

Dutchess County, New York

Annual Financial Report

(and Report of Independent Auditors)

December 31, 2009

Dutchess County, New York
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Report of Independent Auditors

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

In our opinion, based on our audit and the reports of other auditors, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Dutchess County, New York (the "County") which collectively comprise the County's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, at December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Dutchess Community College, the Dutchess County Resource Recovery Agency, the Dutchess County Water and Wastewater Authority, and the Dutchess County Industrial Development Agency which represents 99 percent of the total assets, net assets and net expense of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. As described in Note 2, the financial statements of the Dutchess Community College have been adjusted for the presentation of long-term liabilities and net assets included in these financial statements. 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. The financial statements of Dutchess County Resource Recovery Agency were not audited in accordance with *Government Auditing Standards*. 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 reports of other auditors provide a reasonable basis for our opinions.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010 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 management's discussion and analysis on pages 3 through 18 and budgetary comparison information on pages 94 and 95 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

September 29, 2010

Dutchess County, New York

Management's Discussion and Analysis

December 31, 2009

The following discussion and analysis of the financial statements of the County of Dutchess (the "County") provides an overview of the County's financial activities for the fiscal year ended December 31, 2009. It should be read in conjunction with the basic financial statements and notes to the financial statements contained herein.

Financial Highlights

- On February 18, 2009, Dutchess County issued \$15.095 million Public Improvement Refunding (Serial) Bonds, 2009 Series. 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 million 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 million Public Improvement (Serial) Bonds, August 1, 2001, maturity date August 15, 2021. Their interest rates ranged between 4.875% and 4.00%.

This transaction on a present value basis resulted in an economic gain of approximately \$679,000.

- At December 31, 2009, undesignated fund balance for the general fund was approximately \$24.5 million. This represents a decrease of \$3.7 million from 2008. This is primarily due to the general economic downturn in 2009 causing decreases in sales tax, mortgage tax and other revenue sources. There was also appropriated fund balance of \$23.1 million used for the 2009 budget adopted in 2008. The summary of details of the major components of fund balance can be found on page 21.
- The principal sources of County revenue, other than state and federal aid, consist of property taxes and sales tax. Property tax collections for 2009, including adjustments (interest and penalty; real property tax auction) were \$96.6 million which represents less than a 1 % decrease over 2008 and 24% 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, 2009, the County wide obligation is \$267.025 million which is to be paid out in health benefits for its current and retired employees. The amounts recognized for the year ending December 31, 2009 are \$17.762 million for the County and \$121,300 for the Airport, net of contributions. The postretirement obligation recorded as of December 31, 2009 is \$55.49 million for the County and \$357,100 for the Airport.

Dutchess County, New York
Management's Discussion and Analysis
December 31, 2009

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:

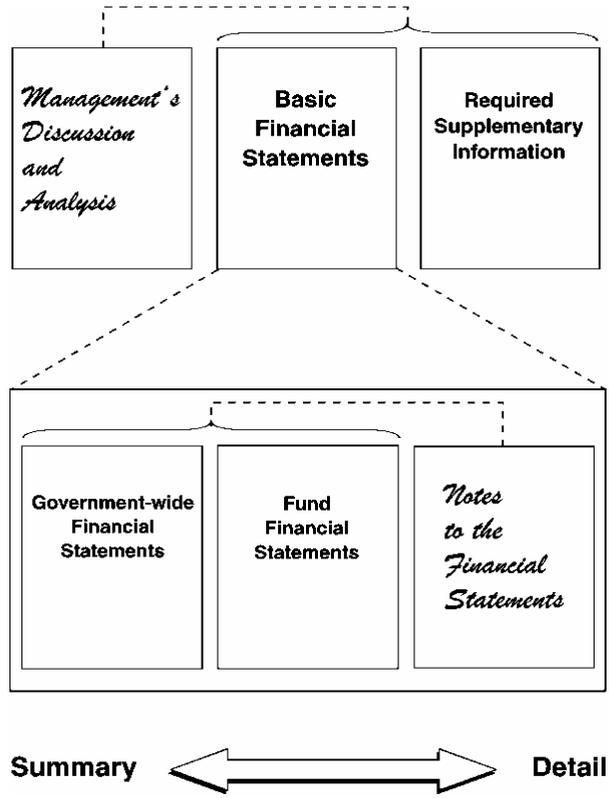


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each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

Dutchess County, New York
Management's Discussion and Analysis
December 31, 2009

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Business Type Activities - Enterprise Funds	Fiduciary Funds
Scope	<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
Accounting basis and measurement focus	<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, 2009

Government-Wide Statements

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

Fund Financial Statements

Fund financial statements – groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. These funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The governmental fund financial statements can be found on pages 21 through 22 of this report.

