

Dutchess County, New York
Annual Financial Report
December 31, 2011

Dutchess County, New York
Index
December 31, 2011

	Page(s)
Management’s Discussion and Analysis	1–16
Report of Independent Auditors	17–18
Basic Financial Statements	
Statement of Net Assets	19
Statement of Activities.....	20
Balance Sheet – Governmental Funds	21–22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	24
Statement of Net Assets – Business type Activities	25
Statement of Revenues, Expenses, and Changes in Net Assets – Business type Activities	26
Statement of Cash Flows – Business type Activities	27
Statement of Fiduciary Net Assets – Fiduciary Funds.....	28
Statement of Changes in the Fiduciary Net Assets – Fiduciary Funds	29
Notes to Financial Statements	30–99
Required Supplementary Information	
Budgetary Comparison Schedule of the General Fund	100
Notes to Budgetary Comparison Schedule of the General Fund.....	101

Management's Discussion and Analysis

Dutchess County, New York

Management's Discussion and Analysis

December 31, 2011

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, 2011. It should be read in conjunction with the basic financial statements and notes to the financial statements contained herein.

Financial Highlights

- On December 22, 2011, the County issued \$13.4 million Public Improvement (Serial) Bonds with an average interest rate of 2.7% 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.
- In addition, the County issued \$5,395,000 in Serial Bonds which were used to advance refund \$5,750,000 of the 2003 public improvement serial bonds. The County recorded a gain on bond refunding in the amount of \$544,473 related to this transaction.
- In fiscal 2011, the County implemented Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation. Fund balance are prepared in five different classifications: nonspendable, restricted, committed, assigned, and unassigned.
- At December 31, 2011, the unassigned fund balance of the general fund was approximately \$18.1 million.
- There was appropriated fund balance of \$15 million used for the 2011 budget adopted in 2010. The summary of details of the major components of fund balance can be found on page 16.
- The principal sources of County revenue, other than state and federal aid, consist of property taxes and sales tax. Property tax collections for 2011, including adjustments (interest and penalty; real property tax auction) were \$108.8 million which represents a 2.5% increase over 2010 and 24.23% of total revenues.
- 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, 2011, the County wide obligation is \$485,735,129 which is to be paid out in health benefits for its active and retired employees. The amounts recognized for the year ending December 31, 2011 are \$25,871,029 for the County, \$188,339 for the Airport and \$6,194 for Mass Transit. The remaining amounts unfunded for the year ended December 31, 2011 are \$96,829,905 for the County, \$682,686 for the Airport and \$6,194 for Mass Transit.

**Dutchess County, New York
Management's Discussion and Analysis
December 31, 2011**

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:

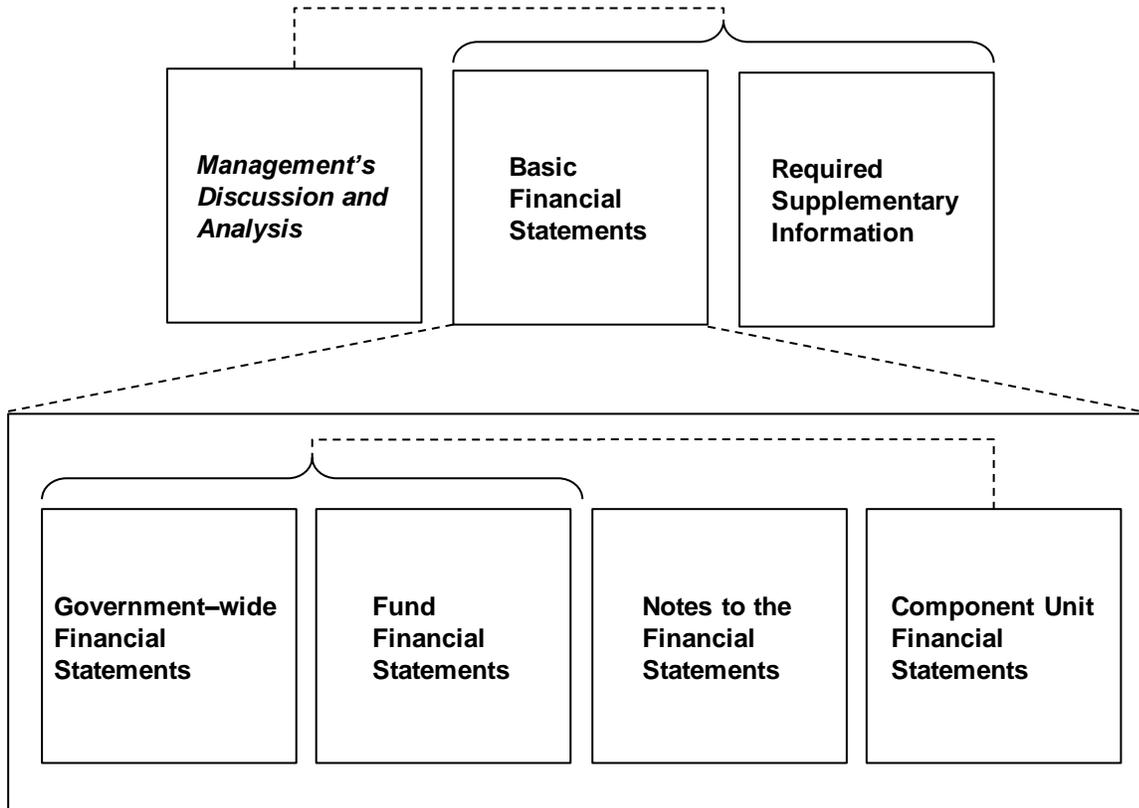


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each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

**Dutchess County, New York
Management's Discussion and Analysis
December 31, 2011**

Figure A-2 Major Features of Dutchess County's Government-wide and Fund Financial Statements				
	Government-wide Activities	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	<i>Entire County government (except fiduciary funds) and the County's component units.</i>	<i>The activities of the County those are not proprietary or fiduciary, such as public safety, education and health.</i>	<i>Activities the County operates similar to private businesses, such as bus transportation and the airport.</i>	<i>Instances in which the County is the trustee or agent for someone else's resources.</i>
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Modified accrual accounting and current financial resources focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Accrual accounting and economic resources focus</i>
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

Dutchess County, New York

Management's Discussion and Analysis

December 31, 2011

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 19 and 20 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 21 through 24 of this report.

Proprietary funds for the County are proprietary funds. Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses proprietary funds to account for the Airport and the Loop Bus Transportation System.

The proprietary fund financial statements can be found on pages 25 through 27 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 28 and 29 of this report.

Dutchess County, New York Management's Discussion and Analysis December 31, 2011

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, 2011 and 2010.

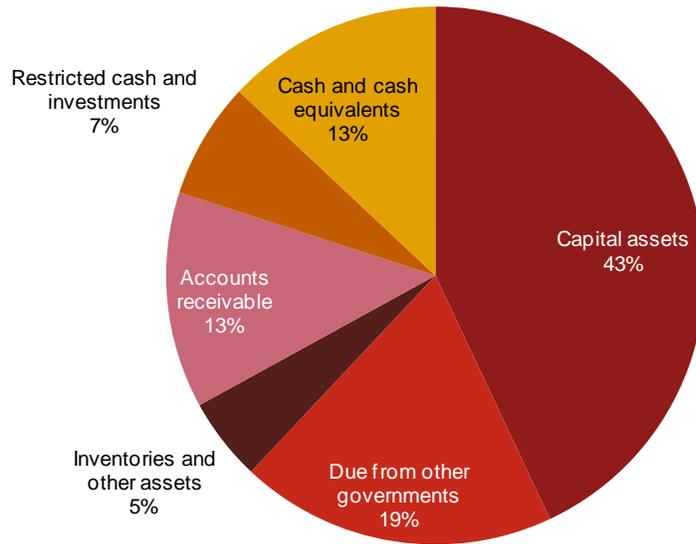
	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Asset						
Current and other assets	\$ 217,827,860	\$ 6,114,104	\$ 223,941,964	\$ 209,759,598	\$ 9,322,172	\$ 219,081,770
Capital assets	161,499,441	26,475,588	187,975,029	162,533,430	25,035,697	187,569,127
Total assets	379,327,301	32,589,692	411,916,993	372,293,028	34,357,869	406,650,897
Liabilities						
Other liabilities	94,623,464	1,327,989	95,951,453	96,485,701	3,791,224	100,276,925
Long-term liabilities	304,480,823	6,353,440	310,834,263	283,129,620	5,923,219	289,052,839
Total liabilities	399,104,287	7,681,429	406,785,716	379,615,321	9,714,443	389,329,764
Net Assets						
Invested in capital assets, net of related debt	25,915,139	20,853,187	46,768,326	10,600,484	19,645,306	30,245,790
Restricted	13,935,908	-	13,935,908	19,669,696	-	19,669,696
Unrestricted	(59,628,033)	4,055,076	(55,572,957)	(37,592,473)	4,998,120	(32,594,353)
Total net assets (liabilities)	\$ (19,776,986)	\$ 24,908,263	\$ 5,131,277	\$ (7,322,293)	\$ 24,643,426	\$ 17,321,133

The amount by which the County's assets exceed its liabilities is the total net assets (liabilities). At December 31, 2011, the County's total net assets were \$5.1 million. Of that amount, approximately \$46.8 million was invested in capital assets, net of related debt. Another \$13.9 million was subject to external restriction upon its use. The negative \$55.6 of million unrestricted net assets are a result of GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*, adopted during the year ended December 31, 2007 which includes a cumulative unfunded liability for the County of \$96.8 million, \$.7 million for the Airport and \$6,194 for Mass Transit.

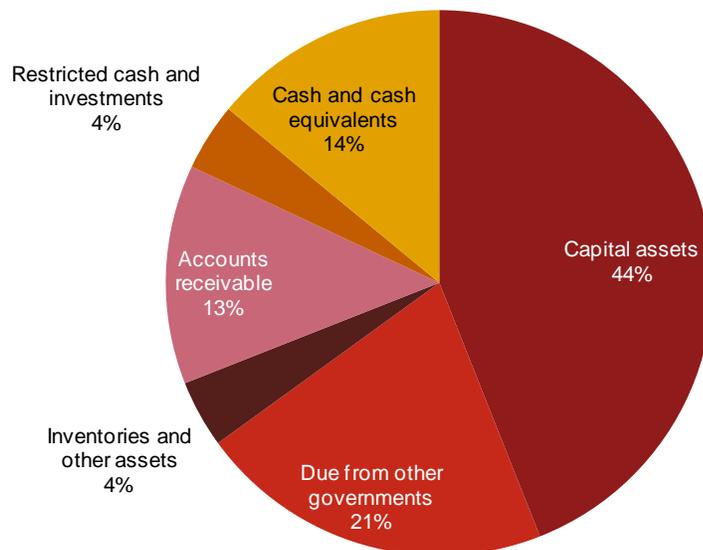
Total State and Federal receivables within the General Fund, which is included in current and other assets, have increased from \$48.9 million in 2010 to \$56.1 million in 2011. Such reimbursements are principally for mental health and other ongoing programs. During 2011, the economic downturn has significantly impacted the timing of receipt of State and Federal monies due to the County.

**Dutchess County, New York
Management's Discussion and Analysis
December 31, 2011**

Assets – General Government – 2011 (Government Activities)

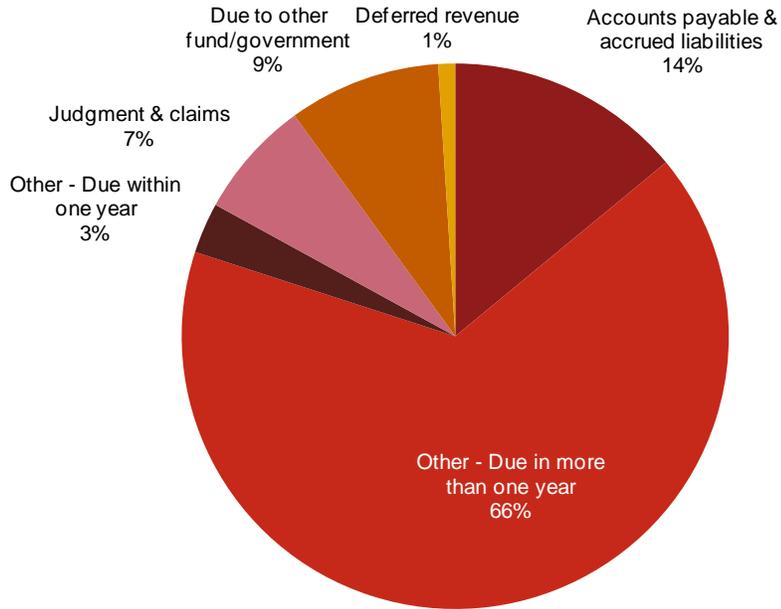


Assets – General Government – 2010 (Government Activities)

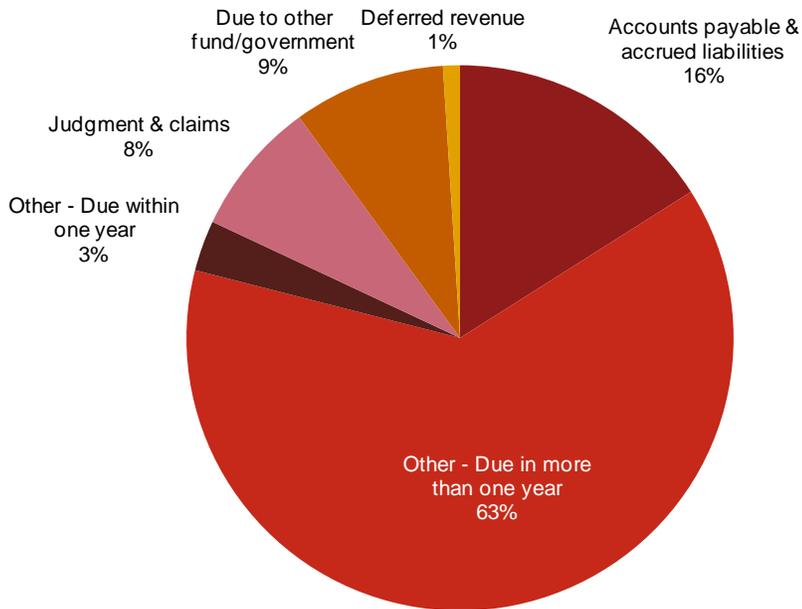


**Dutchess County, New York
Management's Discussion and Analysis
December 31, 2011**

Liabilities – General Government – 2011 (Government Activities)



Liabilities – General Government – 2010 (Government Activities)



