545,000	7,177,965	2,597,374
2024-2028	4,769,751	15,000	4,784,751	1,188,475
2029-2033	1,585,489	-	1,585,489	518,332
2034-2038	238,645	-	238,645	337,496
2039-2041	-	1,063,508	1,063,508	159,527
	$ 21,515,314	$ 14,487,716	$ 36,003,030	$ 17,038,482

Interest on the DASNY bonds range from 2.25% to 5.5%. Interest on the Dutchess County bonds ranges from 3% to 6%.

Interest expense on total financing agreements for the College was approximately $2,030,000 in 2008.

Resource Recovery Agency

1998 A, B and C Series – Advance Refunding and Defeasance of Debt
In August 1998, the Agency refinanced both the 1990 A Series and the 1995 A&B Series Bonds in a transaction accounted for as an advance refunding of debt. The Agency issued a total of $39,485,000 in new debt bearing interest rates from 4.10% to 6% to advance refund $37,640,000 of outstanding 1990 and 1995 Solid Waste Management Revenue Bonds with interest rates ranging up to 7.50%. The proceeds, Agency and contractor contributions, and unspent prior bond proceeds, net of $1,515,534 in underwriting fees, insurance, and other costs, amounting to $39,709,458 were used to purchase U.S. government securities. These securities were deposited in irrevocable trusts with an escrow agent for all future debt service payments on the 1990 A and 1995 A&B Series bonds. As a result, the 1990 A and 1995 A&B Series bonds were considered to be in substance defeased and the liability for these bonds were removed from the Agency's financial statements.

The Agency recorded a deferred loss in the amount of $3,303,920, representing the difference between the net carrying value of the old debt including unamortized bond issuance costs and the reacquisition price. This loss will be written over the life of the new debt. The present values of the difference in debt service requirements and including the effect of the extension of the debt from 2010 to 2014 have resulted in an economic gain of $1,130,250. The unamortized deferred loss at December 31, 2008 was $461,945.

As of January 3, 2000 the 1990 A Series bonds were called and payments of $29,923,500 in principal and $1,089,870 in interest were made. As of January 2, 2003, 1995A and 1995B Series were called and payments of $4,815,000 in principal and $86,900 in interest were made.

1999 A and 2007 Tax-Exempt Forward Series
In October 1999 the Agency issued the 1999 A Series Bonds in the amount of $31,210,000, the proceeds of which were used to refund the 1998 A Series Bonds. The 1998 A Series Bonds, which were subject to a mandatory call and optional redemption on November 15, 1999, were called and payment of $31,200,000 in principal and $688,671 in interest was made.

In 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 1998, 1999, and 2007 Series Bonds are payable from and secured by an express lien on the unexpended proceeds of the bonds held by the Trustee; the Agency's right to receive and/or enforce receipt of revenues; and the Agency's rights and remedies under certain agreements. In addition, the Agency is required to fulfill certain covenants as described below.

Bonds payable, with interest payable semiannually on January 1, and July 1, consist of the following as of December 31, 2008:

Interest Rate	Issue Date	Maturity Date	Outstanding December 31, 2008
Series Bonds			
5.05%	1999	2009	$ 2,305,000
5.15%	1999	2010	2,420,000
5.25%	1999	2011	3,075,000
5.35%	1999	2012	3,235,000
5.40%	1999	2013	3,410,000
5.45%	1999	2014	3,595,000
5.00%	2007	2015	925,000
5.00%	2007	2016	975,000
5.00%	2007	2017	1,020,000
5.00%	2007	2018	1,070,000
5.00%	2007	2019	1,125,000
4.25%	2007	2020	1,180,000
4.25%	2007	2021	1,230,000
4.25%	2007	2022	1,285,000
4.50%	2007	2023	1,340,000
4.50%	2007	2024	1,400,000
4.50%	2007	2025	1,465,000
4.50%	2007	2026	1,530,000
4.50%	2007	2027	1,595,000
Term Bonds			
5.00%	1999	2009	480,000
5.00%	1999	2010	505,000
			$ 35,165,000
Less current portion			(2,785,000)
			$ 32,380,000

Annual amortization and sinking fund requirements for Bonds Payable is as follows:

Years ended December 31,	Principle	Interest	Total
2009	2,785,000	1,774,252	4,559,252
2010	2,925,000	1,532,155	4,457,155
2011	3,075,000	1,376,497	4,451,497
2012	3,235,000	1,209,240	4,444,240
2013	3,410,000	1,030,636	4,440,636
2014-2018	7,585,000	3,523,903	11,108,903
2019-2023	6,160,000	2,181,077	8,341,077
2024-2027	5,990,000	688,495	6,678,495
Totals	$ 35,165,000	$ 13,316,255	$ 48,481,255

The Series 1998 C Term Bonds maturing on January 1, 2010 are subject to mandatory redemption prior to maturity in part on any January 1, beginning January 1, 2004, from mandatory sinking fund installments made between 2004 and 2010.

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

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as restricted assets, which are subject to minimum funding requirements. At December 31, 2008 these debt service reserves exceeded their funding requirements.

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. Such debt has been issued under the following authorizations:

Trust Indenture
As of June 1, 1995 the Authority executed a trust indenture authorizing the issuance of debt for the purpose of acquiring a sewage facility. One supplemental trust indenture was authorized under terms similar to those described in the General Bond Resolution described below.

Special Bond Resolution
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.