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

The proprietary fund financial statements can be found on pages 24 through 26 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 27 and 28 of this report.

Dutchess County, New York
Management's Discussion and Analysis
December 31, 2009

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, 2009 and 2008.

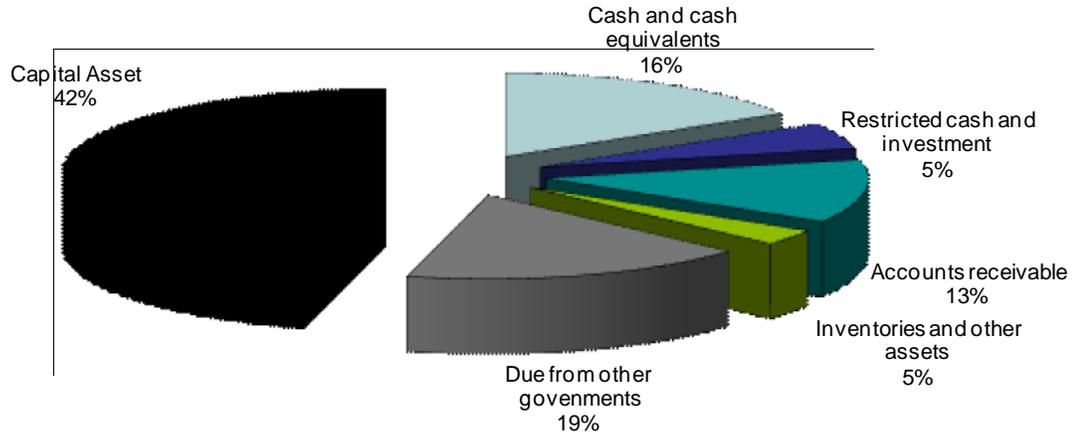
	2009			2008		
	Business-type		Total	Business-type		Total
	Governmental Activities	Enterprise Funds		Governmental Activities	Enterprise Funds	
Asset						
Current and other assets	\$ 202,916,386	\$ 5,666,840	208,583,226	\$ 225,005,811	\$ 7,872,331	\$232,878,142
Capital assets	148,478,419	20,489,595	168,968,014	148,514,397	21,347,599	169,861,996
Total assets	351,394,805	26,156,435	377,551,240	373,520,208	29,219,930	402,740,138
Liabilities						
Other liabilities	104,820,939	1,215,987	106,036,926	96,488,741	4,044,722	100,533,463
Long-term liabilities	254,994,590	3,711,295	258,705,885	251,809,998	3,907,994	255,717,992
Total liabilities	359,815,529	4,927,282	364,742,811	348,298,739	7,952,716	356,251,455
Net Assets						
Invested in capital assets, net						
of related debt	7,167,999	17,183,043	24,351,042	5,370,549	17,666,765	23,037,314
Restricted	8,951,971	-	8,951,971	19,450,289	2,223,610	21,673,899
Unrestricted (deficit)	(24,540,694)	4,046,110	(20,494,584)	400,634	1,376,839	1,777,473
Total net assets	\$ (8,420,724)	\$ 21,229,153	\$ 12,808,429	\$ 25,221,472	\$ 21,267,214	\$ 46,488,686

The amount by which the County's assets exceeds its liabilities is the total net assets. At December 31, 2009, the County's total net assets were \$12.8 million. Of that amount, approximately \$24.4 million was invested in capital assets, net of related debt. Another \$8.9 million was subject to external restriction upon its use. The negative (\$20.5) million unrestricted net assets are a result of GASB Statement No.45, "Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions," implemented December 31, 2007 which records a cumulative unfunded liability for the County of \$55.5 million and \$.4 million for the Airport.