Dutchess County, New York

Management's Discussion and Analysis

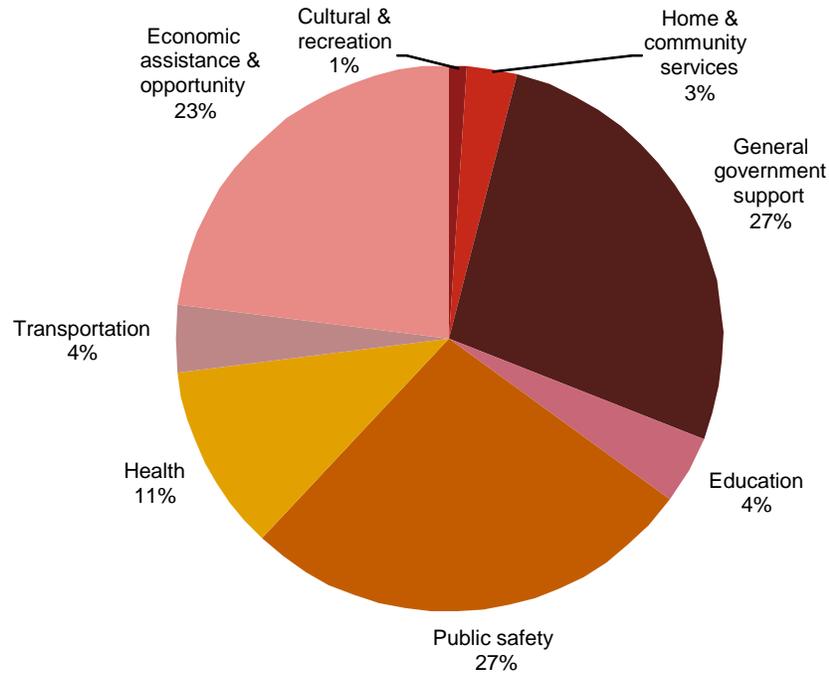
December 31, 2011

Activities for the Years Ended December 31, 2011 and 2010

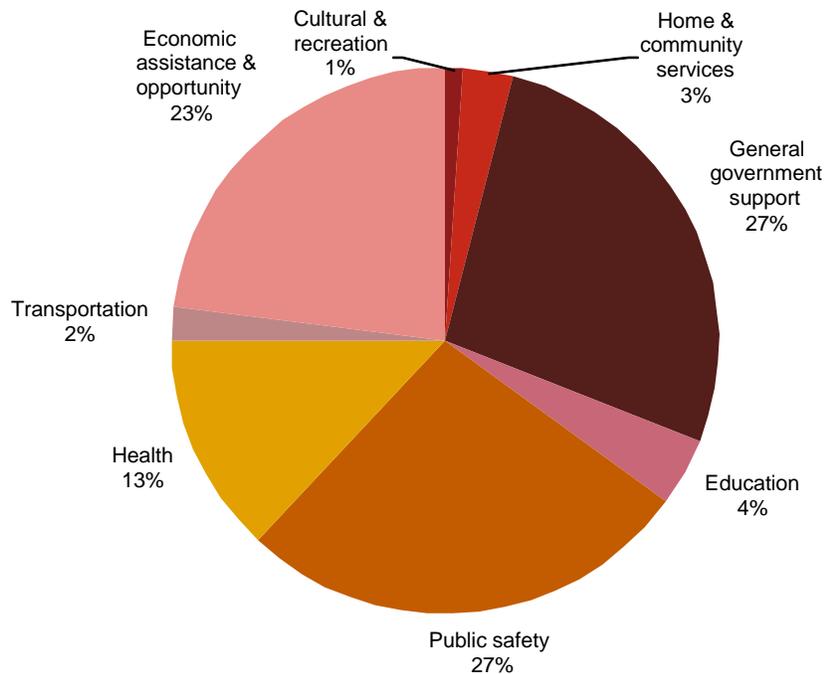
The table below presents condensed financial information derived from the government-wide financial statements for the County for the years ended December 31, 2011 and 2010.

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenues						
Charge for services	\$ 30,779,257	\$ 2,845,677	\$ 33,624,934	\$ 28,202,393	\$ 3,606,434	\$ 31,808,827
Operating grants and contribution	118,007,280	3,606,312	121,613,592	124,570,920	3,373,542	127,944,462
Capital grants and contributions	9,431,766	3,754,511	13,186,277	13,761,222	4,728,918	18,490,140
General revenues						
Real property taxes	108,326,493	-	108,326,493	109,911,123	-	109,911,123
Sales and other taxes	168,273,807	-	168,273,807	157,852,325	-	157,852,325
TASC revenue, interest income and other	4,364,442	174,082	4,538,524	4,027,135	80,146	4,107,281
Total revenues	439,183,045	10,380,582	449,563,627	438,325,118	11,789,040	450,114,158
Program expenses						
General government	85,582,430	-	85,582,430	80,807,173	-	80,807,173
Education	11,790,629	-	11,790,629	11,868,676	-	11,868,676
Public safety	84,489,510	-	84,489,510	78,850,898	-	78,850,898
Health	66,526,375	-	66,526,375	70,385,974	-	70,385,974
Transportation	25,650,178	-	25,650,178	23,856,286	-	23,856,286
Economic assistance and opportunity	150,879,387	-	150,879,387	149,486,900	-	149,486,900
Culture and recreation	3,493,500	-	3,493,500	3,270,402	-	3,270,402
Home and community service	13,782,198	-	13,782,198	13,078,023	-	13,078,023
Debt service	7,965,332	-	7,965,332	8,267,792	-	8,267,792
Airport	-	3,998,399	3,998,399	-	3,527,455	3,527,455
Transportation	-	7,642,584	7,642,584	-	7,193,127	7,193,127
Total program expenses	450,159,539	11,640,983	461,800,522	439,872,124	10,720,582	450,592,706
Increase (decrease) in net assets before transfers	(10,976,494)	(1,260,401)	(12,236,895)	(1,547,006)	1,068,458	(478,548)
Transfers	(1,528,199)	1,528,199	-	(2,345,815)	2,345,815	-
Increase (decrease) in net assets	(12,504,693)	267,798	(12,236,895)	(3,892,821)	3,414,273	(478,548)
Net assets, beginning of year	(7,322,293)	24,643,426	17,321,133	(3,429,472)	21,229,153	17,799,681
Net assets, end of year	\$ (19,826,986)	\$ 24,911,224	\$ 5,084,238	\$ (7,322,293)	\$ 24,643,426	\$ 17,321,133

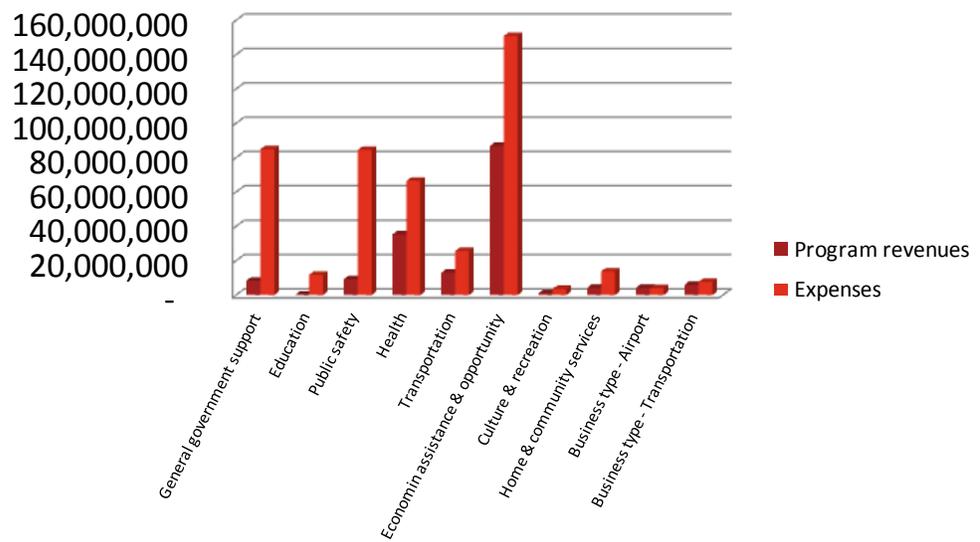
**Net (Expense) Revenue per Function from the Government Wide
Financial Statements (excluding debt service) 2011**



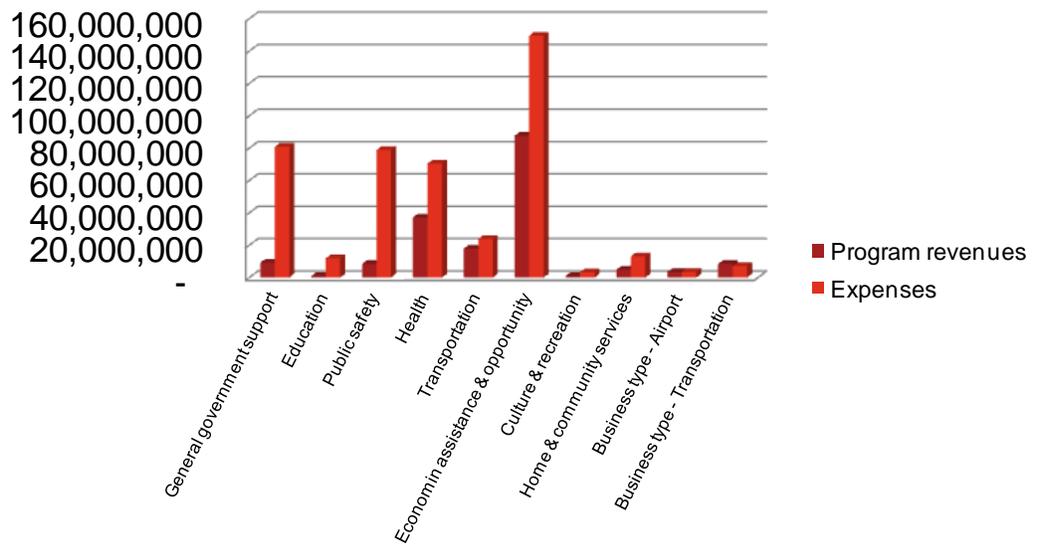
**Net (Expense) Revenue per Function from the Government Wide
Financial Statements (excluding debt service) 2010**



**Government-wide
Program Revenue and Expenses
(excluding debt service) - 2011**



Government-wide Program Revenue and Expenses (excluding debt service) - 2010



Dutchess County, New York
Management's Discussion and Analysis
December 31, 2011

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			
	2011	2010	\$ Change	% Change
General Fund				
Total assets	\$ 157,547,760	\$ 150,682,596	\$ 6,865,164	4.56%
Total liabilities	92,981,802	94,119,579	(1,137,777)	-1.21%
Fund balance	64,565,958	56,563,017	8,002,941	14.15%
Capital Projects				
Total assets	\$ 39,506,176	\$ 37,828,126	\$ 1,678,050	4.44%
Total liabilities	7,224,622	10,630,655	(3,406,033)	-32.04%
Fund balance	32,281,554	27,197,471	5,084,083	18.69%
Other Governmental Funds				
Total assets	\$ 4,602,985	\$ 5,529,281	\$ (926,296)	-16.75%
Total liabilities	1,819,368	2,330,899	(511,531)	-21.95%
Fund balance	2,783,617	3,198,382	(414,765)	-12.97%
Dutchess TASC				
Total assets	\$ 7,009,961	\$ 6,976,189	\$ 33,772	0.48%
Fund balance	7,009,961	6,976,189	33,772	0.48%

Total General Fund balance including the designated fund balance increased from 2010 to 2011. This is primarily due to controlled spending and fiscal stewardship despite the economic challenges facing County Government.

The ending fund balance for the Capital Projects fund can be attributed to proceeds from 2011 borrowing of \$13.4 million. These funds are intended to provide funding for capital projects during 2011 and beyond.

Dutchess County, New York
Management's Discussion and Analysis
December 31, 2011

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

	Results of Operations			
	2011	2010 ⁽¹⁾	\$ Change	% Change
General Fund				
Revenues	\$ 416,882,875	\$ 411,242,443	\$ 5,640,432	1.37%
Expenditures	409,000,917	409,268,085	(267,168)	-0.07%
Changes in Fund Balance	8,002,941	(274,533)	8,277,474	-3015.11%
Fund balance-beginning of year	56,563,017	56,835,570	(272,553)	-0.48%
Fund balance-end of year	64,565,958	56,563,017	8,002,941	14.15%
Capital Projects				
Revenues	\$ 9,431,766	\$ 13,761,222	\$ (4,329,456)	-31.46%
Expenditures	15,370,258	23,011,469	(7,641,211)	-33.21%
Changes in Fund Balance	5,084,083	9,260,188	(4,176,105)	-45.10%
Fund balance-beginning of year	27,197,471	17,937,283	9,260,188	51.63%
Fund balance-end of year	32,281,554	27,197,471	5,084,083	18.69%
Other Governmental Funds				
Revenues	\$ 18,541,294	\$ 20,026,733	\$ (1,485,439)	-7.42%
Expenditures	18,956,059	20,613,959	(1,657,900)	-8.04%
Changes in Fund Balance	(414,765)	(587,226)	172,461	-29.37%
Fund balance-beginning of year	3,198,382	3,785,608	(587,226)	-15.51%
Fund balance-end of year	2,783,617	3,198,382	(414,765)	-12.97%
Dutchess TASC				
Revenues	\$ 3,637,363	\$ 3,643,582	\$ (6,219)	-0.17%
Expenditures	3,603,591	3,826,180	(222,589)	-5.82%
Changes in Fund Balance	33,772	(182,598)	216,370	-118.50%
Fund balance-beginning of year	6,976,189	7,158,787	(182,598)	-2.55%
Fund balance-end of year	7,009,961	6,976,189	33,772	0.48%

⁽¹⁾ \$10,837,898 has been reclassified from transfers out to expenditures within the General Fund to properly reflect payments made to Dutchess Community College.

Dutchess County, New York

Management's Discussion and Analysis

December 31, 2011

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):

Appropriations	Original	Increase	Modified	Actual
General government support	\$ 34,362,724	\$ 33,184,982	\$ 67,547,706	\$ 65,093,228
Public safety	54,226,874	3,886,785	58,113,659	55,469,940
Economic assistance and opportunity	137,106,547	829,439	137,935,986	137,277,823
Health	59,629,699	2,997,752	62,627,451	56,901,676
Total	<u>\$ 285,325,844</u>	<u>\$ 40,898,958</u>	<u>\$ 326,224,802</u>	<u>\$ 314,742,667</u>

GASB Statement 33 *Accounting and Reporting for Nonexchange Transactions*, as amended by Statement 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, 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 2011 is \$164.7 million with \$30.4 million in Sales Tax revenue shared between the cities, towns and villages leaving the County portion to be \$134.3 million.

Increases were required due to increased costs for the County Jail, various mandate increases to Department of Social Services, service fee to Dutchess County Resource Recovery Agency and a change to funding for Ryan White program in Health Department. Actual economic assistance and opportunity dollars include monies sent directly to recipients.

Capital Asset and Debt Administration

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounted to \$179.5 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:

\$7.6 million	Various improvements to roads and bridges
\$0.1 million	Improvements at Dutchess Community College
\$3.6 million	Various building improvements and purchase of vehicles and equipment
\$0.5 million	Public Safety improvements
\$3.6 million	Various health, community service, culture and recreation improvements

The above have been offset by \$17.2 million in depreciation expense in the current year.

The County expended \$0.1 million on various improvements at Dutchess Community College. Financing for these projects was provided through operations and state and federal funds.

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 2011, the County's outstanding debt totaled \$110.8 million (without the Tobacco Asset Securitization Corporation) and represents approximately 4.49 % of the County's debt limit.

Economic Factors and Next Year's Budgets and Rates

Dutchess County, like other counties in New York State, is challenged on a fiscal level by State of New York 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.

Dutchess County, New York Management's Discussion and Analysis December 31, 2011

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

2010	\$ 40,319,631
2011	41,499,889

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:

2010	\$ 13,918,830
2011	16,437,430

The County has appropriated \$26.8 million in fund balance to finance the 2012 budget from various funds to meet budgetary needs. The unassigned fund balance is \$16.5 million in the general fund as of December 31, 2011.

The total tax levy for the 2012 budget is \$103.8 million resulting in a property tax rate of \$3.25 per thousand of assessed value which is 6% higher than \$3.06 in 2011. The true value assessment for the County has decreased from \$32.8 Billion for the 2011 budget to \$31.9 Billion for the 2012 budget; a decrease of 2.75%.

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 approximately 9,000 employees. ReCommunity (formerly Hudson Baylor Corporation) recently opened its \$17 million 56,000 square foot Materials Recovery Facility. Located in the City of Beacon, the development created nearly 100 construction jobs, and now has more than 60 full-time employees. Vassar Brothers Medical Center recently opened its 78,000 square foot medical building housing a same-day ambulatory surgery center and office suites. Vassar College announced plans for a \$120 million science facilities project. The project will include rehabilitation of three existing buildings and construction of a new building. IBM has committed to a \$50 million investment in the Hudson Valley Research Park in the Town of East Fishkill. The commitment is part of a PILOT deal worked out with the Dutchess County Industrial Development agency. This is in addition to the \$50 million investment IBM agreed to in April 2011 for improvements at its Poughkeepsie site. While no new jobs are anticipated from these investments, it will help IBM to remain competitive in the market and retain jobs in Dutchess County.