General Bond Resolution

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 party debt. The Authority has issued seven supplemental resolutions pursuant to this general bond resolution, authorizing debt issues in the years of 1998, 1999, 2000, 2001, 2004 and two issues during 2002, 2007 and 2008.

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.

Description

Debt issued under the above listed authorizations is as follows as of December 31, 2008:

New York State Environmental Facilities Corporation State Water Pollution Control Revolving Fund Revenue Bond Series 2005 D, due in various installments through 2015, interest 3.70% - 5.55%	$ 355,000
1998 Revenue Bond (Zero Coupon) Series One, due in various installments starting in 2021 through 2029, interest 3.90% - 5.40%	3,817,818
1998 Revenue Bond Series Two, due in various installments through 2019, interest 3.90% - 5.43%	350,000
New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 1999B, due in various installments through 2019, interest 3.97% - 5.43%	12,020,000
New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bonds Series 1999B, due in various installments through 2019, interest 3.97% - 5.43%	250,000
2000 Service Agreement Revenue Bond Series 2000, due in various installments through 2020, interest 5.65%	600,000
2001 Service Agreement Revenue (Refunding) Bonds Series 2001, due in various installments through 2041, interest 3.00% - 5.36% - Partially refunded in 2002 as described below	1,223,410
2002 Service Agreement Revenue (Refunding) Bond Series 2002 Harbourd Hills, due in various installments through 2021, interest 1.333%-5.063%	2,275,000
New York State Environmental Facilities Corporation State Clean Water Revolving Fund Revenue (Refunding) Bonds Series 2002, due in various installments through 2023, interest 1.825%-5.705%	400,000
2004 Water Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	1,795,000
2004 Sewer Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00% - 4.25%	1,905,000
2007 Sewer Service Agreement Revenue Bond Series 2007, due in various installments through 2037, interest 4.00% - 5.00%	1,860,000
2007 Sewer Service Agreement Revenue Bond Series 2007, due in various installments through 2027, interest 4.00% - 4.625%	390,000
2008 Revenue Notes Series 2008, maturing December 17, 2009, interest 3.49%	250,000
2008 Revenue Notes Series 2008, maturing June 1, 2009, interst 2.79%	1,250,000
Total bonds payable	28,741,228
Accreted interest recorded on zero coupon bonds	3,296,326
Total long term debt	32,037,554
Current portion of long term debt	(2,895,000)
Total long term debt, less current portion	$ 29,142,554

In 2008, long term debt increased by $421,942 in accreted interest and decreased by $1,350,000 in payments.

Debt Service Requirements

Debt Service requirements to maturity as of December 31, 2008 are as follows:

Year Ending December 31,	Principal	Interest	Total
2009	$ 2,895,000	$ 1,134,122	$ 4,029,122
2010	1,445,000	1,027,103	2,472,103
2011	1,500,000	960,108	2,460,108
2012	1,560,000	888,724	2,448,724
2013	1,610,000	813,278	2,423,278
2014-2018	9,160,000	2,770,460	11,930,460
2019-2023	6,020,761	5,371,044	11,391,805
2024-2028	2,837,805	6,456,948	9,294,753
2029-2033	987,407	1,448,123	2,435,530
2034-2038	629,140	56,681	685,821
2038-2042	96,115	4,587	100,702
Totals	$ 28,741,228	$ 20,931,178	$ 49,672,406

Advance Refunding and Defeasance of Debt

In July 2002, the Authority refinanced a portion of the 2001 Series (Zone D Project) and a portion of the 1999 Series (Water Pollution Control) bonds in transactions accounted for as advance refundings of debt. The Authority defeased bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2008, the balance of the 2001 and 1999 defeased debt outstanding was $2,205,000 and $230,000, respectively.

The Authority recorded a deferred loss in the amount of $97,853, pertaining to the 2001 Series debt, representing the difference between the net carrying value of the old debt and the reacquisition price. This loss will be amortized over the life of the new debt. The present values of the difference in debt service requirements including subsidies obtained through the New York State Environmental Facilities Corporation has resulted in an economic gain of $272,360, while the difference in net cash flows resulted in a net savings of $348,852.

The Authority recorded a deferred loss in the amount of $20,825, pertaining to the 1999 Series debt, representing the difference between the net carrying value of the old debt and the reacquisition price. The costs of issuance and this loss, which are equal to the bond premium of $27,005, will be amortized over the life of the new debt. The present values of the difference in debt service requirements including subsidies obtained through the New York State Environmental Facilities Corporation has resulted in an economic gain of $27,660, although the difference in net cash flows resulted in an outflow of $104,191.

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 5C – Commitments and Contingencies.

B. Lease Obligations

Primary Government:

The County leases, buildings and equipment under noncancelable operating leases. Total costs for such leases were $2,181,897 for governmental activities for the year ended December 31, 2008. Future minimum lease payments at December 31, 2008 were as follows:

	Governmental Activities
2009	$ 1,870,246
2010	1,564,067
2011	480,273
2012	305,293
2013	57,937
2014-2017	-
Totals	$ 4,277,816

Component Units:

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%.

	Balance August 31, 2007	New Borrowings	Repayments	Balance August 31, 2008
Capital lease obligations	$ 4,367,812	$ -	$ (253,017)	$ 4,114,795
Less: current portion	204,390			366,982
Noncurrent portion	$ 4,163,422			$ 3,747,813

The future minimum payments required under the lease are as of August 31, 2008 follows:

	Principal	Interest
2009	$ 366,982	$ 191,308
2010	384,494	173,796
2011	402,843	155,447
2012	332,827	137,299
2013	283,230	123,921
Thereafter	2,344,419	657,916
	$ 4,114,795	$ 1,439,687

Interest expense related to capital lease obligations was approximately $220,500 in 2008.