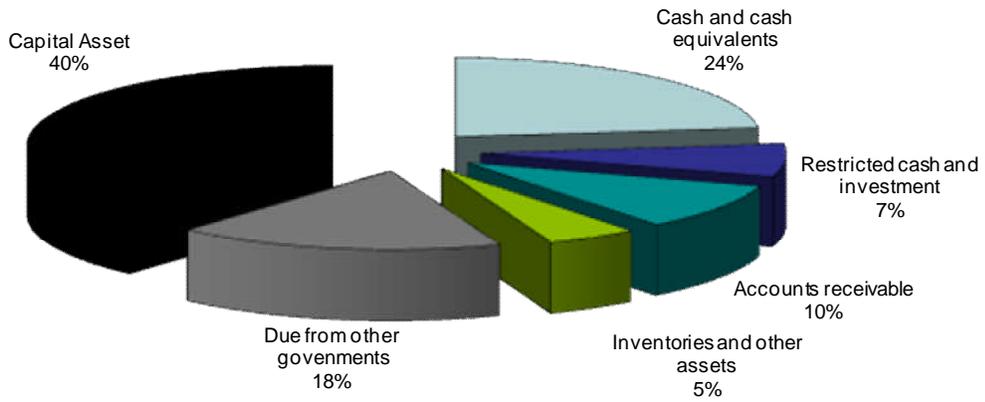
State and Federal Receivables within the General Fund, which is included in current and other assets, have increased from \$25.4 million in 2008 to \$27 million in 2009. Such reimbursements are principally for mental health and other ongoing programs. During 2010, the economic downturn has significantly 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, 2009**

**Assets - General Government -
 2009 (Government Activities)**

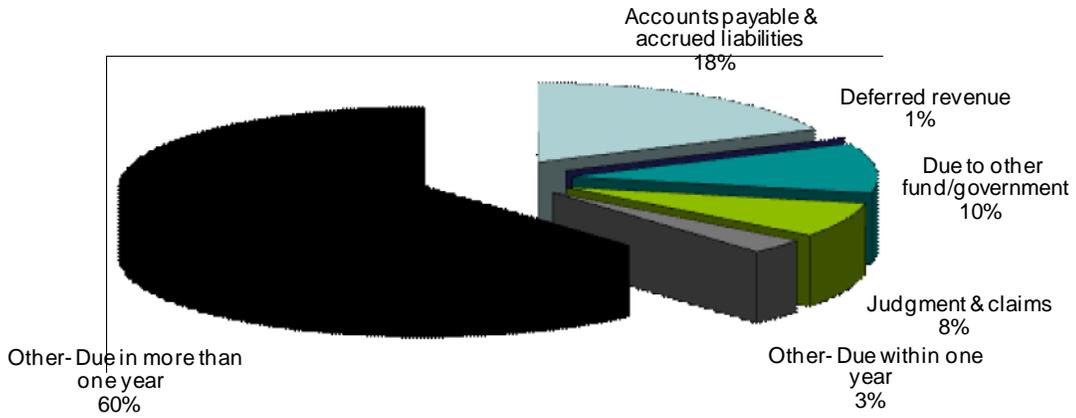


**Assets - General Government -
 2008 (Government Activities)**

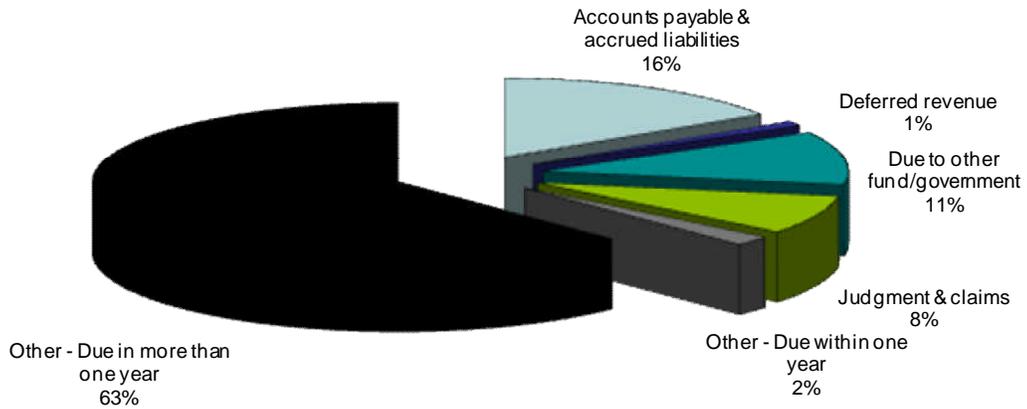


**Dutchess County, New York
 Management's Discussion and Analysis
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**Liabilities- General Government
 2009 (Government Activities)**