Agriculture continues to play 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. Approximately 1,500 workers benefit from direct employment through these operations and an additional 2,000 from farm related jobs. Annually, the agricultural sector contributes between \$100 to \$150 million to the County's economy.

Wealth levels for Dutchess County residents are above National averages. The Bureau of Economic Analysis estimated the per capita personal income of the County residents in 2010 was \$43,730 which placed the County ninth among all counties in the State for the year. Unemployment for the County was 8.4% as of July 2012, which is lower than both New York State (9.1) and the United States (8.6) rates.

**Dutchess County, New York
Management's Discussion and Analysis
December 31, 2011**

A summary of the County-wide budget for 2012 and 2011 is as follows:

	(millions) 2012 Adopted	(millions) 2011 Adopted
Appropriations		
Salaries and wages	\$ 111.8	\$ 113.1
NYS Retirement System	20.5	17.6
Other employee benefits	40.6	38.1
Total personal services	<u>172.9</u>	<u>168.8</u>
Pre-school special education	20.9	23.3
Other mandates including medicaid	107.3	107.4
Total New York State mandates	<u>128.2</u>	<u>130.7</u>
Other services	110.2	104.4
	<u>\$ 411.3</u>	<u>\$ 403.9</u>
Revenues		
Real property taxes (net of tax reserve)	\$ 102.8	\$ 99.6
Sales taxes	134.1	132.5
New York State aid	59.5	65.5
Federal aid	37.9	35.6
Other revenues	50.3	55.7
Total revenues	384.6	388.9
Appropriate Fund Balance		
Various Funds to meet Budget	26.8	15.0
	<u>\$ 411.4</u>	<u>\$ 403.9</u>

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.

Report of Independent Auditors



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 non-major 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, 2011, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Dutchess Community College, the Dutchess County Resource Recovery Agency, and the Dutchess County Water and Wastewater Authority, which statements reflect total assets of 99 percent and total net assets of 93 percent of the related totals as of December 31, 2011 and total revenues of 99 percent of the related total revenues for the year then ended, of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. As described in Note 1C on page 36, 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. 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, 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 report of other auditors provides a reasonable basis for our opinions.



In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 1 through 16 and budgetary comparison schedule - General Fund on pages 100 and 101 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Princeton LLP

September 26, 2012

Basic Financial Statements

Dutchess County, New York
Statement of Net Assets
December 31, 2011

	<u>Primary Government</u>			Aggregate Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 49,101,173	\$ 3,577,139	\$ 52,678,312	\$ 31,035,530
Restricted cash and investments	28,298,594	-	28,298,594	18,280,401
Investments	-	-	-	7,213,762
Accounts receivables, net of allowance of \$4,970,639	50,356,173	2,425,902	52,782,075	10,533,825
Inventories	94,923	84,146	179,069	520,145
Due from other funds	97,426	34	97,460	-
Due from other governments, net of allowance of \$1,925,924	72,652,259	-	72,652,259	1,606,017
Deferred financing costs	1,036,446	-	1,036,446	-
Net deferred loss on bond refunding	2,412,774	-	2,412,774	-
Other assets	13,778,092	26,883	13,804,975	3,612,876
Capital assets				
Land	7,683,552	3,385,364	11,068,916	2,500,864
Right of way and easements	8,467,938	-	8,467,938	-
Buildings and improvements	138,912,466	10,740,263	149,652,729	162,532,397
Infrastructure	163,892,497	27,126,904	191,019,401	50,368,468
Machinery and equipment	57,856,356	13,855,490	71,711,846	16,676,950
Construction-in progress	7,402,364	1,035,326	8,437,690	2,087,610
Less: Accumulated depreciation	(222,715,732)	(29,667,759)	(252,383,491)	(93,308,307)
Total capital assets	<u>161,499,441</u>	<u>26,475,588</u>	<u>187,975,029</u>	<u>140,857,982</u>
Total assets	<u>379,327,301</u>	<u>32,589,692</u>	<u>411,916,993</u>	<u>213,660,538</u>
Liabilities				
Accounts payable and accrued liabilities	55,578,556	1,223,136	56,801,692	12,739,361
Deferred revenue	3,358,974	4,434	3,363,408	33,874,597
Due to other governments	35,685,934	-	35,685,934	947,031
Due to other funds	-	97,459	97,459	-
Long-term liabilities				
Due within one year	13,021,680	722,397	13,744,077	6,526,963
Due in more than one year	261,695,164	5,631,043	267,326,207	119,945,866
Judgments and claims	29,763,979	-	29,763,979	-
Total liabilities	<u>399,104,287</u>	<u>7,678,469</u>	<u>406,782,756</u>	<u>174,033,818</u>
Net Assets				
Invested in capital assets, net of related debt	25,907,187	20,853,187	46,760,374	35,450,272
Restricted for				
Capital projects	9,291,075	-	9,291,075	-
Debt service	3,481,538	-	3,481,538	-
Other	1,163,295	-	1,163,295	21,858,594
Unrestricted	(59,620,081)	4,058,036	(55,562,045)	(17,682,145)
Total net assets (liabilities)	<u>\$ (19,776,986)</u>	<u>\$ 24,911,223</u>	<u>\$ 5,134,237</u>	<u>\$ 39,626,721</u>

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

Dutchess County, New York
Statement of Activities
Year Ended December 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Program Expenses	Charges for Services	Operating	Capital	Primary Government			
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
General government	\$ 84,965,903	\$ 5,908,249	\$ 1,794,727	\$ 663,398	\$ (76,599,529)	\$ -	\$ (76,599,529)	\$ -
Education	11,790,629	1,845	-	78,231	(11,710,553)	-	(11,710,553)	-
Public safety	84,489,510	5,096,536	4,096,261	-	(75,296,713)	-	(75,296,713)	-
Health	66,526,375	8,693,633	26,674,141	-	(31,158,601)	-	(31,158,601)	-
Transportation	25,650,178	2,023,315	2,295,222	8,690,137	(12,641,504)	-	(12,641,504)	-
Economic assistance and opportunity	150,879,387	7,731,111	79,057,430	-	(64,090,846)	-	(64,090,846)	-
Culture and recreation	3,493,500	739,480	376,590	-	(2,377,430)	-	(2,377,430)	-
Home and community services	13,782,198	585,088	3,700,886	-	(9,496,224)	-	(9,496,224)	-
Debt service	8,581,859	-	12,023	-	(8,569,836)	-	(8,569,836)	-
Total governmental activities	<u>450,159,539</u>	<u>30,779,257</u>	<u>118,007,280</u>	<u>9,431,766</u>	<u>(291,941,236)</u>	<u>-</u>	<u>(291,941,236)</u>	<u>-</u>
Business-type activities								
Airport	3,998,399	1,673,367	-	2,536,563	-	211,531	211,531	-
Transportation	7,642,584	1,172,310	3,606,312	1,217,948	-	(1,646,014)	(1,646,014)	-
Total proprietary funds	<u>11,640,983</u>	<u>2,845,677</u>	<u>3,606,312</u>	<u>3,754,511</u>	<u>-</u>	<u>(1,434,483)</u>	<u>(1,434,483)</u>	<u>-</u>
Total primary government	<u>\$ 461,800,522</u>	<u>\$ 33,624,934</u>	<u>\$ 121,613,592</u>	<u>\$ 13,186,277</u>	<u>(291,941,236)</u>	<u>(1,434,483)</u>	<u>(293,375,719)</u>	<u>-</u>
Component units								
Resource Recovery	\$ 18,790,628	\$ 15,967,665	\$ -	\$ -				(2,822,963)
Water and Wastewater Authority	7,336,774	4,765,335	-	3,085				(2,568,354)
Dutchess Community College	79,502,691	49,455,497	13,926,788	1,140,630				(14,979,776)
Aggregated non-major component units	1,014,564	688,901	321,484	-				(4,269)
Total component units	<u>\$ 106,644,657</u>	<u>\$ 70,877,398</u>	<u>\$ 14,248,272</u>	<u>\$ 1,143,715</u>				<u>(20,375,362)</u>
General revenues								
Taxes								
Real property taxes, levied for general purposes					97,228,563	-	97,228,563	-
Real property taxes, levied for debt service					11,097,930	-	11,097,930	-
Sales and use taxes					164,698,936	-	164,698,936	-
Other taxes					3,574,871	-	3,574,871	-
TASC revenues					3,637,363	-	3,637,363	-
Payments from primary government					-	-	-	17,370,546
Unrestricted interest income (expense) and other					777,079	174,082	951,161	(58,025)
Interfund transfers, net					(1,528,199)	1,528,199	-	-
Total general revenues and transfers					<u>279,486,543</u>	<u>1,702,281</u>	<u>281,188,824</u>	<u>17,312,521</u>
Change in net assets					(12,454,693)	267,798	(12,186,895)	17,312,521
Net assets (liabilities), beginning of year					<u>(7,322,293)</u>	<u>24,643,425</u>	<u>17,321,132</u>	<u>42,689,562</u>
Net assets (liabilities), ending of year					<u>\$ (19,776,986)</u>	<u>\$ 24,911,223</u>	<u>\$ 5,134,237</u>	<u>\$ 60,002,083</u>

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

Dutchess County, New York
Balance Sheet - Governmental Funds
December 31, 2011

	General Fund (Major)	Capital Projects Fund (Major)	Other Governmental Funds (Non-Major)	Dutchess Tobacco Asset Securitization Corporation (TASC) (Major)	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 35,691,460	\$ 10,490,733	\$ 2,827,436	\$ 91,544	\$ 49,101,173
Restricted cash and cash equivalents	1,866,677	22,990,479	-	3,441,438	28,298,594
Delinquent property taxes, including interest, penalties and liens net of allowance of \$4,970,639	50,356,173	-	-	-	50,356,173
Accounts receivable net of allowance for uncollectible \$1,925,924	3,859,722	-	142,244	-	4,001,966
Inventories	94,923	-	-	-	94,923
Due from other funds	3,713,644	-	-	-	3,713,644
Due from other governments	57,766,575	6,024,964	1,381,774	3,476,979	68,650,292
Other assets	4,198,586	-	251,531	-	4,450,117
Total assets	<u>\$ 157,547,760</u>	<u>\$ 39,506,176</u>	<u>\$ 4,602,985</u>	<u>\$ 7,009,961</u>	<u>\$ 208,666,882</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 34,203,081	\$ 3,060,117	\$ 1,806,679	\$ -	\$ 39,069,877
Accrued liabilities	1,272,440	-	-	-	1,272,440
Due to other governments	35,685,934	-	-	-	35,685,934
Due to other funds	-	3,616,218	-	-	3,616,218
Other liabilities	811,181	548,287	12,689	-	1,372,157
Deferred revenue	21,009,166	-	-	-	21,009,166
Total liabilities	<u>92,981,802</u>	<u>7,224,622</u>	<u>1,819,368</u>	<u>-</u>	<u>102,025,792</u>
Fund balances					
Nonspendable	4,293,053	-	251,531	-	4,544,584
Restricted	7,777,203	-	-	7,009,961	14,787,164
Committed	-	-	-	-	-
Assigned	34,350,100	32,281,554	2,532,086	-	69,163,740
Unassigned	18,145,602	-	-	-	18,145,602
Total fund balances	<u>64,565,958</u>	<u>32,281,554</u>	<u>2,783,617</u>	<u>7,009,961</u>	<u>106,641,090</u>
Total liabilities and fund balances	<u>\$ 157,547,760</u>	<u>\$ 39,506,176</u>	<u>\$ 4,602,985</u>	<u>\$ 7,009,961</u>	<u>\$ 208,666,882</u>

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

Dutchess County, New York
Balance Sheet - Governmental Funds
December 31, 2011

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance of the governmental funds, end of year	\$ 106,641,090
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	161,499,441
Intangible assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	9,327,975
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 governmental activities	17,536,502
Deferred financing costs used in governmental activities are recorded as an expense in the governmental funds, but, are capitalized for government wide purposes gross	1,036,446
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	2,412,774
Deferred revenue from bond issuance represents amounts not expected to be collected currently (within 60 days) and therefore reported as deferred revenue in the fund net assets of governmental activities	113,690
Liabilities including bonds payable (\$168,367,172), compensated absences (\$9,199,744), judgments and claims (\$29,763,979), accrued interest (\$13,864,104), environmental cleanup costs (\$320,000), and post employment benefits (\$96,829,905) are not due and payable in the current period and therefore not reported in the governmental fund balance	<u>(318,344,904)</u>
Net assets (liabilities) Governmental Activities, end of year	<u><u>\$ (19,776,986)</u></u>

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

Dutchess County, New York
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended December 31, 2011

	General Fund (Major)	Capital Projects (Major Fund)	Other Governmental Funds (Non-Major)	Dutchess Tobacco Asset Securitization Corporation (TASC) (Major)	Total Governmental Funds
Revenues					
Real property taxes	\$ 97,842,804	\$ -	\$ 10,951,439	\$ -	\$ 108,794,243
Sales and use tax	164,698,936	-	-	-	164,698,936
Other taxes	3,574,871	-	-	-	3,574,871
Departmental	28,012,529	638,398	1,892,209	-	30,543,136
Interest and rentals	1,813,297	25,000	5,718	164,691	2,008,706
Grants and aid	110,419,837	8,768,368	5,533,269	-	124,721,474
Miscellaneous	10,520,601	-	158,659	3,472,672	14,151,932
Total revenues	<u>416,882,875</u>	<u>9,431,766</u>	<u>18,541,294</u>	<u>3,637,363</u>	<u>448,493,298</u>
Expenditures					
General government	65,093,228	-	-	79,028	65,172,256
Education	12,633,062	-	-	-	12,633,062
Public safety	56,416,165	-	254,177	-	56,670,342
Health	56,901,676	-	-	-	56,901,676
Transportation	2,653,149	-	9,187,898	-	11,841,047
Economic assistance and opportunity	137,277,823	-	2,492,883	-	139,770,706
Culture and recreation	1,978,595	-	-	-	1,978,595
Home and community services	9,486,430	-	3,110,691	-	12,597,121
Employee benefits	50,429,876	-	3,910,410	-	54,340,286
Debt service					
Principal retirement	12,509,568	-	-	1,430,000	13,939,568
Interest	4,237,872	-	-	2,094,563	6,332,435
Self-insurance	(616,527)	-	-	-	(616,527)
Capital outlay	-	15,370,258	-	-	15,370,258
Total expenditures	<u>409,000,917</u>	<u>15,370,258</u>	<u>18,956,059</u>	<u>3,603,591</u>	<u>446,930,825</u>
Excess (deficiency) of revenues over expenditures	<u>7,881,958</u>	<u>(5,938,492)</u>	<u>(414,765)</u>	<u>33,772</u>	<u>1,562,473</u>
Other financing sources (uses)					
Proceeds of obligations	-	12,670,625	-	-	12,670,625
Transfers in	3,186,434	-	-	-	3,186,434
Transfers out	(3,065,451)	(1,648,050)	-	-	(4,713,501)
Total other financing sources (uses)	<u>120,983</u>	<u>11,022,575</u>	<u>-</u>	<u>-</u>	<u>11,143,558</u>
Net change in fund balances	<u>8,002,941</u>	<u>5,084,083</u>	<u>(414,765)</u>	<u>33,772</u>	<u>12,706,031</u>
Fund balances					
Beginning of year	<u>56,563,017</u>	<u>27,197,471</u>	<u>3,198,382</u>	<u>6,976,189</u>	<u>93,935,059</u>
End of year	<u>\$ 64,565,958</u>	<u>\$ 32,281,554</u>	<u>\$ 2,783,617</u>	<u>\$ 7,009,961</u>	<u>\$ 106,641,090</u>

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

Dutchess County, New York
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds to the Statement of Activities
Year Ended December 31, 2011