Operating Leases

The College leases buildings for use in its operations under operating lease agreement which expire in August 2017. The agreements require the following minimum future annual lease payments as of August 31, 2008:

2009	$ 550,085
2010	550,085
2011	550,085
2012	550,085
2013	573,570
Thereafter	2,297,280
	$ 5,071,190

Rental expense for 2008 was approximately $545,700.

C. Interfund Balances and Activity

Interfund Receivables and Payables

Interfund balances at December 31, 2008 were as follows:

Payable from:	Payable to: General Fund
Community development	$ 33,835
Capital projects	2,371,444
Airport	482,381
Agency	328
Transportation	339,219
Total	$ 3,227,207

Payable from:	Payable to: Transportation
Airport	$ 319

The purpose of these interfund receivables and payables result from cash advances made by the general fund to other funds to cover capital expenses.

Interfund Transfers

Interfund transfers for the year ended December 31, 2008 were as follows:

Transfer from:	General Fund	Airport	Transportation	Other Governmental Funds	Total
General fund	$ 475,000	$ 699,072	$ 3,100,857	$ 232,000	$ 4,506,929
Airport	80,000	-	-	-	80,000
Transportation	50,000	-	-	-	50,000
Total	$ 605,000	$ 699,072	$ 3,100,857	$ 232,000	$ 4,636,929

Amounts transferred to the Airport and Transportation funds were the result of budgeted subsidies to fund capital project expenditures until federal and state funding is received.

D. Retirement Plan

Primary Government:

Plan Description

The New York State and Local Retirement System (the "System") is a cost-sharing, multiple-employer public employee retirement system (PERS) comprised of the New York State and Local Employees' Retirement System (ERS) and Local Police and Fire Retirement System (PFRS). The System is established pursuant to the New York State Retirement and Social Security Law, to provide retirement allowances and other specified benefits for the State, local governments and their employees. Substantially all employees of the County are eligible to participate in the System. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York

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

Funding Policy
The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contributes 3% of their salary for their first ten years of service, thereafter the Plan is noncontributory. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

2008:	General fund	$ 8,949,415
	Other governmental	565,220
2007:	General fund	9,711,118
	Other governmental	638,946
2006:	General fund	9,348,686
	Other governmental	619,742

The County's contributions made to the System were equal to 100 percent of the contributions required for the year.

Component Units:

Dutchess Community College

Plan Description
The College participates in the New York State and Local Employees' Retirement System (ERS), the New York State Teachers' Retirement System (TRS) and the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). ERS and TRS are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees for the TRS and ERS are governed by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). The Systems issue a publicly available financial report that includes financial statements and required supplementary information. The ERS report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244. The TRS report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Funding Policy

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contributed 3% of their salaries. Effective October 1, 2000, employees who joined the Systems after July 27, 1976 and have been members of the Systems for at least ten years, or have at least ten years of credited service are no longer required to contribute 3% of their salaries. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

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

	ERS		TRS	
	Actually Determined Rate	Required Contribution	Actually Determined Rate	Required Contribution
2008	8.0-16.3%	$ 715,062	8.73%	$324,546
2007	9.9-13.3%	$ 867,742	8.60%	$303,072
2006	10.4-15.1%	$ 815,095	7.97%	$244,208

The College's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA – CREF)

TIAA-CREF is a defined contribution plan under Section 403(b) of the Internal Revenue Code. Under the Plan, the College is required to make contributions based on the gross salaries of the participants. Certain participants are also required to make a participating contribution. For the year ended August 31, 2008, the College incurred approximately $1,250,000 in pension expense under this Plan.

Resource Recovery Agency

Plan Description

The Agency participates in the New York State and Local Employees' Retirement System (ERS) (System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy
The System is non-contributory except for employees who joined ERS after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute annually at an actuarially determined rate. The required contributions for the current year and two preceding years ending December 31 were:

		ERS
2008	$	34,119
2007		43,067
2006		53,254
Total	$	130,440

The Agency's contributions made to the System were equal to 100 percent of the contributions required for each year.

Water and Wastewater Authority

Pension Plan

Plan Description
Through the acquisition of the assets and employees of the Hyde Park Fire District, the Dutchess County Water and Wastewater Authority is now required to participate in the New York State Local Employees Retirement System and the Public Employees' Group Life Insurance Plan System. This is a cost sharing multiple employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes an Annual Report and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12236.

Funding Policy
The systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Authority is required to contribute at an actuarially determined rate. The required contribution for the current year and two prior years were $115,786, $83,055 and $79,615, respectively. The Authority's contributions made to the System were equal to 100% of the contributions required for those years.

E. 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.

In October 1997 the Governmental Accounting Standards Board issued Statement No. 32 Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments.

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. Consequently, Statement No. 32 became effective for the New York State Deferred Compensation Plan as of October 1, 1997. 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. Therefore, 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, 2008, the market value of the plan assets totaled $64,947,768.

F. Post Employment Benefits

Primary Government:

During 2007, the County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Post-Employment Benefits other than Pension* which requires an accrual by the County for post retirement benefits and related liabilities.