**Liabilities - General Government -
 2008 (Government Activities)**



Dutchess County, New York

Management's Discussion and Analysis

December 31, 2009

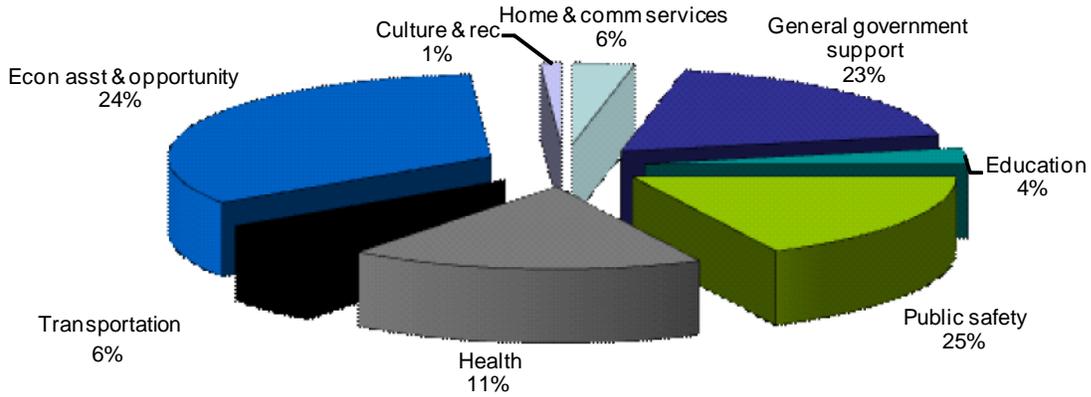
Activities for the Years Ended December 31, 2009 and 2008

The table below presents condensed financial information derived from the government-wide financial statements for the County for the years ended December 31, 2009 and 2008.

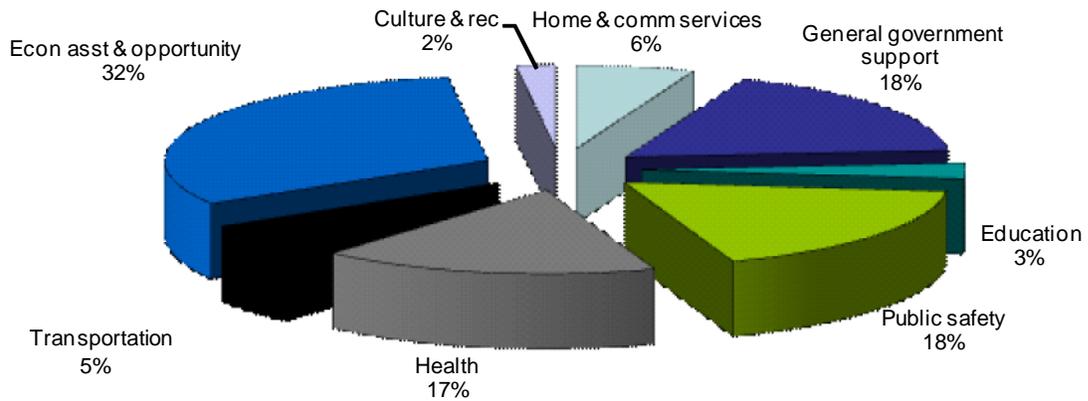
	2009			2008		
	Governmental Activities	Business-type Activities - Enterprise Funds	Total	Governmental Activities	Business-type Activities - Enterprise Funds	Total
Program revenues						
Charge for services	\$ 40,455,911	\$ 2,774,797	\$ 43,230,708	\$ 36,538,342	\$ 9,157,209	\$ 45,695,551
Operating grants and contribution	112,132,002	3,466,079	115,598,081	108,044,846	3,366,976	111,411,822
Capital grants and contributions	5,974,442	926,394	6,900,836	6,069,126	3,153,991	9,223,117
General Revenues						
Property tax	98,661,226		98,661,226	95,238,591		95,238,591
Sales and other taxes	147,710,126		147,710,126	161,411,091		161,411,091
Interest income and other	4,709,276	149,400	4,858,676	6,203,335	33,824	6,237,159
Total Revenues	<u>\$ 409,642,983</u>	<u>\$ 7,316,670</u>	<u>\$ 416,959,653</u>	<u>\$ 413,505,331</u>	<u>\$ 15,712,000</u>	<u>\$ 429,217,331</u>
Program expenses						