Net change in fund balances-total Governmental Funds		\$ 12,706,031
Amounts reported for governmental activities in the statement of activities are different because		
Program revenues in the statement of activities that provide current financial resources are reported as revenues in the governmental funds.		469,222
Governmental funds report capital outlays as expenditures. Whereas such expenditures are capitalized and depreciated over estimated useful lives in the statement of activities.		
Expenditures for capital assets	15,929,174	
Less: Depreciation expense	<u>(16,963,163)</u>	(1,033,989)
Governmental funds report the Wastewater Authority's other asset capital outlays as expenditures in the statement of activities amortized over its estimated useful life.		
Expenditures for other asset	-	
Less: Amortization expense	<u>(274,570)</u>	(274,570)
Compensated absences not payable from current year resources are not reported as expenditures in governmental activities whereas these accrued costs represent expenses in the statement of activities.		84,289
Judgment and claims not payable from current year resources are not reported as expenditures in governmental activities whereas these accrued costs represent program expenses in the statement of activities.		(265,201)
Post retirement annual required contribution is not recorded in governmental funds as an expense, net of contributions, whereas such costs represent expenses in the statement of activities.		(21,904,605)
Bond proceeds provide current financial resources to governmental funds, whereas issuing debt increases long-term liabilities in the statement of net assets.		(12,670,625)
Payment of bond principal is an expenditure in the governmental funds, whereas repayment reduces long-term liabilities in the statement of net assets.		13,939,568
Payment of financing costs requires the use of current financial resources for the governmental funds whereas such financing costs are capitalized and amortized over the life of the debt in the statement of activities.		
Amortization of deferred loss on bond refunding	(223,400)	
Amortization of deferred financing costs	(19,277)	
Amortization of bond discount/premium	158,534	
Increase in gain on bond refunding	355,000	
Increase in deferred financing costs	71,314	
Increase premium for 2011 refunding	(544,473)	
Reclass premium for 2010 bond	<u>(936,972)</u>	(1,139,274)
Interest expense reported in the statement of activities does not require use of current financial resources and is therefore not reported as expenditures in the governmental funds.		<u>(2,365,539)</u>
Change in net assets-total Governmental Activities		<u>\$ (12,454,693)</u>

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

Dutchess County, New York
Statement of Net Assets – Business Type Activities
December 31, 2011

	Business Type Activities		
	Airport	Transportation	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 464,015	\$ 3,113,124	\$ 3,577,139
Accounts receivable	537,576	1,888,326	2,425,902
Inventories	84,146	-	84,146
Due from other funds	34	-	34
Other assets	24,567	2,316	26,883
Total current assets	<u>1,110,338</u>	<u>5,003,766</u>	<u>6,114,104</u>
Noncurrent assets			
Land	3,136,399	248,965	3,385,364
Buildings and improvements	3,391,329	7,348,934	10,740,263
Infrastructure	27,126,904	-	27,126,904
Machinery and equipment	3,865,283	9,990,207	13,855,490
Construction-in-progress	89,768	945,558	1,035,326
Less: Accumulated depreciation	<u>(18,652,042)</u>	<u>(11,015,717)</u>	<u>(29,667,759)</u>
Total noncurrent assets	<u>18,957,641</u>	<u>7,517,947</u>	<u>26,475,588</u>
Total assets	<u>\$ 20,067,979</u>	<u>\$ 12,521,713</u>	<u>\$ 32,589,692</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 472,731	\$ 531,356	\$ 1,004,087
Accrued liabilities	167,443	51,606	219,049
Deferred revenue	4,434	-	4,434
Current portion of long-term debt	617,942	104,455	722,397
Due to other funds	84,017	13,442	97,459
Total current liabilities	<u>1,346,567</u>	<u>700,859</u>	<u>2,047,426</u>
Noncurrent liabilities			
Compensated absences	42,160	-	42,160
Long-term debt	3,590,710	1,309,293	4,900,003
Other postemployment benefits	682,686	6,194	688,880
Total noncurrent liabilities	<u>4,315,556</u>	<u>1,315,487</u>	<u>5,631,043</u>
Total liabilities	<u>\$ 5,662,123</u>	<u>\$ 2,016,346</u>	<u>\$ 7,678,469</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 14,748,989	\$ 6,104,198	\$ 20,853,187
Unrestricted (Note 1C)	<u>(343,133)</u>	<u>4,401,169</u>	<u>4,058,036</u>
Total net assets	<u>\$ 14,405,856</u>	<u>\$ 10,505,367</u>	<u>\$ 24,911,223</u>

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

Dutchess County, New York
Statement of Revenues, Expenses, and Changes in Net Assets –
Business Type Activities
Year Ended December 31, 2011

	Business Type Activities		
	Airport	Transportation	Total
Operating revenues			
Charges for services	\$ 1,673,367	\$ 1,172,310	\$ 2,845,677
Operating grants and revenues	-	3,606,312	3,606,312
Other	5,410	16,372	21,782
Total operating revenues	<u>1,678,777</u>	<u>4,794,994</u>	<u>6,473,771</u>
Operating expenses			
Personal services	664,178	81,536	745,714
Employee benefits	491,137	39,989	531,126
Depreciation	1,439,676	1,445,188	2,884,864
Contracted services	1,166,921	6,050,252	7,217,173
Total operating expenses	<u>3,761,912</u>	<u>7,616,965</u>	<u>11,378,877</u>
Loss from operations	<u>(2,083,135)</u>	<u>(2,821,971)</u>	<u>(4,905,106)</u>
Nonoperating revenues (expenses)			
Interest income	147,764	4,535	152,299
Interest expense	(236,487)	(25,618)	(262,105)
Total nonoperating revenue (expense)	<u>(88,723)</u>	<u>(21,083)</u>	<u>(109,806)</u>
Loss before contributions and transfers	<u>(2,171,858)</u>	<u>(2,843,054)</u>	<u>(5,014,912)</u>
Capital contributions	2,536,563	1,217,948	3,754,511
Transfers in	842,303	1,277,431	2,119,734
Transfers out	(541,175)	(50,360)	(591,535)
Increase (decrease) in net assets	665,833	(398,035)	267,798
Net assets			
Beginning	<u>13,740,023</u>	<u>10,903,402</u>	<u>24,643,425</u>
Ending	<u>\$ 14,405,856</u>	<u>\$ 10,505,367</u>	<u>\$ 24,911,223</u>

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

Dutchess County, New York
Statement of Cash Flows – Business Type Activities
Year Ended December 31, 2011

	Business Type Activities		
	Airport	Transportation	Total
Cash flow from operating activities			
Charges for services and other	\$ 1,529,531	\$ 1,172,310	\$ 2,701,841
Receipt of operating grants and revenue	-	3,979,741	3,979,741
Payments to employees	(963,297)	(115,332)	(1,078,629)
Payments to suppliers of contracted services	(1,476,367)	(5,759,444)	(7,235,811)
Other receipts	5,410	16,372	21,782
Net cash used in operating activities	<u>(904,723)</u>	<u>(706,353)</u>	<u>(1,611,076)</u>
Cash flow provided by noncapital financing activities			
Operating transfers in	842,303	1,277,431	2,119,734
Operating transfers out	<u>(541,175)</u>	<u>(50,360)</u>	<u>(591,535)</u>
Net cash provided by noncapital financing activities	<u>301,128</u>	<u>1,227,071</u>	<u>1,528,199</u>
Cash flow from capital and related financial activities			
Capital contributions to non-current asset	2,536,563	1,217,948	3,754,511
Acquisitions of capital assets	(2,732,280)	(1,589,515)	(4,321,795)
Proceeds received from debt issuance	-	773,442	773,442
Principal paid on long-term debt	(504,221)	(37,212)	(541,433)
Interest paid on long-term debt	<u>(236,487)</u>	<u>(28,578)</u>	<u>(265,065)</u>
Net cash (used in) provided by capital and related financing activities	<u>(936,425)</u>	<u>336,085</u>	<u>(600,340)</u>
Cash flow provided by investing activities			
Interest earned	<u>147,764</u>	<u>4,535</u>	<u>152,299</u>
Net cash provided by investing activities	<u>147,764</u>	<u>4,535</u>	<u>152,299</u>
Net increase (decrease) in cash and cash equivalents	(1,392,256)	861,338	(530,918)
Cash and cash equivalents - beginning of the year	<u>1,856,271</u>	<u>2,251,786</u>	<u>4,108,057</u>
Cash and cash equivalents - end of the year	<u>\$ 464,015</u>	<u>\$ 3,113,124</u>	<u>\$ 3,577,139</u>
Reconciliation of operating loss to net cash used in operating activities			
Loss from operations	\$ (2,083,135)	\$ (2,821,971)	\$ (4,905,106)
Adjustments to reconcile loss from operations to net cash used in operating activities			
Depreciation expense	1,439,676	1,445,188	2,884,864
Changes in assets and liabilities			
Accounts receivable	(173,956)	2,878,552	2,704,596
Inventories	(19,251)	-	(19,251)
Other assets	(6,282)	(2,316)	(8,598)
Accounts payable and accrued liabilities	(283,913)	293,124	9,211
Due to/from other funds	32,575	(2,505,124)	(2,472,549)
Compensated absences	4,032	-	4,032
Deferred revenue	(2,455)	-	(2,455)
Other postemployment benefits	187,986	6,194	194,180
Net cash used in operating activities	<u>\$ (904,723)</u>	<u>\$ (706,353)</u>	<u>\$ (1,611,076)</u>

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

Dutchess County, New York
Statement of Net Assets – Fiduciary Funds
December 31, 2011

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 4,355	\$ 6,027,566
Mortgage tax receivable		487,905
Investments, at fair value	1,500	
Total assets	<u>5,855</u>	<u>6,515,471</u>
Liabilities		
Refunds payable and others	-	6,515,471
Total liabilities	<u>-</u>	<u>\$ 6,515,471</u>
Net Assets		
Net assets held in trust	<u>\$ 5,855</u>	

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

Dutchess County, New York
Statement of Changes in Net Assets – Fiduciary Funds
Year Ended December 31, 2011

	Private Purpose Trusts
Additions	
Interest	\$ 23
Deductions	23
Economic assistance & opportunity	-
Changes in net assets	23
Net assets	
Beginning of the year	5,904
End of the year	<u>\$ 5,927</u>

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

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 County's significant accounting policies are described below.

The accompanying financial statements present the governmental activities (including the Dutchess Tobacco Asset Securitization Corporation (TASC), a blended component unit) and the business-type activities of the County (the Primary Government), and the discretely presented component units, for which collectively 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 aggregated and presented 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 summary of the component units included in the County's reporting entity.

Dutchess Community College (Major Component Unit)

The Dutchess Community College ("DCC" or the "College") was established under Article 126 of the Education Act of the State of New York under the sponsorship of the County and is operated by a Board of Trustees under Paragraph (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,

A. Reporting Entity, Continued

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 (Major Component Unit)

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

Dutchess County Water and Wastewater Authority (Major Component Unit)

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

Dutchess County Industrial Development Agency (Nonmajor Component Unit)

The Dutchess County Industrial Development Agency ("IDA") is a public benefit corporation established June 28, 1977 under the mandate of Article 18-A, "New York State Industrial Development Agency Act," of New York State general municipal law. The seven member board is appointed by the 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 IDA's function is to authorize the issuance of industrial revenue bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing, such fees are recorded when earned.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Reporting Entity, Continued

Dutchess County Soil and Water Conservation District (Nonmajor Component Unit)

The Dutchess County Soil and Water Conservation District (“SWCD”) (including the Dutchess County Environmental Management Council) is a nonprofit organization set up to coordinate state and federal conservation programs on a local level. The SWCD provides education and technical assistance on managing soil, water and related natural resources to municipalities, farmers, business owners and homeowners.

Dutchess County Local Development Corporation (Nonmajor Component Unit)

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

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.

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

B. Basis of Presentation

Primary Government

Government-wide Activities: The statement of net assets and the statement of activities presents financial information about the primary government (the "County") and its component units in conformity with accounting principles generally accepted in the United States of America (US GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to balances related to transfers among governmental funds and proprietary funds, but not between governmental and proprietary funds. These statements distinguish between 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 program expenses and program revenues for each function of the County's governmental activities and for each of its business-type activities. 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.

Governmental Funds: The fund financial statements presents financial information about the County's funds, including fiduciary funds in conformity with US GAAP for governments as prescribed by GASB. Separate statements for each fund category -- governmental, proprietary, and fiduciary -- are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary 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 and 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 County, New York
Notes to Financial Statements
December 31, 2011

B. Basis of Presentation, Continued

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 presents the following major business type funds:

Proprietary Funds

The proprietary 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 operating expenses (including depreciation and amortization expense) of providing goods or services to the general public on a continuous basis are to be financed or recovered primarily through user charges. The County may provide administrative, legal and operational assistance to the proprietary funds, which are not charged. Additionally, the general fund periodically provides advances to the proprietary funds for operational needs.

The County presents the following fiduciary funds:

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 financial statements relating to the government-wide activities, proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with US GAAP for governments as prescribed by GASB. 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.

C. Basis of Accounting, Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting in conformity with US GAAP. 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.

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 Premium/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 \$19,277 was incurred in 2011. In 2011, debt financing costs of \$71,314 were expensed associated with the 2011 refunding. Discounts recognized from the issuance of debt of \$1,902,637 are amortized over the life of the debt. Amortization expense of \$75,742 was recognized in 2011. Premiums recognized from the issuance of debt amounted to \$4,093,720. Amortization expense for these premiums amounted to \$234,276 in the current year.

Deferred Loss on Bond Refunding

The difference between the reacquisition cost and carrying value of old debt from bond refundings of \$3,734,077 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 \$223,400 was recognized in 2011.

Investments

Investments are recorded at fair value.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

Capital Assets

Capital assets are reported at historical cost or extended historical cost based on appraisals. 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 method, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Thresholds	Depreciation Method	Estimated Useful Lives
Buildings and improvements	\$ 100,000	Straight-line	5–40 years
Infrastructure	100,000	Straight-line	10–50 years
Machinery and equipment	5,000	Straight-line	3–15 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. As such, the debt reported by DCC that is the obligation of the County is removed from the discrete component unit's Statement of Net Assets.

Judgments and Claims

Costs associated with workers' compensation or legal liabilities for both reported and unreported insured events of \$29,763,979 at December 31, 2011, 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. The obligation at December 31, 2011 was \$96,829,905 for the County, \$682,686 for the airport and \$6,194 for transportation.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

Compensated Absences

Vacation leave and other compensated absences with similar characteristics of \$9,199,744 at December 31, 2011, 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 (proprietary funds) have been designated as follows at December 31, 2011:

	Airport	Transportation	Total
Unrestricted net assets undesignated	\$ (4,551,785)	\$ 2,987,421	\$ (1,564,364)
Unrestricted net assets, designated for debt repayment	<u>4,208,652</u>	<u>1,413,748</u>	<u>5,622,400</u>
Net assets (liabilities)	<u><u>\$ (343,133)</u></u>	<u><u>\$ 4,401,169</u></u>	<u><u>\$ 4,058,036</u></u>

C. Basis of Accounting, Continued

Adoption of New Accounting Pronouncements

During the year ended December 31, 2011, the County adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB 54). This standard establishes uniform reporting standards to reduce inconsistencies in the financial reporting of fund types and provides uniform definitions of fund types and fund classifications. Upon adoption, there was no material impact on the County's financial statements.

Fund Balances

Fund balances for governmental funds are reported in the following classifications which describe the constraints that control how specific amounts in the funds can be spent:

- Nonspendable fund balances include amounts that cannot be spent because (a) they are either not in spendable form or (b) are legally or contractually required to remain intact.
- Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the County through establishment of resolutions passed by the Legislature and adopted by the County, or any contracts approved by authorized County officials that are known to have their liability satisfied with the current fund balance. Commitments may be changed or lifted only by taking the same formal action that originally imposed the constraint.
- Assigned fund balances are constrained by the intent to use amounts for specific purposes, but are neither restricted nor committed. The Legislature authorizes the Commissioner of Finance to assign amounts for a specific purposes.
- Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report a positive unassigned fund balance but can report a negative unassigned fund balance if expenditures incurred for specific purposes exceed the amounts restricted or committed to those purposes.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

For classification of governmental fund balances, the County considers expenditures to be made from the most restricted funds first, then in the following order: committed, assigned, and unassigned funds. The following table summarizes the County's fund balance of its Governmental funds as of December 31, 2011.