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 (an enterprise fund). The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the primary government and Airport (enterprise fund) may vary according to length of service. Substantially all employees may become eligible for those benefits if they reach normal retirement age and length of service requirement while working for these entities. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid within the governmental funds. During 2008, the County paid $3,233,400 on behalf of 663 retirees and their spouses for the primary government and $4,000 was paid on behalf of 1 retiree for the Airport (enterprise fund). These expenditures were charged to the respective operating funds.

Funding Policy

The County's annual other post employment benefit (OBEB) cost (expense) is calculated based on the annual required contribution, (ARC), of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 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 recorded on a "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 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. For the year ended December 31, 2008, the County's and the Airport's annual OPEB costs of $22,591,200 and $113,200, respectively, was recognized through the government wide statement of activities. Participating employees and active pension plan members are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members. The percentage that is contributed is determined by the class of employee and their adjusted benefit date. For management employees there is no contribution, confidential employees have no contribution if their adjusted benefit date is prior to January 1, 1982 and if it is after they contribute 10%. For CSEA employees their rate is 5%, 15%, or 20% if their adjusted benefit dates are prior to July 1, 1979 and January 1, 2007 and after January 1, 2007, respectively. For DCSEA employees there is no contribution, 15%, or 20% if their adjusted benefit dates are prior to November 1, 1979, between November 1, 1979 and January 1, 2004 and after January 1, 2004, respectively. For PBA employees there is no contribution and a 20% contribution if their adjusted benefit date is prior to November 1, 1979 and after November 1, 1979, respectively.

The number of participants as of August 1, 2008 was as follows:

	County Excluding Airport	Airport	Total
Active Employees	2,092	12	2,104
Retired Employees	663	1	664
Total	2,755	13	2,768

Funding for the plan has been established on a pay-as-you-go basis. The County currently has no assets set aside for the purpose of paying post employment benefits.

The total unfunded accrued liability, amortization period and required contribution for 2008 is as follows:

	County Excluding Airport	Airport	Total
Accrued Liability	$ 268,918,500	$ 1,123,300	$ 270,041,800
Assets	-		-
Unfunded Liability	$ 268,918,500	$ 1,123,300	$ 270,041,800
Amortization Period	30 Years	30 Years	30 Years
Past Service Cost	$ 10,220,200	$ 42,700	$ 10,262,900
Normal Cost	12,188,600	69,300	12,257,900
ARC for December 31, 2008	22,408,800	112,000	22,520,800
Interest obligation	918,500	6,300	924,800
Adjustments to the ARC	(736,100)	(5,100)	(741,200)
Annual postretirement benefit cost	22,591,200	113,200	22,704,400
Benefit Payouts for 2008	3,233,400	4,000	3,237,400
Net Impact	$ 19,357,800	$ 109,200	$ 19,467,000

The funded status of the Plan as of December 31, 2008 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
8/1/2008	$ -	$ 270,041,800	$ 270,041,800	0%	N/A	N/A

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2007 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return, which is the expected long-term investment returns on the County's general fund, and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5% after eleven years. Both rates included a 5.0% inflation assumption. The remaining amortization period at August 1, 2008 was 29 years.

Component Units:

Dutchess Community College

Other Post Retirement Benefits
During 2007, the College implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively. This Statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosures.

Plan Description

The College administers its retiree health insurance plan (the Plan) as a single-employer defined benefit other postretirement benefit (OPEB) plan. The Plan provides for continuation of medical insurance benefits for certain qualifying retirees and their covered dependents and can be amended by action of the college subject to applicable collective bargaining and employment agreements. The Plan does not currently issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the College pursuant to applicable collective bargaining and employment agreements. The required contributions rates of the employer and the members varies depending on the applicable collective bargaining or employment agreement covering the retiree, the retiree's hire date and number of years of service to the College. The College currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of pre-funding additional benefits if so determined by the College. For 2008, the College contributed approximately $819,000 for current premiums. The costs of administering the Plan are paid by the College.

Funded Status and Funding Progress

In future years, three-year trend information will be presented. Fiscal year 2007 was the year of implementation of GASB Statement No. 45 and the College has elected to implement prospectively. Therefore, prior year comparative data is not available. The following table sets forth the actuarial accrued liability and funded status of the plan as of August 31, 2008, the latest valuation date.

Actuarial Accrued Liability (AAL)	College
Currently retired	$ 27,456,000
Active employees	74,145,000
Actuarial accrued liability	101,601,000
Actuarial value of plan assets	-
Unfunded liability	$ 101,601,000
Funded ratio	0%
Normal cost	$ 4,360,000

The following table summarizes the amortization calculation of the UAAL as of the latest valuation date:

UAAL	$ 101,601,000
Amortization period (years)	30
Amortization discount rate	4%
Present value factor	17.9800
UAAL amortization amount	$ 5,481,000

Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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. The following table shows the components of the College's annual OPEB cost for 2008:

Normal cost	$ 4,360,000
Amortization of UAAL	5,481,000
ARC	9,841,000
Interest on OPEB obligation	341,000
Adjustment to ARC	(474,000)
OPEB expense	$ 9,708,000

Resource Recovery Agency

Post Retirement Benefits

The Agency provides health care benefits for retired employees under a plan administered by Dutchess County and established by the Dutchess County Legislature. All employees become eligible for these benefits if they qualify for retirement while working for the Agency. The Authority recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability for the prior year and provided information useful in assessing potential demands in the Authority's cash-flows.