General government	\$ 79,715,358		\$ 79,715,358	\$ 78,878,101		\$ 78,878,101
Education	14,110,612		14,110,612	13,462,866		13,462,866
Public Safety	77,039,999		77,039,999	78,552,531		78,552,531
Health	74,739,757		74,739,757	74,379,022		74,379,022
Transportation	24,091,035		24,091,035	23,415,458		23,415,458
Economic assistance and opportunity	142,005,494		142,005,494	140,327,558		140,327,558
Culture and recreation	4,943,265		4,943,265	5,033,233		5,033,233
Home and community service	15,227,738		15,227,738	14,157,270		14,157,270
Debt service	8,665,326		8,665,326	8,211,354		8,211,354
Airport		3,151,747	3,151,747		3,193,322	3,193,322
Transportation		6,949,579	6,949,579		13,399,002	13,399,002
Total program expenses	<u>440,538,584</u>	<u>10,101,326</u>	<u>450,639,910</u>	<u>436,417,393</u>	<u>16,592,324</u>	<u>453,009,717</u>
Increase (decrease) in net assets						
before transfers	(30,895,601)	(2,784,656)	(33,680,257)	(22,912,062)	(880,324)	(23,792,386)
Transfers	(2,746,595)	2,746,595		(3,669,929)	3,669,929	
Increase (decrease) in net assets	<u>(33,642,196)</u>	<u>(38,061)</u>	<u>(33,680,257)</u>	<u>(26,581,991)</u>	<u>2,789,605</u>	<u>(23,792,386)</u>
Net assets, beginning of						
year	25,221,472	21,267,214	46,488,686	51,803,463	18,477,609	70,281,072
Net assets, end of year	<u>\$ (8,420,724)</u>	<u>\$ 21,229,153</u>	<u>\$ 12,808,429</u>	<u>\$ 25,221,472</u>	<u>\$ 21,267,214</u>	<u>\$ 46,488,686</u>