	General Funds	Capital Projects Fund	Other Governmental Funds	Dutchess Tobacco Asset Securitization Corporation
Fund balances:				
Nonspendable				
Inventory	\$ 94,923	\$ -	\$ -	\$ -
Prepaid	4,198,130	-	251,531	-
Restricted for				
Workers compensation	3,002,790	-	-	-
Self insurance	1,862,117	-	-	-
Capital	4,559	-	-	-
Debt service	2,533,442	-	-	7,009,961
Other	374,295	-	-	-
Assigned				
General government	34,350,100	32,281,554	2,532,086	-
Unassigned				
	<u>18,145,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 64,565,958</u>	<u>\$ 32,281,554</u>	<u>\$ 2,783,617</u>	<u>\$ 7,009,961</u>

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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

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 proprietary funds model requires the College to include a statement of net assets, a statement of revenue, expenses and changes in net assets and a statement of cash flow.

Net assets are required to be classified into these components - invested in capital assets (net of related debt); restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets* – This component of net assets consists of capital assets, net of accumulated depreciation, reduced (as applicable) by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net assets consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets".

Significant Accounting Policies

The Association and Foundation are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, and related staff positions.

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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

Capital Assets

Capital assets include land, buildings and improvements, 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.

Property, plant and Equipment of the College are depreciated using the straight-line method over the following useful lives.

	Estimated Useful Life
Building and improvements	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 for principal and interest payments do not constitute a legally enforceable obligation of the State.

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

Operating Revenue

The College's operating revenues consist principally of student tuition and fees, federal and state financial aid grants and certain nongovernmental grants and contracts. Student tuition and fees revenues are recorded net of application scholarship allowance.

Deferred Student Revenue

Student revenue, which is received prior to August 31 and is applicable to the subsequent fall semester, is deferred and recognized as revenue in the following year concurrent with the commencement of the fall semester.

Nonoperating Revenue

Nonoperating revenues consist principally of state and local government appropriations and federal and state student financial aid grants. These grants include Pell, TAP, SEOG and other financial aid grants.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

State Aid

Operating revenues received from the State University of New York are regulated by a financing formula contained in the State University regulations. Under the formula, the amount of basic state aid is limited to the lower of 40 percent of the College's net allowable expenses or an established rate per full-time equivalent student (FTE) (\$2,260 for the year ended August 31, 2011 added to 50.0 percent of the college's rental costs for physical Space.

Capital 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 local sponsor's capital share of the costs. The law requires that these amounts be separately accounted for and that the funds be utilized to meet capital expenditure requirements of future periods.

Income Taxes

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

Prior Period Information

The Financial statements include, certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended August 31, 2010, from which the summarized information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 4, 2012.

Dutchess County 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 subsidies and grants which finance either capital or current operations are reported as nonoperating revenues.

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

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.

C. Basis of Accounting, Continued

Postemployment Benefit Obligations

Effective with the financial report for the year ended December 31, 2007, the Agency adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for reporting the liability for nonpension postemployment benefits chiefly health care premiums for retirees.

Other Postemployment Benefits (OPEB) cost for healthcare is required to be measured and disclosed using the accrual basis of accounting regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost should be equal to the annual required contributions to the OPEB plan, calculated in accordance with certain parameters.

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.

Dutchess County 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 Accountants (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 pertaining to the operations of the water and sewer systems as operating revenues, and other revenues and grants which finance either capital or nonsystem related projects are reported as nonoperating revenues.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

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 is 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 to customers and are considered to be operating revenues. Nonoperating revenues include Dutchess County-funded revenues based on a contract with the Dutchess County Division of Water Resources to provide countywide water and wastewater planning and management. The Authority also derives revenues from Service Fee payments from the County pursuant to several Service Agreements, which are used to pay debt service and related expenses pertaining to debt obligations incurred for specific districts and/or systems.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Basis of Accounting, Continued

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.

Reclassifications

Several reclassifications have been made to the 2010 and 2011 presentations in order to more clearly present certain financial statement items. Current portion of deferred revenue now includes nonrefundable capital reserves receipts received in relation to the maintenance and operation of the Central Dutchess Water Transmission line as well as certain amounts received in advance for water usage, in addition to the current portion of deferred revenue in relation to Transmission Line construction. Project administration expenses related to funding received from Dutchess County were previously shown as operating expenses, but have now been reclassified to nonoperating expenses. None of these reclassifications have any impact on changes in net assets.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

2. Disclosures of 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.

At year end, the bank balance of the County's deposits of cash and cash equivalents and restricted cash was \$95,629,844, of which \$2,750,000 was covered by Federal Depository Insurance.

The bank balance of the County's cash and cash equivalents of \$58,053,342 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. The bank balance of the County's cash and cash equivalents of \$34,029,199 are classified as Risk Category C, as defined by GASB, are uncollateralized and includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not 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.

Restricted cash of the County consists of unexpended bond and note proceeds restricted for capital projects and debt service in the amounts of \$22,990,479 and \$11,025,123, respectively. Also included in restricted cash is a \$1,862,117 insurance reserve held for workers' compensation self-insurance plan.

Component Units:

Dutchess Community College

Deposits with Trustees

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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Restricted and Unrestricted Cash and Cash Equivalents, Continued

Deposits with bond trustees consist of the following:

	August 31, 2011		
	DASNY	County	Total
Cash and cash equivalents	\$ 623	\$ 1,111	\$ 1,734
U.S. Government obligations and federal agency deposits:			
Construction Fund	24,208		24,208
Debt Service Fund	2,505		2,505
Debt Service Reserve Fund	173,134		173,134
	<u>\$ 200,470</u>	<u>\$ 1,111</u>	<u>\$ 201,581</u>

Deposits with 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 DASNY 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 noninterest 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 to be under-collateralized at any given point in time. However, the trustees must adhere to collateralization standards set forth by the State of New York.

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

Information about the sensitivity of the fair value of the College's investments held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the College's investments by maturity. All of the investments below have a remaining maturity of less than one year.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Restricted and Unrestricted Cash and Cash Equivalents, Continued

At August 31, 2011, the College's investments with DASNY were as follows:

Investment Type	Fair Value
U.S. Government Obligations	
U.S. Treasury Notes	\$ 173,365
U.S. Treasury Bills	2,274
U.S. Treasury Strips	<u>175,639</u>
Federal Agencies	
Federal National Mortgage Association	19,977
Federal Home Loan Bank	<u>4,231</u>
	<u>24,208</u>
	<u><u>\$ 199,847</u></u>

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 Obligations and Federal Agency securities pursuant to the College's and DASNY investment policies.

Dutchess County 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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Restricted and Unrestricted Cash and Cash Equivalents, Continued

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, 2011, the Agency had cash deposited in various banks aggregating approximately \$2,627,000, 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, 2011, the Agency had cash and cash equivalents and investments of \$9,636,028 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, 2011:

Bank Balance	\$	11,368
U.S. Treasury Bills		5,450,928
Insured Investment		<u>4,173,732</u>
Total Risk Category B	\$	<u><u>9,636,028</u></u>

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

Restricted Cash and Investments

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Restricted and Unrestricted Cash and Cash Equivalents, Continued

As of December 31, 2011, the trustee reported the following restricted cash and cash equivalents and investments:

1998 Series C	
Projected Funds	
Reserve and contingency funds	-
Current restricted funds	-
Debt service reserve fund - noncurrent	-
Total 1998 Series C	-
1999 Series A	
Project funds	53,833
Debt service reserve funds	3,511,761
Current restricted funds	3,565,594
Reserve and contingency fund	447,957
Debt service reserve fund	3,794,303
Non-current restricted funds	4,242,260
Total 1999 Series A	7,807,854
2007 Series	
Project funds	413,850
Cost of insurance fund	98,187
Debt service reserve fund	371,410
Current restricted funds	883,447
Reserve and contingency fund	85,884
Debt service reserve fund	858,843
Non-current restricted funds	944,727
Total 2007 Series	1,828,174
Total	\$ 9,636,028

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.

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1, bond principal and interest payments, amounted to \$1,941,204 at December 31, 2011, and are included in restricted cash and cash equivalents.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Restricted and Unrestricted Cash and Cash Equivalents, Continued

Restricted assets are summarized as follows as of December 31, 2011:

Current restricted assets	
Series 1998 B&C bonds	-
Series 1999 A	3,565,594
Series 2007	883,447
Capital Improvement funds	-
Energy revenues and debt service funds	<u>1,941,204</u>
Total current restricted cash and investments	<u>6,390,245</u>
Noncurrent restricted cash and investments	
Series 1998 B&C bonds	-
Series 1999 A	4,242,260
Series 2007	<u>944,727</u>
Total non current restricted cash and investments	<u>5,186,987</u>
Total restricted cash and investments	<u><u>\$ 11,577,232</u></u>

Dutchess County 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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Restricted and Unrestricted Cash and Cash Equivalents, Continued

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, 2011:

	Category 1	Category 2	Category 3	Total
Cash in Banks	\$ 566,907	\$ 2,968,946	\$ -	\$ 3,535,853
Investments				
Money Market Funds	\$ 3,312,677	\$ 1,921,076	\$ -	\$ 5,233,753
U.S. Treasury Bills & Notes	1,551,919	-	-	1,551,919
Investment Total	\$ 4,864,596	\$ 1,921,076	\$ -	\$ 6,785,672

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, 2011:

Litigation Reserve Funds	\$ -
Construction Reserve Funds	3,611,223
Debt Service Sinking Funds	56,557
Debt Service Reserve Funds	140,735
Current Restricted Funds	3,808,515
Debt Service Reserve Funds Non Current	2,669,597
	\$ 6,478,112

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Restricted and Unrestricted Cash and Cash Equivalents, Continued

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

B. Real Property Taxes

Primary Government

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

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

Tax rates are calculated using assessments prepared by individual city and town assessors utilizing the equalization rates established by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable equalized assessed value of real property included in the tax levy of 2011 is \$32,811,057,769. The effective tax rate on this value is \$3.06 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2011 levy represents approximately 19.8% of the constitutional tax limit.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Capital Assets

Primary Government:

Capital assets activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 7,036,017	\$ 647,535	\$ -	\$ 7,683,552
Right of way and easements	8,467,938	-	-	8,467,938
Construction in progress	19,010,190	15,272,200	(26,880,026)	7,402,364
Total capital assets, not being depreciated	<u>34,514,145</u>	<u>15,919,735</u>	<u>(26,880,026)</u>	<u>23,553,854</u>
Capital assets, being depreciated:				
Buildings and improvements	134,568,918	4,343,548	-	138,912,466
Infrastructure	142,655,228	21,237,269	-	163,892,497
Machinery and equipment	59,305,983	1,308,650	(2,758,277)	57,856,356
Totals	<u>336,530,129</u>	<u>26,889,467</u>	<u>(2,758,277)</u>	<u>360,661,319</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(76,245,484)	(4,870,160)	-	(81,115,644)
Infrastructure	(89,482,142)	(8,512,087)	-	(97,994,229)
Machinery and equipment	(42,783,218)	(3,538,906)	2,716,265	(43,605,859)
Totals	<u>(208,510,844)</u>	<u>(16,921,153)</u>	<u>2,716,265</u>	<u>(222,715,732)</u>
Total capital assets, being depreciated, net	<u>128,019,285</u>	<u>9,968,314</u>	<u>(42,012)</u>	<u>137,945,587</u>
Governmental activities capital assets, net	<u>\$ 162,533,430</u>	<u>\$ 25,888,049</u>	<u>\$ (26,922,038)</u>	<u>\$ 161,499,441</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 3,385,364	-	-	\$ 3,385,364
Construction in progress	229,569	4,324,755	(3,518,998)	1,035,326
Total capital assets, not being depreciated	<u>3,614,933</u>	<u>4,324,755</u>	<u>(3,518,998)</u>	<u>4,420,690</u>
Capital assets, being depreciated:				
Buildings and improvements	10,476,944	263,319	-	10,740,263
Infrastructure	25,060,930	2,065,974	-	27,126,904
Equipment	15,245,790	1,189,706	(2,580,006)	13,855,490
Totals	<u>50,783,664</u>	<u>3,518,999</u>	<u>(2,580,006)</u>	<u>51,722,657</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(7,048,749)	(459,337)	-	(7,508,086)
Infrastructure	(13,134,535)	(988,755)	-	(14,123,290)
Equipment	(9,179,616)	(1,436,773)	2,580,006	(8,036,383)
Totals	<u>(29,362,900)</u>	<u>(2,884,865)</u>	<u>2,580,006</u>	<u>(29,667,759)</u>
Total capital assets, being depreciated, net	<u>21,420,764</u>	<u>634,134</u>	<u>-</u>	<u>22,054,898</u>
Business-type activities capital assets, net	<u>\$ 25,035,697</u>	<u>\$ 4,958,889</u>	<u>\$ (3,518,998)</u>	<u>\$ 26,475,588</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Capital Assets, Continued

Component Units:

Dutchess Community College

Capital assets activity consists of the following for the year ended August 31, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 1,148,465	\$ -	\$ -	\$ 1,148,465
Building and improvements	82,765,749	682,812		83,448,561
Furniture and equipment	7,859,873	181,198	(395,507)	7,645,564
	91,774,087	864,010	(395,507)	92,242,590
Less: Accumulated depreciation	35,268,959	2,223,914	(395,507)	37,097,366
Capital assets, net	<u>\$ 56,505,128</u>	<u>\$ (1,359,904)</u>	<u>\$ -</u>	<u>\$ 55,145,224</u>

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

	2011	2010
Cost basis	\$ 5,227,174	\$ 5,227,174
Accumulated depreciation	(2,174,186)	(1,809,279)
	<u>\$ 3,052,988</u>	<u>\$ 3,417,895</u>

Depreciation expense for the year ended August 31, 2011 was approximately \$2,263,237.

Dutchess County Resource Recovery Agency

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	66,181,536	-	-	66,181,536
Equipment	1,164,191	-	-	1,164,191
	67,863,318	-	-	67,863,318
Less: Accumulated depreciation	(35,474,106)	(2,079,866)	-	(37,553,972)
Capital assets, net	<u>\$ 32,389,212</u>	<u>\$ (2,079,866)</u>	<u>\$ -</u>	<u>\$ 30,309,346</u>

Depreciation was recorded in the amount of \$2,079,866 less amortization of deferred revenues associated with the funding of capital improvements of \$77,453 resulting in \$2,002,413 in depreciation expense for the year ended December 31, 2011.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Capital Assets, Continued

Dutchess County Water and Wastewater Authority

Capital assets consisted of the following as of December 31, 2011:

	Balance	Increase	Decrease	Balance
Land	\$ 834,808	\$ -	\$ -	\$ 834,808
Improvements	120,255	-	-	120,255
Buildings	12,181,920	187,057	-	12,368,977
Water system	45,809,891	3,193,706	-	49,003,597
Machinery and equipment	4,699,114	1,590,354	-	6,289,468
Sewage collection system	1,364,871	-	-	1,364,871
Construction in progress	3,496,610	3,654,830	(5,063,827)	2,087,613
Sub-total	68,507,469	8,625,947	(5,063,827)	72,069,589
Less: Accumulated depreciation	(15,635,318)	(1,735,001)	-	(17,370,319)
Net capital assets	<u>\$ 52,872,151</u>	<u>\$ 6,890,946</u>	<u>\$ (5,063,827)</u>	<u>\$ 54,699,270</u>

Depreciation was recorded in the amount of \$1,735,001, less amortization of deferred revenues associated with the Central Dutchess Water Transmission Line of \$595,853. The effect of netting these amounts resulted in 1,139,148 in depreciation expense for the year ended December 31, 2011.