Recognition of the liability accumulated from the prior years will be phased in over 30 years, commencing with the 2007 liability.

Plan Description

The Agency provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their services to the Agency. Currently, there are two retirees receiving post employment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for life of the retiree based on the retiree's years of service at retirement. A summary of benefits is as follows:

	% Paid by Authority	
Years of Service	Retiree	Dependent/Spouse
10	50%	35%
15	60%	45%
20	70%	55%
25	80%	65%

Funding Policy

The Agency is currently paying postemployment benefits for two retirees. Although the Agency is considering the establishment of trusts that would be used to accumulate and invest assets necessary to pay the accumulated liability, these financial statements assume the pay-as-you-go funding.

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2008, the OPEB cost (expense) amounted to $66,400 which was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded liabilities over a period of 30 years.

Benefit Obligation at Normal Cost

Actuarial Accrued Liability (AAL)		
Retired and active employees	$	702,700
Unfunded actuarial accrued liability (UAAL)	$	702,700

Level Dollar Amortization

Past Service Costs	$	26,700
Normal Costs		39,700
Annual Required Contribution (ARC)	$	66,400
Percent of annual OPEB cost contributed		0%

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

The schedule of funding progress presents the results of OPEB valuations as of August 1, 2008 and for the year ended December 31, 2008:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAl) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
8/1/2008	$ -	$ 702,700	$ 702,700	0%	N/A	N/A

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2008, actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 5% baseline discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature such as money market funds, was considered in the selection of the 5% rate. The valuation assumes an initial 10.5% healthcare cost inflation rate, reduced by decrements of .5% for the next 11 years at the time it would be 5%.

Water and Wastewater Authority

Post Employment Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for the year ended December 31, 2008, the Authority recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability for the prior year, and provided information useful in assessing potential demands on the Authority's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability.

Plan Description

The Authority provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their services to the Authority. Currently, there are no retirees receiving post employment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for life of the retiree based on the retiree's years of service at retirement. A summary of benefits is as follows:

	% Paid by Authority	
Years of Service	Retiree	Dependent/Spouse
10	50%	35%
15	60%	45%
20	70%	55%
25	80%	65%

Funding Policy

The Authority is currently not paying postemployment benefits for any individuals. Although the Authority is considering the establishment of trusts that would be used to accumulate and invest assets necessary to pay the accumulated liability, these financial statements assume the pay-as-you-go funding.

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2008, the Authority's OPEB cost (expense) amounted to $130,000 and was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded liabilities over a period of 30 years.

Benefit Obligation at Normal Cost

Actuarial Accrued Liability (AAL)		
Retired employees (0)	$	-
Active employees (16)		1,329,500
Unfunded actuarial accrued liability (UAAL)	$	1,329,500

Level Dollar Amortization

Past Service Costs	$	50,500
Normal Costs		79,500
Annual Required Contribution (ARC)	$	130,000
Percent of annual OPEB cost contributed		0%

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

The schedule of funding progress presents the results of OPEB valuations as of August 1, 2008 and for the year ended December 31, 2008:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAI) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
8/1/2008	$ -	$ 1,329,500	$ 1,329,500	0%	N/A	N/A

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2008, actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 5% baseline discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature such as money market funds, was considered in the selection of the 5% rate. The valuation assumes an initial 10.5% healthcare cost inflation rate, reduced by decrements of .5% for the next 11 years at the time it would be 5%.

G. Self-Insurance - Workers' Compensation

The Dutchess County Self-Insured Workers' Compensation Plan was organized in 1980 to provide a program of workers' compensation coverage for its member organizations. All political subdivisions in the County of Dutchess are eligible to participate. The program'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. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would not be responsible for the Fund's liabilities but would remain responsible for their individual liabilities which would include their estimated claims and related administrative obligations. A Fund member would also be responsible for its individual liabilities if it were to withdraw from the Fund. Fund members currently include three towns, one village, Dutchess Community College, Dutchess County Resource Recovery Agency and Dutchess County. The activity of the Plan is recorded in the General Fund.

The Plan maintains insurance coverage for claims in excess of $500,000.

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:

	2008
Unpaid claims and claim adjustment expenses at beginning of year	$ 26,408,830
Incurred claims and claim adjustment expenses:	
Provision for events of the current year	1,543,768
Increase in provision for events of prior years	570,983
Total incurred claims and claim adjustment expenses	2,114,751
Payments:	
Claims and claim adjustment expenses attributable to events of the current year	(205,306)
Claims and claim adjustment expenses attributable to events of prior years	(2,972,843)
Total payments	(3,178,149)
Total unpaid claims and claim adjustment expenses at end of the year	$ 25,345,432

Summarized financial information for the self-insurance fund on the modified accrual basis at December 31, 2008 is as follows:

Total assets	$ 3,933,212
Total revenues	$ 5,144,383
Total expenses	$ 3,632,633

5. Other Note Disclosures

A. Condensed financial statements of component units

CONDENSED STATEMENT OF NET ASSETS

	Dutchess Community College	Resource Recovery Agency	Water and Wastewater Authority	Aggregated Non-Major Component Units	Total Aggregate Discretely Presented Component Units
Assets					
Cash and cash equivalents	$ 12,213,473	$ 295,413	$ 6,997,498	$ 1,925,389	$ 21,431,773
Restricted cash and investments	1,212,553	11,605,019	3,373,043	1,068,853	17,259,468
Investments	9,127,833	-	-	-	9,127,833
Receivables, net	13,812,786	2,075,032	1,137,306	-	17,025,124
Inventories	535,323	-	-	-	535,323
Due from other governments	-	135,562	-	-	135,562
Other assets	907,132	1,053,467	1,408,871	1,863	3,371,333
Capital assets, net	59,539,733	36,204,739	52,713,062	1,861	148,459,395
Total assets	97,348,833	51,369,232	65,629,780	2,997,966	217,345,811
Liabilities					
Accounts payable and accrued liabilities	7,944,193	4,250,250	977,437	101,212	13,273,092
Deferred revenue	13,184,997	688,376	33,155,344	-	47,028,717
Due to other governments	-	224,694	34,721	-	259,415
Due within one year	2,627,479	2,785,000	2,895,000	-	8,307,479
Due within more than one year	39,649,570	32,497,753	29,401,654	-	101,548,977
Total liabilities	63,406,239	40,446,073	66,464,156	101,212	170,417,680
Net Assets (Deficit)					
Invested in capital, net of related debt	34,155,529	496,618	(6,285,527)	1,861	28,368,481
Restricted	4,310,498	11,605,019	3,372,983	-	19,288,500
Unrestricted	(4,523,433)	(1,178,478)	2,078,168	2,894,893	(728,850)
Total net assets (deficit)	$ 33,942,594	$ 10,923,159	$ (834,376)	$ 2,896,754	$ 46,928,131

CONDENSED STATEMENT OF ACTIVITIES

	Dutchess Community College	Resource Recovery Agency	Water and Wastewater Authority	Aggregated Non-Major Component Units	Total
Operating expenses					
Disposal fees	$ -	$ 2,396,626	$ -	$ -	$ 2,396,626
Service fees	-	10,730,354	-	-	10,730,354
Administrative expenses	4,781,536	1,554,745	1,327,989	-	7,664,270
Interest expense	2,030,303	1,751,169	1,616,462	-	5,397,934
Depreciation	2,094,839	2,030,168	1,014,722	852	5,140,581
Amortization	-	415,870	80,989	-	496,859
Instruction	28,342,933	-	-	-	28,342,933
Public service	454,032	-	-	-	454,032
Academic support	3,766,541	-	-	-	3,766,541
Libraries	1,166,804	-	-	-	1,166,804
Student services	5,737,879	-	-	-	5,737,879
General institution	6,858,590	-	-	-	6,858,590
Operation and maintenance of plant	7,865,122	-	2,975,268	-	10,840,390
Student aid	3,727,405	-	-	-	3,727,405
Auxiliary	414,851	-	-	-	414,851
Bookstore	2,988,616	-	-	-	2,988,616
Food service and other	52,918	-	-	-	52,918
Day care	321,676	-	-	-	321,676
Personal services	-	-	-	357,786	357,786
Employee benefits	-	-	-	112,784	112,784
Purchases and contracted services	-	-	58,843	1,494,371	1,553,214
Other	1,861,041	1,535	-	-	1,862,576
Total operating expenses	72,465,086	18,880,467	7,074,273	1,965,793	100,385,619
Program revenues					
Tipping fees	-	11,062,800	-	-	11,062,800
Energy sales	-	4,213,284	-	-	4,213,284
Other charges for services	2,438,683	-	4,216,055	302,661	6,957,399
Student tuition and fees	18,344,072	-	-	-	18,344,072
Grants and contracts	7,787,994	-	-	-	7,787,994
Auxiliary	401,419	-	-	-	401,419
Bookstore	3,703,600	-	-	-	3,703,600
Other	4,444,389	-	3,000	109,462	4,556,851
Operating grants and contributions	15,931,448	46,018	-	677,690	16,655,156
Capital grants and contributions	1,390,351	-	-	-	1,390,351
Total program revenues	54,441,956	15,322,102	4,219,055	1,089,813	75,072,926
Net program expense	(18,023,130)	(3,558,365)	(2,855,218)	(875,980)	(25,312,693)

	Dutchess Community College	Resource Recovery Agency	Water and Wastewater Authority	Aggregated Non-Major Component Units	Total
General revenues					
Payments from Dutchess County	9,619,029	3,496,200	2,482,938	337,763	15,935,930
Unrestricted interest earnings and other	1,147,554	346,574	417,896	-	1,912,024
Total general revenues	10,766,583	3,842,774	2,900,834	337,763	17,847,954
Change in net assets (deficit)	(7,256,547)	284,409	45,616	(538,217)	(7,464,739)
Beginning net assets	41,199,141	10,638,750	(879,992)	3,434,971	54,392,870
Ending net assets (deficit)	$ 33,942,594	$ 10,923,159	$ (834,376)	$ 2,896,754	$ 46,928,131

B. Related Party Transactions

Primary Government:

The following schedule presents significant transactions between the primary government and its component units during the year ended December 31, 2008:

	Component Unit	Nature of Transaction
Community College	9,619,029	Operating and Capital Support
Resource Recovery Agency	3,496,200	Net Service Fees
Water and Wastewater Authority	2,482,938	Grants from Dutchess County
Soil and Water Conservation District	337,763	Charges for Services
	$ 15,935,930	

Component Units:

Resource Recovery Agency:

Dutchess County is responsible for net service fees due to the Agency. These fees amounted to $3,496,200 in 2008. At December 31, 2008, $88,889 was due from Dutchess County and included in Due to other governments.