**Dutchess County, New York
 Management's Discussion and Analysis
 December 31, 2009**

**Net (Expenses) Revenue per Function from the Government-Wide
 Financial Statements
 (excluding debt service) - 2009**

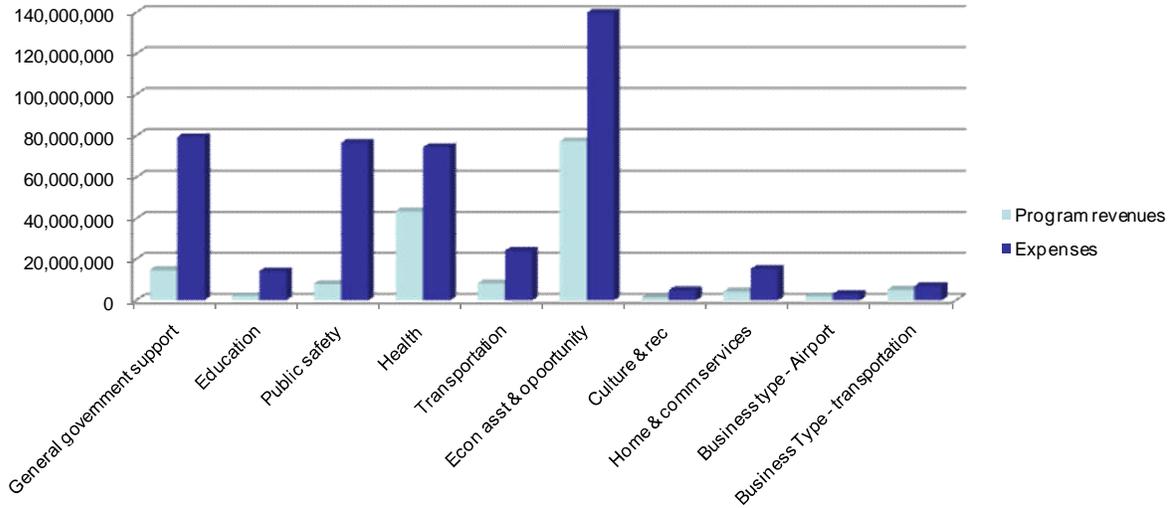


**Net (Expenses) Revenue per Function from the Government-Wide
 Financial Statements
 (excluding debt service) - 2008**



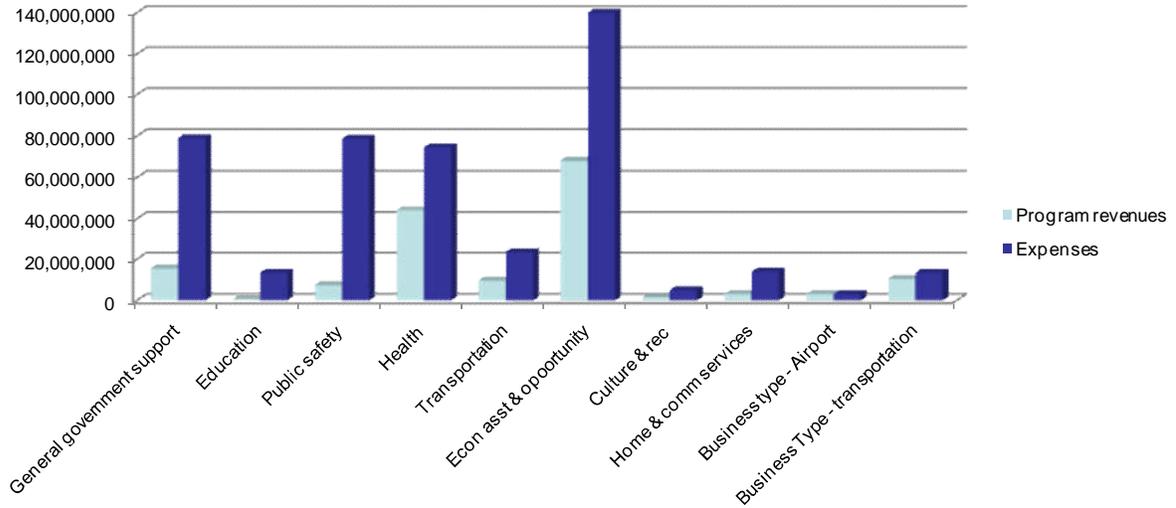
**Dutchess County, New York
 Management's Discussion and Analysis
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**Program Revenue and Expenses
 (excluding debt service) - 2009**



**Dutchess County, New York
 Management's Discussion and Analysis
 December 31, 2009**

**Program Revenue and Expenses
 (excluding debt service) - 2008**



Dutchess County, New York
Management's Discussion and Analysis
December 31, 2009

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			
	2009	2008	\$ Change	% Change
General Fund				
Total assets	\$ 153,093,331	\$ 163,338,472	\$ (10,245,141)	-6.27%
Total liabilities	101,249,013	99,340,781	1,908,232	1.92%
Fund balance	51,844,318	63,997,691	(12,153,373)	-18.99%
Capital Projects				
Total assets	\$ 27,134,971	\$ 36,398,020	\$ (9,263,049)	-25.45%
Total liabilities	9,197,688	8,616,592	581,096	6.74%
Fund balance	17,937,283	27,781,428	(9,844,145)	-35.43%
Other Governmental Funds				
Total assets	\$ 6,540,920	\$ 6,471,572	\$ 69,348	1.07%
Total liabilities	2,755,312	2,171,326	583,986	26.90%
Fund balance	3,785,608	4,300,246	(514,638)	-11.97%
Dutchess TASC				
Total assets	\$ 7,158,787	\$ 7,542,161	\$ (383,374)	-5.08%
Fund balance	7,158,787	7,542,161	(383,374)	-5.08%

Total General Fund balance including the designated fund balance decreased from 2008 to 2009 by \$12.2 million. The decrease was kept to a minimum by controlled spending and fiscal stewardship despite the down turn in the economy and the use of \$12.6 million appropriated fund balance for the 2009 budget passed in 2008.

During 2008-2009, new Capital Projects were kept to a minimum resulting in the County deferring anticipated new borrowing until 2010. These new borrowings are intended to provide funding for capital projects during 2010 and beyond.