D. Depreciation Expense

Depreciation expense was charged to functions/programs as follows for the year ended December 31, 2011:

Primary Government:

Governmental Activities

General government	\$ 4,374,312
Public safety	2,403,381
Health	35,061
Transportation	8,459,005
Economic assistance and opportunity	385,379
Culture and recreation	925,247
Home and community services	338,768
Total depreciation expense – governmental activities	<u>\$ 16,921,153</u>

Business-type activities

Airport	\$ 1,439,676
Transportation	1,445,189
Total depreciation expense – Business-type activities	<u>\$ 2,884,865</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

3. Disclosures of Liabilities and Expenses/Expenditures

A. Long-Term Liabilities

Primary Government:

Long-term liability activity for the year ended December 31, 2011, is as follows:

	Total Long-Term Liabilities			Ending Balance	Due Within One Year
	Beginning Balance	Additions	Reductions		
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 108,048,302	\$ 18,723,788	\$ (18,103,842)	\$ 108,668,248	\$ 13,021,680
Tobacco Asset Securitization Bonds (TASC debt), net of discount	61,053,182	-	(1,354,258)	59,698,924	-
Total bonds and BANS payable	169,101,484	18,723,788	(19,458,100)	168,367,172	13,021,680
Judgments and claims	29,498,778	265,201	-	29,763,979	-
Post employment liability	74,925,323	21,904,605	-	96,829,928	-
Compensated absences	9,284,033	-	(84,289)	9,199,744	-
Environmental clean up	320,000	-	-	320,000	-
Governmental Activities long-term liabilities	<u>\$ 283,129,618</u>	<u>\$ 40,893,594</u>	<u>\$ (19,542,389)</u>	<u>\$ 304,480,823</u>	<u>\$ 13,021,680</u>

General obligation bonds 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 7.0% of its constitutional debt limit as of December 31, 2011.

In June 1993, the County 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 \$330,000 at December 31, 2011.

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 \$3,210,000 at December 31, 2011. 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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

carrying a weighted average interest rate of 5.07% with new debt of \$10,265,000 issued with a weighted average interest rate of 4.46%. The net proceeds of the \$10,265,000 were used to purchase U.S. Government Securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service for the 1996, 1997 and 1998 bonds. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the County's long-term liabilities. The balance of the defeased debt is approximately \$6,840,000 at December 31, 2011.

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 Proprietary 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 Proprietary 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 2010. The balance of the defeased debt is \$33,462,645 at December 31, 2011. The TASC recorded \$45,912,363 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 \$27,305 was recognized in 2010. The balance of the defeased debt is \$26,236,279 at December 31, 2011. 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 \$16,850,000 at December 31, 2011.

The 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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

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 \$19,925,000 at December 31, 2011.

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 \$5,125,000 at December 31, 2011.

In December 2010, the County issued \$21,021,000 in public improvement serial bonds with an average interest rate of 3.2%. The proceeds will be used to finance various capital projects. The balance of the debt is \$19,040,000 at December 31, 2011.

The 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%. As a result of the refunding, the 1998 and 2001 Series bonds are considered to be defeased and the liability for those bonds has been removed from the County's long-term liabilities. The balance of the defeased debt is approximately \$10,920,000 at December 31, 2011.

The County recorded a gain on bond refunding in the amount of \$390,000 related to this transaction. The debt service payments for 2009 bonds are less than the total debt service payments for the refunded debt by \$584,000 which on a present value basis results in an economic gain of \$679,000.

In December 2011, the County issued \$13,444,067 in public improvement serial bonds with an average interest rate of 2.7% per annum. The proceeds will be used to finance various capital projects. The balance of the debt is \$13,444,067 at December 31, 2011. In addition, the County issued \$5,395,000 in Serial Bonds with an average interest rate of 4.2% per annum. These proceeds were used to advance refund \$5,750,000 of the 2003 public improvement serial bonds. The balance of the debt is \$5,395,000 at December 31, 2011. The County recorded a gain on the bond refunding in the amount of \$544,473. Since the debt service payments for 2011 bonds are less than the total debt service payments for the refunded debt by \$355,000 which on a present value basis results in an economic gain of \$76,140.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

TASC Debt

In December 2003, the Corporation issued the 2003 New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds (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. Proceeds of \$41,970,000 were used to purchase tobacco settlement rights from Dutchess County. The TASC recognized \$75,742 in amortization expense related to the bond discount and \$19,277 related to the amortization of deferred financing costs in 2011.

In November 2005, the Corporation 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 \$19,277 related to the amortization of deferred financing costs in 2011.

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 nonsettling 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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

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, 2011:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2011	Annual Principal Installments
Serial Bonds					
2.50% – 5.25%	1993	2013	\$ 7,445,000	\$ 330,000	\$ 150,000 - 180,000
3.25 – 5.00	2001	2016	16,360,000	3,210,000	305,000 - 180,000
2.00 – 4.50	2003	2022	18,800,000	1,350,000	140,000 - 1,236,922
5.00 – 6.00	2003	2043	45,912,362	34,865,000	0 - 11,860,000
5.00 – 6.00	2004	2019	17,085,000	8,435,000	580,000 - 1,320,000
6.00 – 7.85	2005	2060	26,236,279	26,236,279	0 - 10,384,242
4.00 – 4.25	2006	2014	1,525,000	890,000	295,000 - 305,000
4.00 – 5.00	2006	2018	8,740,000	5,950,000	95,000 - 1,200,000
3.50 – 5.00	2006	2027	22,587,595	16,850,000	550,000 - 1,325,000
4.00 – 5.00	2007	2028	27,000,000	19,925,000	525,000 - 1,925,000
3.00 – 5.00	2008	2023	6,358,763	5,125,000	350,000 - 525,000
3.00 – 4.00	2009	2018	2,165,000	1,600,000	160,000 - 265,000
3.00 – 4.00	2009	2021	12,930,000	9,320,000	405,000 - 1,745,000
2.00 – 4.00	2010	2025	21,021,000	19,040,000	825,000 - 2,240,000
2.00-5.00	2011	2022	5,395,000	5,395,000	65,000 - 1,150,000
2.00-3.50	2011	2031	13,444,067	13,444,067	295,000 - 920,000
				<u>\$ 171,965,346</u>	

Compensated absences for governmental activities typically have been liquidated from the General Fund and the special revenue funds. Judgments and claims typically have been liquidated from the General Fund. See Note D for the post-retirement disclosures.

Business-type Activities

Long-term liability activity for the year ended December 31, 2011 is as follows:

	Total Long-Term Liabilities				Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Business-type activities					
Bonds payable					
Airport bonds	\$ 4,712,873	\$ -	\$ (504,221)	\$ 4,208,652	\$ 617,942
Transportation bonds	677,518	773,442	(37,212)	1,413,748	104,455
Total bonds payable	5,390,391	773,442	(541,433)	5,622,400	722,397
Compensated absences	38,128	4,032	-	42,160	-
Other post employment benefits	494,700	194,180	-	688,880	-
Business-type activities long-term liabilities	<u>\$ 5,923,219</u>	<u>\$ 971,654</u>	<u>\$ (541,433)</u>	<u>\$ 6,353,440</u>	<u>\$ 722,397</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

Long-term debt at December 31, 2011 consists of the following:

Airport

2003 serial bonds, interest at 2% to 4.5% due in various installments through 2022	\$ 802,646
2004 public improvement bonds, interest at 2% to 5% due in various installments through 2019	849,007
2006 public improvement bonds, interest at 3.5% to 5% due in various installments through 2027	565,000
2007 public improvement bonds, interest at 4% to 5% due in various installments through 2028	4,000
2010 public improvement bonds, interest at 2.0% to 4% due in various installments through 2025	<u>1,987,999</u>
Total airport bonds	4,208,652
Less: current portion	<u>617,942</u>
Total bonds, net of current portion	<u><u>\$ 3,590,710</u></u>

Transportation

2004 public improvement bonds, interest at 3.5% to 5% due in various installments through 2027	\$ 350,000
2010 public improvement bonds, interest at 2.0% to 4% due in various installments through 2025	290,714
2011 public improvement bonds, interest at 2.0% to 3.5% due in various installments through 2031	<u>773,034</u>
Total transportation bonds	1,413,748
Less: current portion	<u>104,455</u>
Total bonds, net of current portion	<u><u>\$ 1,309,293</u></u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

As of December 31, 2011, the County's debt service requirements relating to bonds payable are as follows:

Year Ended December 31	Government Activities		TASC Bonds		Proprietary Funds	
	General Obligation Bonds				Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 13,021,680	\$ 4,112,466	\$ -	\$ 2,058,813	\$ 722,398	\$ 180,158
2013	12,549,906	3,614,198	-	2,058,813	615,094	144,742
2014	11,951,748	3,113,572	-	2,058,813	558,252	127,958
2015-2019	40,033,321	9,548,754	-	10,294,063	2,167,258	404,793
2020-2024	20,292,670	3,417,140	-	10,294,063	1,226,730	143,981
2025-2029	6,746,267	672,870	3,755,000	10,007,981	298,733	25,498
2030-2034	556,075	29,194	8,065,000	8,145,700	33,935	1,781
2035-2039	-	-	21,569,242	65,884,308	-	-
2040-2042	-	-	11,860,000	1,480,200	-	-
2045-2049	-	-	-	-	-	-
2050-2054	-	-	4,889,934	66,030,066	-	-
2055-2059	-	-	2,604,375	70,490,625	-	-
2060	-	-	8,357,728	547,342,272	-	-
Total	105,151,667	24,508,194	61,101,279	796,145,717	5,622,400	1,028,911
Less: Discount	-	-	(1,402,355)	-	-	-
Add: Premium	3,516,581	-	-	-	-	-
Total	<u>\$ 108,668,248</u>	<u>\$ 24,508,194</u>	<u>\$ 59,698,924</u>	<u>\$ 796,145,717</u>	<u>\$ 5,622,400</u>	<u>\$ 1,028,911</u>

Component Units:

Dutchess Community College

The following table summarizes changes in the College's long-term liabilities for the year ended August 31, 2011:

	Beginning September 1, 2010	New Issues/ Additions	Maturities and/or Payments	Balance August 31, 2010	Due Within One-Year
Bonds payable - capital projects					
Bonds payable - DASNY	\$ 20,272,051	\$ 916,538	\$ 906,777	\$ 20,281,812	\$ 704,923
Bonds payable - Sponsor	12,736,508	179,250	1,342,000	11,573,758	1,387,250
Total bonds payable	33,008,559	1,095,788	2,248,777	31,855,570	2,092,173
Capital lease obligations	3,489,056	-	410,354	3,078,702	340,677
Other noncurrent liabilities					
Compensated absences	2,569,033	354,766	256,903	2,666,896	267,000
Other post employment benefit obligations payable	29,460,847	7,616,360	1,504,143	35,573,064	-
Total long-term liabilities	<u>\$ 68,527,495</u>	<u>\$ 9,066,914</u>	<u>\$ 4,420,177</u>	<u>\$ 73,174,232</u>	<u>\$ 2,699,850</u>

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 debt service on these bonds (\$500,000 in 2011) derived from capital chargebacks.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

The annual requirements to amortize all outstanding bonded debt as of August 31, 2011 including interest payments of \$13,223,197 are as follows:

Year Ending August 31,	DASNY	Dutchess County	Total Principal	Total Interest
2012	704,923	1,387,250	2,092,173	1,381,728
2013	867,927	1,374,000	2,241,927	1,292,748
2014	921,259	1,292,000	2,213,259	1,205,600
2015	1,332,336	1,316,000	2,648,336	1,113,123
2016	1,200,110	1,305,000	2,505,110	998,644
2017-2021	5,669,614	3,730,000	9,399,614	3,598,104
2022-2026	5,652,544	106,000	5,758,544	2,021,670
2027-2031	3,087,541	-	3,087,541	889,150
2032-2036	700,184		700,184	400,707
2037-2041	145,374	1,063,508	1,208,882	321,723
	<u>\$ 20,281,812</u>	<u>\$ 11,573,758</u>	<u>\$ 31,855,570</u>	<u>\$ 13,223,197</u>

Interest on the DASNY bonds range from 2.0% to 6.0%. Interest on the Dutchess County bonds ranges from 2.5% to 6.5%.

Interest expense on total financing agreements for the College was approximately \$1,756,661 in 2011.

Advance Refunding

During the 2011 fiscal year, the DASNY issued \$242,157 in serial bonds with interest at rates ranging from 4.0% to 5.0%. The proceeds were used to advance refund \$206,413 of outstanding 2000A serial bonds bearing interest at rates ranging from 5.125% to 5.25% and \$120,149 of outstanding 2001A serial bonds bearing interest at 5.0%. The bond proceeds (exclusive of costs) were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The College considers these bonds to be defeased. Accordingly, the trust account assets and liability for these bonds are not included in the College's financial statements.

The College advance refunded portions of these bonds to reduce its total debt service payments over 10 years by \$70,450 and to obtain a net present value economic gain of \$6,088.

As of August 31, 2011, \$326,562 of bonds outstanding were called and as such no amounts are outstanding.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

Dutchess County Resource Recovery Agency

Bond Terms

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 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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

Bonds payable, with interest payable semiannually on January 1, and July 1, consist of the following as of December 31, 2011:

<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2011</u>
Series Bonds			
5.25%	1999	2011	\$ -
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
			26,380,000
			Less: Current portion (3,235,000)
			\$ 23,145,000

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

<u>Years ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	3,235,000	1,209,242	4,444,242
2013	3,410,000	1,030,636	4,440,636
2014	3,595,000	840,601	4,435,601
2015	925,000	719,513	1,644,513
2016	975,000	672,013	1,647,013
2017-2021	5,625,000	2,579,452	8,204,452
2022-2026	7,020,000	1,174,693	8,194,693
2027-2028	1,595,000	35,887	1,630,887
Totals	\$ 26,380,000	\$ 8,262,037	\$ 34,642,037

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

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, 2011 these debt service reserves exceeded their funding requirements.

Dutchess County Water and Wastewater Authority

Bonds Payable

The Authority issues revenue bonds to finance the acquisition of systems and the cost of the capital renovations to those systems and to pay costs of issuance. 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. This trust indenture was amended in 2007 to authorize debt issued for Part Country Server Districts # 1 and 2. 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.

Bonds payable increased by \$520,420 in adjustments and accreted interest on 1998 Series One, 2001 debt and 2009 debt.

Debt Service Requirements

Debt Service requirements to maturity as of December 31, 2011 are as follows:

Year Ending December 31,	Principal	Interest	Total
2012	\$ 1,950,000	\$ 932,843	\$ 2,882,843
2013	1,925,000	900,277	2,825,277
2014	1,990,000	858,297	2,848,297
2015	2,070,000	807,594	2,877,594
2016	2,055,000	746,377	2,801,377
2017-2021	9,533,879	4,800,368	14,334,247
2022-2026	6,188,420	8,026,042	14,214,462
2027-2031	3,920,346	6,050,516	9,970,862
2032-2036	1,829,027	3,533,110	5,362,137
2037-2041	1,137,080	2,593,495	3,730,575
Totals	<u>\$ 32,598,752</u>	<u>\$ 29,248,919</u>	<u>\$ 61,847,671</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

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 refunding of debt. The Authority defeased bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. As of December 31, 2011, the bonds were called and paid from the escrow funds.

In July 2011, the Authority participated in a refinancing initiated by the New York State Environmental Facilities Corporation on behalf of the municipalities that participated in the State Drinking Water and Clean Water Revolving Funds Series 2002G, amounting to \$2,340,000. A net present value savings of \$203,036 over the life of the new debt resulted from the refinancing transactions.

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 parity 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, and one debt issue in 2009, 2010 and 2011.