During 2008, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged $115,586.

Water and Wastewater Authority:

The Authority has entered into a service agreement with Dutchess County to provide water service 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 December 31, 2008, the Authority recorded revenues of $2,482,938 and $34,721 that was due to the County.

C. Commitments and Contingencies

Primary Government:

Grant Programs

The County participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

Litigation

The County is a defendant in a number of lawsuits. In the opinion of the County Attorney, after considering all relevant facts including discussions with outside counsel in certain instances, such litigation will not in the aggregate have a material adverse effect on the financial position or results of operations of the County. At December 31, 2008, a liability of $1,000,000 has been recorded in the caption "Judgments and claims" on the government-wide statement of net assets. Such estimate is based upon individual cases reported at December 31, 2008 for which the estimate of possible exposure is a range between $1,000,000 and $3,000,000.

Commitments
The County had the following outstanding construction projects in progress as of December 31, 2008, as evidenced by contractual commitments.

Project	Commitment Remaining
Equipment, machinery and vehicle purchases	$ 159,608
County road repair	1,736,229
Replacement of underground fuel tanks	163,617
Dutchess Community College building renovations	3,629
County building / roof repairs	1,464,151
County Bridge repair / reconstruction	804,882
Airport public works	193,572
Safety / emergency response	1,528,519
Property remediation	4,750
County networking	900
Preservation	254,335
Records management	3,056,391
DCC equipment	26,266
Airport balefill	423
Stadium improvements	22,729
	$ 9,420,001

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, 2008, the County has provided $9,574,377 to the Authority which is reflected as "Other Assets" in the Statement of Net Assets. The project is being amortized on a straight-line basis over the next 25 years with amortization expense of $432,522 in 2008.

Component Units:

Dutchess Community College

Contingencies
The College has received Federal and State Aid and Grants which are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowance and a request for a return of funds to the Federal and State governments. The College believes disallowances, if any, will be immaterial.

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.

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 yearly basis.

Resource Recovery Agency

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

Operations Service Agreement
The Agency has entered into an operations service agreement, with a commercial corporation wherein the corporation has agreed to operate the resource recovery plant, and the Agency is required to provide the plant with a guaranteed amount of solid waste, provide an ash landfill, and pay fees to the corporation. The agreement is to be in effect through June 2014 and includes provisions for renewal.

The Agency has contracted to pay to the corporation $34 per net ton of solid waste processed, adjusted based upon changes in labor and material price indexes, 15% of revenues from energy sales and 50% of revenues from energy sales in excess of agreed-upon levels. In addition, the Agency has contracted to pay utilities, insurance and certain other expenses pertaining to plant operations subject to certain maximum levels.

In addition, the Agency is required to pay the corporation $500,000 per year, plus an adjustment for price index increases to reimburse the corporation for repairs and replacement of major components of the plant.

The Agency's current operating permit allows for up to 164,000 tons to be delivered to the plant. However, the Agency is required to supply the corporation with a minimum of 140,000 tons or pay the corporation $34 a ton for each ton of solid waste below that amount which is not delivered to the plant. However, during 2008 the Agency caused to have delivered 143,506 acceptable tons.

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

Transportation of Ash Residue and Nonprocessable 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
In January 2003, the Agency began delivering ash residue and by-pass waste to a municipal landfill under terms of a five-year contract through December 31, 2007. As of January 1, 2003, the agreement was modified to provide for 12 monthly installments of $84,375 totaling $1,000,000 for the disposal of the first 50,000 tons of ash. Tonnage in excess of this is billed at a rate of $45 per ton. The Agency may deliver up to a maximum of 55,000 tons of ash on an annual basis. The Agency is entitled to deposit up to 5,000 tons of bypass waste as a substitute for ash. Tonnage for the bypass waste is billed at a rate of $30 per ton.

As of January 2008, the Agency entered into contracts with four different landfills to deliver ash residue and by-pass waste. Three of the contracts with the landfills are five year agreements which will expire on December 31, 2012. The fourth contract is a one year agreement that has been extended during 2008 for an additional year and will expire on December 31, 2009. The terms of these agreements vary based on amount of tons that can be delivered to each landfill and the cost per ton.

Recyclable Processing Agreement
The Agency and Dutchess County entered into a revised recyclable processing agreement dated February 1, 1999. The County agreed to deliver at least 125 tons per week of uncontaminated recyclable materials to the Materials Recovery Facility, and it is the Agency's obligation to accept, process, and market recyclable materials. The Agency shall have the right to charge the County and the County shall have the obligation to pay the Agency net processing fees, as defined in the contract. The terms of the agreement will remain in effect through December 2002, as extended and include provisions for renewal in five year increments.

Materials Recovery Facility Project Agreement
The Agency has contracted with a commercial corporation to operate its materials recovery facility. The Agency will provide the plant with commingled and source separated recyclable materials, provide for the removal and disposal of rejected materials, and pay to the corporation service fees to operate the facility at an annual rate of $250,000 for the year ending December 31, 2008.

Economic Dependency
The Agency is entitled to receive net service fees from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover operating expenses and debt service requirements. Although these payments are subject to resolutions by the Dutchess County Legislature approving the appropriation, no approvals have been withheld by the Legislature. For the year ended December 31, 2008, the Agency recorded net service revenue of $3,496,200.