Dutchess County, New York
Management's Discussion and Analysis
December 31, 2009

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

	Results of Operations			
	2009	2008	\$ Change	% Change
General Fund				
Revenues	\$ 383,465,420	\$ 394,982,049	\$ (11,516,629)	-2.92%
Expenditures	382,391,553	383,046,216	(654,663)	-0.17%
Excess (deficiency) of revenues over expenditures	1,073,867	11,935,833	(10,861,966)	-91.00%
Other financing sources (uses)	(13,227,240)	(13,520,958)	293,718	-2.17%
Fund balance-beginning of year	63,997,691	65,582,816	(1,585,125)	-2.42%
Fund balance-end of year	51,844,318	63,997,691	(12,153,373)	-18.99%
Capital Projects				
Revenues	\$ 4,572,442	\$ 6,069,126	\$ (1,496,684)	-24.66%
Expenditures	15,461,334	25,612,722	(10,151,388)	-39.63%
Excess (deficiency) of revenues over expenditures	(10,888,892)	(19,543,596)	8,654,704	-44.28%
Other financing sources (uses)	1,044,747	6,358,763	(5,314,016)	-83.57%
Fund balance-beginning of year	27,781,428	40,966,261	(13,184,833)	-32.18%
Fund balance-end of year	17,937,283	27,781,428	(9,844,145)	-35.43%
Other Governmental Funds				
Revenues	\$ 20,177,609	\$ 18,664,278	\$ 1,513,331	8.11%
Expenditures	20,692,247	19,290,514	1,401,733	7.27%
Excess (deficiency) of revenues over expenditures	(514,638)	(626,236)	111,598	-17.82%
Other financing sources (uses)	-	232,000	(232,000)	-100.00%
Fund balance-beginning of year	4,300,246	4,694,482	(394,236)	-8.40%
Fund balance-end of year	3,785,608	4,300,246	(514,638)	-11.97%
Dutchess TASC				
Revenues	\$ 4,106,130	\$ 4,298,283	\$ (192,153)	-4.47%
Expenditures	4,489,504	4,249,962	239,542	5.64%
Excess (deficiency) of revenues over expenditures	(383,374)	48,321	(431,695)	-893.39%
Fund balance-beginning of year	7,542,161	7,493,840	48,321	0.64%
Fund balance-end of year	7,158,787	7,542,161	(383,374)	-5.08%

**Dutchess County, New York
Management's Discussion and Analysis
December 31, 2009**

General Fund Budgetary Highlights

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

Governmental Budgetary Highlights

Appropriation	Original	Decrease	Modified	Actual
General government support	\$ 63,342,640	\$ (1,198,129)	\$ 62,144,511	\$ 60,725,373
Total	<u>\$ 63,342,640</u>	<u>\$ (1,198,129)</u>	<u>\$ 62,144,511</u>	<u>\$ 60,725,373</u>

GASB Statement 33 "Accounting and Reporting for Non-exchange Transactions", as amended by Statement 36 "Recipient Reporting for Certain Shared Non-exchange 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 2009 is \$140.9 million with \$26 million in Sales Tax revenue shared between the cities, towns and villages leaving the County portion to be \$115 million.

Capital Asset and Debt Administration

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounted to \$169 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:

- \$4.8 million Various improvements to roads and bridges
- \$1.1 million Improvements at Dutchess Community College
- \$5.1 million Various building improvements and purchase of vehicles and equipment
- \$1.8 million Public Safety improvements
- \$2.7 million Various health, community service, culture and recreation improvements

The above have been offset by \$14.9 million in depreciation expense in the current year.

The County expended \$1.1 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 2009, the County's outstanding debt totaled \$100.6 million (without the Tobacco Asset Securitization Corporation) and represents approximately 4.38% 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 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, 2009

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

2008	\$ 39,223,419
2009	38,896,722
2010 (Budgeted)	40,588,343

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:

2008	\$ 9,739,184
2009	8,677,720

The County has appropriated \$14.1 million in fund balance to finance the 2010 budget from various funds to meet budgetary needs. The undesignated fund balance is \$24.5 million in the general fund as of December 31, 2009.

The total tax levy for the 2010 budget is \$100.8 million resulting in a property tax rate of \$2.83 per thousand of assessed value which is 11.4% higher than \$2.54 in 2009.

Economically, Dutchess County contains a mix of industries, including service related sectors, state and local governments, manufacturing, agriculture and retail trades. IBM is the largest single employer with approximately 10,000 employees. In the past several years, IBM has expanded its Hudson Valley Research facility in East Fishkill including joint ventures with other hi-tech companies as well as other related business ventures.