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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

Description

Debt issued under the above listed authorizations is as follows as of December 31, 2011:

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%	\$ 220,000
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%	-
2000 Service Agreement Revenue Bond Series 2000, due in various installments through 2020, interest 5.65%	485,000
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	1,213,410
2002 Service Agreement Revenue (Refunding) Bond Series 2002 Harbours Hills, due in various installments through 2021, interest 1.333%-5.063%	-
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%	-
2004 Water Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	1,535,000
2004 Sewer Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00% - 4.25%	1,630,000
2007 Sewer Service Agreement Revenue Bond Series 2007, due in various installments through 2037, interest 4.00% - 5.00%	1,760,000
2007 Sewer Service Agreement Revenue Bond Series 2007, due in various installments through 2027, interest 4.00% - 4.625%	345,000
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments through 2029, interest 3.00% - 5.00%	6,905,000
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments starting in 2030 through 2039 interest 5.62% - 5.96%	1,347,524
2010 Water Service Agreement Revenue Bond Series 2010, maturing December 9, 2011, interest 1.51%	-
Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2010C, due in various installments through 2019, interest .8450% - 3.355%	9,245,000
Drinking Water Revolving Fund Revenue (Refunding) Bonds Series 2011C, due in various installments through 2023, interest .540% - 3.165%	2,160,000
2011 Service Agreement Revenue Bond Series 2011, due in various installments starting in 2012 through 2041, interest 3.50% - 4.25%	1,935,000
Total bonds payable	32,598,752
Accreted interest recorded on zero coupon bonds	<u>4,778,102</u>
Total long term debt	37,376,854
Current portion of long term debt	<u>(1,950,000)</u>
Total long term debt, less current portion	<u>\$ 35,426,854</u>

	Balance at January 1, 2011	New Issues/ Additions**	Maturities and/or Payments	Balance at December 31, 2011	Due Within One Year
Bonds Payable	\$ 38,974,156	\$ 4,795,420	\$ (6,392,722)	\$ 37,376,854	\$ 1,950,000
OPEB liability	609,900	165,600		775,500	
	<u>\$ 39,584,056</u>	<u>\$ 4,961,020</u>	<u>\$ (6,392,722)</u>	<u>\$ 38,152,354</u>	<u>\$ 1,950,000</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Long-Term Liabilities, Continued

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 \$3,210,998 for governmental activities for the year ended December 31, 2011. Future minimum lease payments at December 31, 2011 were as follows:

	Governmental Activities
2012	\$ 2,314,095
2013	784,140
2014	636,081
2015	428,296
2016	232,839
2017 and after	<u>309,281</u>
Totals	<u>\$ 4,704,732</u>

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%.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

B. Lease Obligations, Continued

The future minimum payments required under the lease as of August 31, 2011 follows:

	Principal	Interest
2012	\$ 340,677	\$ 128,778
2013	291,434	115,011
2014	277,942	106,411
2015	207,623	90,917
2016	216,988	81,517
Thereafter	1,744,038	269,848
	<u>\$ 3,078,702</u>	<u>\$ 792,482</u>

Interest expense related to capital lease obligations was approximately \$148,000 in 2011.

Operating Leases

The College leases buildings for use in its operations under operating lease agreement which expire at various times through August 2017. The agreements require the following minimum future annual lease payments as of August 31, 2011:

2012	550,085
2013	573,570
2014	573,570
2015	573,570
2016	573,570
Thereafter	573,570
	<u>\$ 3,417,935</u>

Rental expense for 2011 was approximately \$551,000.

Broadband Channel Leases

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

C. Interfund Balances and Activity

Primary Government

Interfund Receivables and Payables

Interfund balances at December 31, 2011 were as follows:

Payable from	Payable to General Fund
Capital projects	\$ 3,616,218
Airport	84,017
Transportation	<u>13,442</u>
Total	<u><u>\$ 3,713,677</u></u>

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, 2011 were as follows:

Transfer From	General Fund	Airport	Transportation	Other Governmental Funds	Total
General fund	\$ -	\$ 541,175	\$ 50,360	\$ 2,244,899	\$ 2,836,434
Airport	842,303	-	-	-	842,303
Transportation	1,027,431	-	-	250,000	1,277,431
Total	<u><u>\$ 1,869,734</u></u>	<u><u>\$ 541,175</u></u>	<u><u>\$ 50,360</u></u>	<u><u>\$ 2,494,899</u></u>	<u><u>\$ 4,956,168</u></u>

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

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:

2011	\$ 16,437,430
2010	13,918,830
2009	9,739,184

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

D. Retirement Plan, Continued

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") ("Systems") and the Teachers' Insurance and Annuity Association College Retirement Equities Fund ("TIAA-CREF"). The TRS and ERS Systems are cost sharing multiple-employer defined benefit pension plans and the TIAA-CREF is a cost sharing multiple-employer defined contribution pension plan. The Systems provide retirement, disability and death benefits to plan members. obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems and TIAA-CREF issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12224, the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 and the Teacher's Insurance and Annuity Association - College Retirement Equities Fund, 730 Third Avenue, New York, New York 10017.

Funding Policy

The System are noncontributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who contribute 3% of their salary for ERS and 3.5% TRS without regard to their years of service. Contributions to ERS are certified by the State Comptroller and expressed as a percentage of members' Salary. Contributions to ERS consist of are actuarially determined and based upon membership tier and plan. Contributions to ERS consist of a life insurance portion ("GTLI") and regular pension contributions. Pursuant to Article 11 of Education Law, contribution rates are established annually for TRS by the New York State Teachers' Retirement Board. Contribution rates for the plans years' ending in 2011 are as follows:

ERS		TRS	
Tier/Plan	Rate	Tiers	Regular
1 75l	15.3%	1-4	8.62 %
2 75l	14.1%		
3 A14	11.4%		
4 A15	11.4%		
5 A15	9.2%		

Contributions made to the Systems for the current and two preceding years were as follows:

	ERS	
2011	\$ 52,869	\$ 347,169
2010	48,011	215,351
2009	35,015	279,536

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

D. Retirement Plan, Continued

The ERS and TRS contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

TIAA-CREF is a privately operated defined contribution retirement plan which provides benefits to certain employees of the College. Under the plan, the College is required to make contributions based on gross salaries of the participants. Certain participants are also required to make a participating contribution, Pension costs incurred for the current and two preceding years were as follows:

2011	\$ 1,564,224
2010	1,445,358
2009	1,372,000

Dutchess County 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 noncontributory 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
2011	\$ 52,869
2010	48,011
2009	35,015
Total	<u>\$ 135,895</u>

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

D. Retirement Plan, Continued

Dutchess County Water and Wastewater Authority

Pension Plan

Plan Description

Through the acquisition of the assets and employees of the Hyde Park Fire District and Water 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 \$181,796, \$131,574, and \$104,762, respectively. The Authority's contributions made to the System were equal to 100% of the contributions required for those years.

E. Deferred Compensation Plan

Primary Government:

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.

E. Deferred Compensation Plan, Continued

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, 2011, the market value, as reported by the New York State Deferred Compensation Plan, of the plan assets totaled \$91,783,672.

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.

Funding Policy

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 expenditure as premiums are paid within the governmental funds.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) 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, 2011, the County's, Airport's and Transportation's annual OPEB costs of \$25,871,029, \$188,339 and \$6,194, respectively, was recognized through the government wide statement of activities. Participating employees and active plan members are required to contribute to the plan at rates expressed as percentages of the payroll of active plan members. The percentage that is contributed is determined by the class of employee and their adjusted benefit date. For management employees 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 following table shows the calculation of the projected net OPEB obligation at December 31, 2011:

	Year Ended December 31, 2011			
	Governmental Activities	Business-type Activities		
		Airport	Transportation	Total
Annual required contribution	\$ 25,737,096	\$ 187,455	\$ 6,194	\$ 25,930,745
Interest on net OPEB obligation	2,997,012	19,788	-	3,016,800
Adjustment to ARC	<u>(2,863,079)</u>	<u>(18,904)</u>	<u>-</u>	<u>(2,881,983)</u>
Annual OPEB cost	25,871,029	188,339	6,194	26,065,562
Contributions made	<u>(3,966,424)</u>	<u>(353)</u>	<u>-</u>	<u>(3,966,777)</u>
Increase in net OPEB obligation	21,904,605	187,986	6,194	22,098,785
Net OPEB obligation - beginning of year	74,925,300	494,700	-	75,420,000
Net OPEB obligation - end of year	<u>\$ 96,829,905</u>	<u>\$ 682,686</u>	<u>\$ 6,194</u>	<u>\$ 97,518,785</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years were as follows:

<u>Total</u>			
Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 26,065,562	15.2 %	\$ 97,518,785
2010	\$ 24,392,300	19.8 %	\$ 75,420,000
2009	\$ 21,932,400	18.5 %	\$ 55,847,200

Governmental Activities
Excluding Airport and Transportation

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 25,871,029	15.3 %	\$ 96,829,905
2010	\$ 24,247,200	19.8 %	\$ 74,925,300
2009	\$ 21,805,600	18.5 %	\$ 55,490,100

Business-type Activities
Airport

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 188,339	0.2 %	\$ 682,686
2010	\$ 145,100	5.2 %	\$ 494,700
2009	\$ 126,800	4.3 %	\$ 357,100

Business-type Activities
Transportation

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 6,194	0.0 %	\$ 6,194
2010	\$ -	0.0 %	\$ -
2009	\$ -	0.0 %	\$ -

Funded Status and Funding Progress. As of December 31, 2011, the actuarial accrued liability for benefits was \$295,827,046 all of which was unfunded. 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 retirement benefits.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The total unfunded accrued liability, amortization period and required contribution for 2011 are as follows:

	Governmental Activities Excluding Airport and Transportation	Airport	Transportation	Total
Accrued liability	\$ 294,010,525	\$ 1,805,453	\$ 11,068	\$ 295,827,046
Assets	-	-	-	-
Unfunded liability	<u>\$ 294,010,525</u>	<u>\$ 1,805,453</u>	<u>\$ 11,068</u>	<u>\$ 295,827,046</u>
Amortization period	30 Years	30 Years	30 Years	30 Years
Past service cost	\$ 11,684,254	\$ 71,751	\$ 440	\$ 11,756,445
Normal cost	14,052,842	115,704	5,754	14,174,300
ARC for December 31, 2011	25,737,096	187,455	6,194	25,930,745
Interest obligation	2,997,012	19,788	-	3,016,800
Adjustments to the ARC	<u>(2,863,079)</u>	<u>(18,904)</u>	<u>-</u>	<u>(2,881,983)</u>
Annual postretirement benefit cost	25,871,029	188,339	6,194	26,065,562
Benefit payouts for 2011	<u>(3,966,424)</u>	<u>(353)</u>	<u>-</u>	<u>(3,966,777)</u>
Net impact	<u>\$ 21,904,605</u>	<u>\$ 187,986</u>	<u>\$ 6,194</u>	<u>\$ 22,098,785</u>

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.

The following simplifying assumptions were made:

Health insurance premiums – 2011 and 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

Medical Trend Assumption – Medical and prescription drug costs are assumed to increase: 3.30% from 2011 to 2012; 7.00% per year from 2012 to 2015; then decreasing to an ultimate rate of 4.20% by 2081.

Payroll growth rate - The expected long-term payroll growth was assumed to be 3%.

Actuarial Methods – The actuarial cost method is the projected unit credit. The unfunded actuarial accrued liability is amortized as a level percentage of pay roll on an open group basis over 30 years.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount rate of 4% was used. This rate is subject to market conditions and could change in the future. In addition, a simplified version of the projected unit credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 27 years.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$ -	\$ 295,827,646	\$ 295,827,646	0.0%	\$ -	-
8/1/2010	-	-	-	0.0%	-	-
8/1/2009	-	267,025,000	267,025,000	0.0%	119,015,473	224%

Year Ended December 31,	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2011	\$ 25,737,096	\$ 3,996,424	15.5 %
2010	23,581,500	4,812,000	20.4
2009	21,353,000	4,043,500	18.9

Component Units:

Dutchess Community College

Compensated Absences

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

F. Post-employment Benefits, Continued

The collective bargaining agreement between the County and the Civil Service Employees Association provides that upon death, retirement or separation, from the county in good standing, employees will be paid the monetary value of accumulated unused vacation time in an amount not to exceed 45 days at the employee's current pay rate. Under the terms of the other existing collective bargaining agreement, with the Dutchess United Educators, any employee who is eligible for retirement and retires from either the New York State Retirement System or from TIAA/CREFF and who has unused days of sick leave shall be paid one day for each three unused sick days, up to a maximum of 45 days. The rate of pay shall be the current rate of pay for each employee.

Other Post Employment Benefit Obligations Payable

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

The College's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASS 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 accounted for under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the annual required contribution ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

The College is required to accrue on the statement of revenues, expenses and changes in net assets the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rate of increase in postretirement benefits is presented below:

To Fiscal Year Ending	Trend Rate
2012	7.00 %
2013	7.00 %
2014	7.00 %
2015	7.00 %
2016	6.60 %
2021	6.40 %
2026	6.20 %
2031	6.00 %
2041	5.40 %
2051	5.00 %
2061	4.90 %
2071	4.80 %
2081	4.20 %

The amortization basis is the level dollar of payroll method with an open amortization approach with 27 years remaining in the amortization period. The actuarial assumptions included a 4.0% investment return. The College currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the unit credit method.

The number of participants as of September 1, 2010 was as follows:

Active Employees	397
Retired Employees	177
	<hr/>
	<hr/>
	<u>574</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

Amortization component	College
Actuarial Accrued Liability as of September 1, 2010	\$ 73,704,326
Assets at Market Value	
Unfunded actuarial accrued liability ("UALL")	<u>73,704,326</u>
Funded Ratio	<u>0.00 %</u>
Covered Payroll (Active plan members)	<u>\$ 24,981,995</u>
UAAL as a percentage of Covered Payroll	295.03 %
Annual Required Contribution.	\$ 8,076,122
Interest on Net OPEB Obligation	1,178,434
Adjustment to Annual Required Contribution	<u>(1,638,196)</u>
Annual OPEB Cost	7,616,360
Contributions made	<u>(1,504,143)</u>
Increase in Net OPEB Obligation	6,112,217
Net OPEB Obligation - Beginning of Year	<u>29,460,847</u>
Net OPEB Obligation - End of Year	<u><u>\$ 35,573,064</u></u>

Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years are as follows:

Fiscal Year Ended August 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$7,616,360	19.75%	\$35,573,064
2010	8,291,349	22.20	29,460,847
2009	7,876,733	19.22	23,009,764

Dutchess County Resource Recovery Agency

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 when it will be paid. In adopting the requirements of GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, the Agency recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The post employment benefits liability as of December 31, 2011 and 2010 is \$310,638 and \$224,276, respectively.

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 retirement 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:

Years of Service	% Paid by Authority	
	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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2011, the OPEB cost (expense) amounted to \$106,459 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	2011
Actuarial Accrued Liability (AAL)	
Retired and active employees	\$ 1,027,127
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,027,127</u>
 Annual Required Contribution (ARC)	
Past Service Costs	\$ 41,456
Normal Costs	65,003
Annual Required Contribution (ARC)	<u>\$ 106,459</u>
Percent of annual OPEB cost contributed	17.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value for plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 December 31, 2011 valuation, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 2.5% 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 2.5% rate.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

Dutchess County Water and Wastewater Authority

Post retirement 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. Through implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, beginning on the year ended December 31, 2007, 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 is one retiree receiving post retirement 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:

Years of Service	% Paid by Authority	
	Retiree	Dependent/Spouse
10–14	50%	35%
15–19	60%	45%
20–24	70%	55%
25+	80%	65%

Funding Policy

The Authority is currently paying postemployment benefits for one individual. 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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

F. Post-employment Benefits, Continued

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2011, the Authority's OPEB cost (expense) amounted to \$165,600 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 (1) - Not available	\$ -
Active employees (21)	1,195,514
	<hr/>
Unfunded actuarial accrued liability (UAAL)	\$ 1,195,514
	<hr/> <hr/>

Level Dollar Amortization

Past Service Costs	\$ 40,847
Normal Costs	130,965
	<hr/>
Annual Required Contribution (ARC)	\$ 171,812
	<hr/> <hr/>
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.