Operating Permits
The Agency is required to maintain operating permits for its small power production and solid waste management facility which currently expire in July 2011.

Water and Wastewater Authority

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 $1,000,000, property of $31,383,050, workers compensation of $100,000.

Dutchess Central Utility Corridor
In June 2002, the Authority signed an agreement with Dutchess County outlining a project known as the Dutchess Central Utility Corridor, consisting of a 24" water transmission line and necessary pumping capacity for the purpose of transmission of water to serve the Hudson Valley Research Park in East Fishkill, New York and other future customers. The project is currently estimated to cost $33,269,000, with funding coming in the form of grants from New York State, $11,250,000, International Business Machines, Inc. $11,375,000, the Town of East Fishkill $269,000 and Dutchess County $10,375,000. There were also interest earnings on advances and grants and the total amount attributed to the project as of December 31, 2008 was approximately $34,034,902 which was accounted for in deferred revenues. The Authority expects to return approximately 4.2 million in unused funds to Dutchess County and IBM. The Authority recognized $595,853 in revenue for the year ended December 31, 2008 which was recorded net of depreciation. Current deferred revenue expected to be recognized in 2008 amounted to $17,200 for consulting contracts (non Corridor related) and $595,853 for the Corridor, totaling $613,053 as of December 31, 2008. The long term portion of deferred revenue amounted to $32,542,291 as of December 31, 2008, and was all relating to the Corridor.

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

Economic Dependency
As described in Note 4A- Long Term Liabilities, the Authority has entered into a service agreement with Dutchess County to provide water service 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 2008, the Authority recorded revenue of $2,482,938 and $34,721 that was due to the County. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

Industrial Development Agency

Industrial Revenue Bonds
Bonds authorized by the IDA and issued through various lending institutions are designated as special obligations of the IDA and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances the IDA is the holder of legal title to properties acquired with industrial revenue bond financing until such point in time as the construction of property improvements has been completed or satisfaction of the obligation has been affected in full, the IDA does not act as a guarantor in the event of default. Accordingly, recourse on the part of the lending institution against the IDA is limited to collateralization properties and revenues as specified in the body of the applicable financing agreement. Additionally, in each of these financings, the IDA has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the industrial revenue bonds. As a consequence, the IDA does not reflect such bonds or related properties on its financial statements. Industrial revenue bonds authorized by the IDA and outstanding at December 31, 2008 total $627,860,000.

Dutchess County, New York
Budgetary Comparison Schedule of the General Fund - RSI
Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget—Favorable (Unfavorable)
	Original	Final		
Budgetary fund balance, January 1	$ 65,582,816	$ 65,582,816	$ 65,582,816	$ -
Resources (inflows)				
Real property taxes	78,779,212	78,779,212	84,109,657	5,330,445
Sale and use taxes	154,510,910	154,510,910	152,879,803	(1,631,107)
Other taxes	10,642,810	10,957,473	8,531,288	(2,426,185)
Departmental	29,598,564	30,002,094	32,433,437	2,431,343
Interest and rentals	3,048,010	3,048,010	2,982,476	(65,534)
Grants and aid	96,978,997	103,728,555	105,991,416	2,262,861
Miscellaneous	2,107,882	2,157,839	8,518,686	6,360,847
Transfers in	625,000	625,000	605,000	(20,000)
Proceeds of obligations	-	-	-	-
Self insurance (added to departmental, misc. interest, transfer)	3,895,528	3,895,528		(3,895,528)
Appropriated reserve				-
Appropriated fund balance	22,318,329	23,265,975		(23,265,975)
Total revenues and appropriation of prior year's fund balance	402,505,242	410,970,596	396,051,763	(14,918,833)
Expenditures and encumbrances				
General government	66,656,330	66,439,599	66,236,419	203,180
Education	2,145,650	2,145,650	2,577,375	(431,725)
Public safety	53,716,200	55,657,517	53,063,254	2,594,263
Health	66,680,475	68,840,274	61,856,827	6,983,447
Transportation	2,455,739	2,481,020	2,559,227	(78,207)
Economic assistance and opportunity	126,683,683	130,955,034	129,316,060	1,638,974
Culture and recreation	3,522,916	3,522,743	3,261,344	261,399
Home and community services	10,889,739	10,874,128	9,851,331	1,022,797
Employee benefits	42,789,486	42,212,471	40,956,957	1,255,514
Debt service				-
Principal retirement	6,075,538	6,098,900	6,098,900	-
Interest	3,702,627	3,721,774	3,404,096	317,678
Self insurance	3,895,528	3,895,528	3,157,633	737,895
Transfer out	13,291,331	14,125,958	14,125,958	-
Total expenditures and encumbrances	402,505,242	410,970,596	396,465,381	14,505,215
Fund balance, December 31	$ 65,582,816	$ 65,582,816		

Dutchess County, New York
Budgetary Comparison Schedule - Note to RSI
Year Ended December 31, 2008

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 396,051,763
Differences—budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not *revenues* for financial reporting purposes.	(605,000)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	$ 395,446,763
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 396,465,381
Differences—budget to GAAP:	
Transfer to other funds are outflows of budgetary resources but are not expenses for financial reporting purposes	
Transfers to other funds	(14,125,958)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	$ 382,339,423

Expenditures for self-insurance included in the statement of revenues, expenditures and encumbrances - budget and actual are unfavorable, as certain amounts are not budgeted for, but are paid from reserve funds.