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 December 31, 2011, actuarial valuation, completed using the Alternative Measurement Method, the liabilities were computed using the projected unit credit cost method and level per cent of payroll amortization. The actuarial assumptions utilized a 2.5% 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 2.5% rate. The valuation assumes an initial 10.50% healthcare cost inflation rate, reduced by decrements of 5% for the next 11 years at which time it would be 5%.

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

G. Self-Insurance - Workers' Compensation

Primary Government

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 \$750,000.

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:

	2011
Unpaid claims and claim adjustment expenses at beginning of year	\$ 28,498,778
Incurred claims and claim adjustment expenses:	
Provision for events of the current year	3,868,531
Decrease in provision for events of prior years	<u>(1,837,662)</u>
Total incurred claims and claim adjustment expenses	<u>30,529,647</u>
Payments:	
Claims and claim adjustment expenses attributable to events of the current year	132,324
Claims and claim adjustment expenses attributable to events of prior years	<u>1,633,344</u>
Total payments	<u>1,765,668</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u><u>\$ 28,763,979</u></u>

Summarized financial information for the self-insurance fund on the modified accrual basis at December 31, 2011 is as follows:

Total assets	\$ 6,177,360
Total revenues	\$ 4,971,801
Total expenses	\$ 4,413,915

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

4. Other Disclosures

Component Units

A. Condensed Financial Statements of Component Units

	CONDENSED STATEMENTS OF NET ASSETS for the Year Ended December 31, 2011				
	Dutchess Community College	Dutchess Country Resource Recovery Agency	Dutchess Country Water and Wastewater Authority	Aggregated Non-Major Component Units	Total Aggregate Discretely Presented Component Units
Assets					
Cash and cash equivalents	\$ 24,040,869	\$ 620,979	\$ 3,535,853	\$ 2,837,829	\$ 31,035,530
Restricted cash and investments	201,581	11,577,232	6,478,112	23,476	18,280,401
Investments	7,213,762	-	-	-	7,213,762
Receivables, net	7,529,928	1,441,461	1,371,969	190,467	10,533,825
Inventories	520,145	-	-	-	520,145
Due from other governments	-	1,601,861	-	4,156	1,606,017
Other assets	1,820,362	665,691	1,125,036	1,787	3,612,876
Capital assets, net	55,845,663	30,309,346	54,699,267	3,706	140,857,982
Total assets	<u>97,172,310</u>	<u>46,216,570</u>	<u>67,210,237</u>	<u>3,061,421</u>	<u>213,660,538</u>
Liabilities					
Accounts payable and accrued liabilities	7,460,378	3,948,932	1,118,037	212,014	12,739,361
Deferred revenue	5,155,760	1,162,815	27,556,022	-	33,874,597
Due to other governments	-	947,009	22	-	947,031
Due within one year	1,312,600	3,235,000	1,979,363	-	6,526,963
Due within more than one year	60,287,874	23,455,638	36,202,354	-	119,945,866
Total liabilities	<u>74,216,612</u>	<u>32,749,394</u>	<u>66,855,798</u>	<u>212,014</u>	<u>174,033,818</u>
Net Assets (Deficit)					
Invested in capital, net of related debt	31,999,492	4,188,236	(741,162)	3,706	35,450,272
Restricted	7,564,321	11,577,232	2,618,369	98,672	21,858,594
Unrestricted	(16,608,115)	(2,298,292)	(1,522,767)	2,747,029	(17,682,145)
Total net assets (deficit)	<u>\$ 22,955,698</u>	<u>\$ 13,467,176</u>	<u>\$ 354,440</u>	<u>\$ 2,849,407</u>	<u>\$ 39,626,721</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

A. Condensed Financial Statements of Component Units, Continued

	CONDENSED STATEMENTS OF ACTIVITIES				
	for the Year Ended December 31, 2011				
	Dutchess Community College	Dutchess Country Resource Recovery Agency	Dutchess Country Water and Wastewater Authority	Aggregated Non-Major Component Units	Total Aggregate Discretely Presented Component Units
Operating expenses					
Disposal fees	\$ -	\$ 2,662,917	\$ -	\$ -	\$ 2,662,917
Service fees	-	11,291,307	-	-	11,291,307
Administrative expenses	5,235,207	1,440,599	1,407,845	256,766	8,340,417
Interest expense	1,756,661	1,295,778	1,487,922	-	4,540,361
Depreciation	2,263,237	2,002,413	1,139,148	672	5,405,470
Amortization	-	94,552	76,494	-	171,046
Instruction	31,695,321	-	-	-	31,695,321
Public service	41,091	-	-	-	41,091
Academic support	4,084,287	-	-	-	4,084,287
Libraries	1,156,487	-	-	-	1,156,487
Student services	6,769,731	-	-	-	6,769,731
General institution	6,848,417	-	-	-	6,848,417
Operation and maintenance of plant	8,706,140	-	3,172,626	-	11,878,766
Student aid	6,544,967	-	-	-	6,544,967
Auxiliary	-	-	-	-	-
Bookstore	-	-	-	-	-
Food service and other	-	-	-	-	-
Day care	-	-	-	-	-
Personal services	-	-	-	368,668	368,668
Employee benefits	-	-	-	133,627	133,627
Purchases and contracted services	-	-	52,739	249,930	302,669
Other	4,401,145	3,062	-	4,901	4,409,108
Total operating expenses	<u>79,502,691</u>	<u>18,790,628</u>	<u>7,336,774</u>	<u>1,014,564</u>	<u>106,644,657</u>
Program revenues					
Tipping fees	-	13,195,808	-	-	13,195,808
Energy sales	-	2,771,857	-	-	2,771,857
Other charges for services	1,896,907	-	4,695,429	630,323	7,222,659
Student tuition and fees	20,442,654	-	-	-	20,442,654
Grants and contracts	17,229,402	-	-	-	17,229,402
Auxiliary	-	-	-	-	-
Bookstore	-	-	-	-	-
Other	9,886,534	-	69,906	58,489	10,014,929
Operating grants and contributions	13,926,788	-	-	321,484	14,248,272
Capital grants and contributions	1,140,630	-	3,085	-	1,143,715
Total program revenues	<u>64,522,915</u>	<u>15,967,665</u>	<u>4,768,420</u>	<u>1,010,296</u>	<u>86,269,296</u>
Net program expense	<u>(14,979,776)</u>	<u>(2,822,963)</u>	<u>(2,568,354)</u>	<u>(4,269)</u>	<u>(20,375,362)</u>
General revenues					
Payments from Dutchess County	10,837,899	3,644,079	2,730,392	158,176	17,370,546
Unrestricted interest expense and other	(486,842)	230,549	191,229	7,039	(58,025)
Total general revenues	<u>10,351,057</u>	<u>3,874,628</u>	<u>2,921,621</u>	<u>165,215</u>	<u>17,312,521</u>
Change in net assets (deficit)	(4,628,719)	1,051,665	353,267	160,946	(3,062,841)
Beginning net assets	27,584,417	12,415,511	1,173	2,688,461	42,689,562
Ending net assets (deficit)	<u>\$ 22,955,698</u>	<u>\$ 13,467,176</u>	<u>\$ 354,440</u>	<u>\$ 2,849,407</u>	<u>\$ 39,626,721</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

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, 2011:

	Component Unit	Nature of Transaction
Dutchess County Community College	\$ 10,837,899	Operating and Capital Support
Dutchess County Resource Recovery Agency	3,644,079	Net Service Fee
Dutchess County Water and Wastewater Authority	2,730,392	Net Service Fee
Aggregated Non-major Component Units	<u>158,176</u>	Charges for Services
	<u>\$ 17,370,546</u>	

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

There was one related party receivable included in due from other governments in the County's financial statements for \$11,441 from the Water and Wastewater Authority. There was one related party payable that is included in due to other governments on the County's financial statements. This is due to the Resource Recovery Agency for \$785,651.

Component Units:

Dutchess County Resource Recovery Agency:

Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$3,644,079 and \$4,012,233 during 2011 and 2010. At December 31, 2011 and 2010, \$785,651 and \$817,509 was due from Dutchess County and included in due from related party.

During 2011 and 2010, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$122,637 and \$117,502, respectively.

In addition, Dutchess County allows the Agency to use the building designated for the Dutchess County Materials Recovery Facility rent-free.

Dutchess County Water and Wastewater Authority:

The Authority has entered into service agreements with Dutchess County for the Water District and Part Country Sewer Districts to provide water and/or sewer services and receive a service fee from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover certain operating expenses and debt service requirements. The Authority also receives payments from Dutchess County for the completion of certain consulting projects. Although these payments are subject to budgetary resolutions by the Dutchess County Legislature for approval, no approvals have been withheld by the Legislature. For the years ended 2011 and 2010, the Authority recorded net revenues of \$2,730,392 and \$2,965,185, having recorded a return of \$102,695 (including savings on debt re-financing) and \$50,241 to the County during those years. Of those amounts, \$22 and \$11,441 was due to the County at each respective year-end. Since the Authority is a

Dutchess County, New York
Notes to Financial Statements
December 31, 2011

component unit of Dutchess County, these transactions are also considered related party transactions.

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, such litigation will not in the aggregate have a material adverse effect on the financial position or results of operations of the County. The County has an accrued liability of \$1,000,000 included in the caption "Judgments and claims" on the Government-wide statement of net assets. This estimate is based upon assessments of individual cases reported at December 31, 2011 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, 2011, as evidenced by contractual commitments.

Project	Commitment Remaining
Transportation	\$ 945,558
Airport	89,768
Building and building improvement	403,261
Criminal justice system	528,150
Emergency response radio system	87,260
Medical examine facility	91,957
Highway equipment	6,078
County road and bridges	4,100,751
Telephone system	442,311
Parks and recreation	1,742,596
	<u>\$ 8,437,690</u>

C. Commitments and Contingencies, Continued

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, 2011, the County has provided \$9,782,436 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 40 years with amortization expense of \$274,571 in 2011.

Economic Support for Component Units

The County is responsible to pay economic support to the Dutchess County Resource Recovery Agency and the Dutchess County Water and Wastewater Authority based on contracted formulas when revenues at these component unit's are insufficient to cover their operating expenses and debt service requirements.

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

Component Units:

Dutchess Community College

Litigation

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

State and Federal Grant Programs and State Aid

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

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

Rate Adjustment – Operating Chargebacks

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

C. Commitments and Contingencies, Continued

Risk Management

The College is one of six participants in the Dutchess County Workers' Compensation Self Insurance Plan, a risk sharing pool, administered by Dutchess County, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims.

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. These risks are covered by a County-wide self-insurance program supplemented by commercial insurance purchased by Dutchess County that extends coverage to the College. The self-insured retention under these policies is \$1,000,000.

Dutchess County Resource Recovery Agency

Solid Waste Disposal Service Agreement

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

Operations Service Agreement

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

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, and, after meeting certain stream production levels, additional compensation based on 15% of the related electrical energy sales. 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 adjusted based upon changes in labor and material price indexes. However, during 2011 and 2010 the Agency caused to have delivered 141,563 and 145,658 acceptable tons.

C. Commitments and Contingencies, Continued

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 nonprocessable waste to a municipal landfill for the period of January 2, 1999 through December 31, 2001 for incineration residue up to 40,000 tons per year, and up to 6,000 tons for unprocessed waste per year. The contract has continued in effect through report date on similar terms.

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

Landfill Agreement

As of January 2008, the Agency entered into contracts with four different landfills to deliver ash residue and by-pass waste. Three of the contracts with the landfills are five year agreements which will expire on December 31, 2012. The fourth contract expired on December 31, 2011 and has been renewed/extended for a term of one year, from January 1, 2012 to December 31, 2012. 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 original terms of the agreement were in effect through December 2002, but include provisions for automatic renewal in five-year increments.

Materials Recovery Facility Project Agreement

The Agency entered into an agreement through December 31, 2008, with a commercial corporation to operate its materials recovery facility. This agreement has been extended on a month to month basis through June 2011. The Agency provided the plant with commingled and source separated recyclable materials, provided the removal and disposal of rejected materials, and paid to the corporation service fees to operate the facility \$151,085 and \$300,000, respectively, for the years ending December 31, 2011 and 2010. Effective June 30, 2011 through December 31, 2012, all recyclable materials received are transferred to the corporation's facility. The Agency is responsible for scale functions and receives a per ton fee Effective June 30, 2011, payment of service fees has been eliminated and is no longer required.

C. Commitments and Contingencies, Continued

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, 2011, the Agency recorded net service revenue of \$3,644,079

Operating Permits

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

Operations Service Agreement

The Agency is in the process of finalizing its 2008, 2009, 2010 and 2011 annual engineer reports with the corporation that is operating the resource recovery plant. Certain amounts and calculations from the final engineer reports may vary from those originally prepared based on continuing negotiations between the Agency and the corporation.

Dutchess County 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 \$3,000,000, property of \$36,966,826 and workers compensation of \$100,000.

Authorized Debt

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

C. Commitments and Contingencies, Continued

Economic Dependency

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, 2011, the Authority recorded revenue of \$2,730,392 and at December 31, 2011, \$22 was due to the County. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

Required Supplementary Information

Dutchess County, New York
Required supplementary Information
Budgetary Comparison Schedule of the General Fund
Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Budgetary fund balance, January 1	\$ 56,563,017	\$ 56,563,017	\$ 56,563,017	\$ -
Resources (inflows)				
Real property taxes	91,517,847	91,517,847	97,842,804	6,324,957
Sale and use taxes	138,134,375	168,526,270	164,698,936	(3,827,334)
Other taxes	7,064,445	7,064,445	3,574,871	(3,489,574)
Departmental	29,077,127	29,221,515	28,012,529	(1,208,986)
Interest and rentals	864,365	864,365	1,813,297	947,800
Grants and aid	97,739,632	99,600,025	110,419,837	10,819,812
Miscellaneous	4,944,765	5,403,051	10,520,601	5,117,550
Transfers in			3,186,434	3,186,434
Proceeds of obligations				-
Self insurance (added to departmental, misc. interest, transfer)	2,805,823	2,805,823		(2,805,823)
Appropriated reserve	-	101,172		(101,172)
Appropriated fund balance	13,200,000	19,549,798		(19,549,798)
Total revenues and appropriation of prior year's fund balance	\$ 385,348,379	\$ 424,654,311	\$ 420,069,309	\$ (4,586,134)
Expenditures				
General government	\$ 34,362,724	\$ 67,547,706	\$ 65,093,228	\$ 2,454,478
Education	12,990,222	12,964,722	12,633,062	-
Public safety	54,226,874	58,113,659	56,416,165	1,697,494
Health	59,629,699	62,627,451	56,901,676	5,725,775
Transportation	2,607,074	2,617,252	2,653,149	(35,897)
Economic assistance and opportunity	137,106,547	137,935,983	137,277,823	658,160
Culture and recreation	2,307,239	2,308,213	1,978,595	329,618
Home and community services	9,509,598	7,204,488	9,486,430	(2,281,942)
Employee benefits	51,243,021	51,902,832	50,429,876	1,472,956
Debt service				
Principal retirement	12,516,780	12,516,780	12,509,568	7,212
Interest	4,221,944	4,239,668	4,237,872	1,796
Self insurance	2,805,823	2,805,823	(616,527)	3,422,350
Transfer out	1,820,834	1,869,734	3,065,451	(1,195,717)
Total expenditures	\$ 385,348,379	\$ 424,654,311	\$ 412,066,368	\$ 12,587,943
Fund balance, December 31	56,563,017	56,563,017	64,565,958	

Dutchess County, New York
Notes to Budgetary Comparison Schedule of the General Fund
Year Ended December 31, 2011

**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	\$ 420,069,309
Differences—budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(3,186,434)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 416,882,875</u></u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 412,066,368
Differences—budget to GAAP:	
Transfer to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(3,065,451)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 409,000,917</u></u>