The Dutchess County Economic Development Corporation (DCEDC) reports that Dutchess County's workforce continues to expand. This highly skilled workforce remains a key attraction for businesses looking to expand or relocate into the County. Recent attractions or expansions include New York State's first solar chip manufacturer, SpectraWatt; the siting of research and development operations from GlobalFoundries; the expansion of Adams Fairacre Farms, and Niche Modern Design. In mid-2010, Life Medical Technologies, a startup company which plans to make a thermal detection device for possible breast cancer, signed a lease for headquarter and production space at the Hudson Valley Research Park; expecting to start production by early 2011. In addition, Vassar Brothers Medical Center has received New York State approvals to expand its operations in the City of Poughkeepsie.

Agriculture plays a significant role in the economy of the County. There are dairy, produce and horse farms as well as vineyards and wine operations which in recent years have increased in importance. Approximately 1,500 workers benefit from direct employment through these operations and an additional 2,000 from farm related jobs. Annually, the total market value of agricultural products sold by more than 650 farm operations exceeds \$45 million, and the industry contributes from \$100 to \$200 million to the County's economy.

Wealth levels for Dutchess County residents are above State and National averages. The U.S. Census Bureau estimated the per capita personal income of the County residents in 2008 was \$44,174 which placed the County ninth among all counties in the State for the year. Unemployment for the County was 7.4% as of August 2010.

Dutchess County, New York
Management's Discussion and Analysis
December 31, 2009

A summary of the County-wide budget for 2010 and 2009 is as follows:

	(millions) 2009 Adopted	(millions) 2010 Adopted
Appropriations		
Salaries and Wages	\$ 118.7	\$ 117.6
NYS Retirement System	8.9	14.5
Other Employee Benefits	37.1	38.0
Total Personal Services	<u>164.7</u>	<u>170.1</u>
Pre-School Special Education	22.8	23.0
Other Mandates including Medicaid	92.3	102.8
Total State Mandates	<u>115.1</u>	<u>125.8</u>
Other Services	<u>116.8</u>	<u>105.0</u>
	<u><u>\$ 396.6</u></u>	<u><u>\$ 400.9</u></u>
Revenues		
Property Tax (net of tax reserve)	\$ 93.6	99.8
Sales Tax	121.5	122.7
State Aid	66.9	65.4
Federal Aid	31.3	41.9
Other Revenues	60.2	57.0
Total Revenues	<u>373.5</u>	<u>386.8</u>
Appropriate Fund Balance		
Various Funds to meet Budget	21.7	14.1
Medicaid Stabilization	1.4	-
	<u><u>\$ 396.6</u></u>	<u><u>\$ 400.9</u></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.

Dutchess County, New York
Statement of Net Assets
December 31, 2009

	Primary Government			Aggregate Discretely Presented Component Units
	Governmental Activities	Business- type Activities - Enterprise Funds	Total	
Assets				
Cash and cash equivalents	\$ 56,652,701	\$ 4,224,985	\$ 60,877,686	\$ 20,342,422
Restricted cash, cash equivalents and investments	18,621,326	-	18,621,326	22,515,876
Investments	-	-	-	9,849,508
Receivables, net of allowance of \$3,825,260	46,515,821	1,355,310	47,871,131	17,309,003
Inventories	100,910	76,900	177,810	480,091
Due from other funds	225,139	161	225,300	-
Due from other governments	65,300,195	-	65,300,195	1,554,821
Deferred financing costs	1,003,109	-	1,003,109	-
Net deferred loss on bond refunding	2,469,574	-	2,469,574	-
Other assets	12,027,611	9,484	12,037,095	3,044,024
Capital assets				
Land	5,139,023	3,385,364	8,524,387	2,500,864
Buildings and improvements	126,353,772	10,427,481	136,781,253	161,055,334
Infrastructure	144,974,304	21,422,828	166,397,132	47,107,392
Machinery and equipment	58,673,652	12,615,458	71,289,110	13,791,766
Construction in progress	14,329,923	948,924	15,278,847	646,724
Less: Accumulated depreciation	(200,992,255)	(28,310,460)	(229,302,715)	(80,693,525)
Total capital assets	148,478,419	20,489,595	168,968,014	144,408,555
Total assets	<u>\$ 351,394,805</u>	<u>\$ 26,156,435</u>	<u>\$ 377,551,240</u>	<u>\$ 219,504,300</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 65,076,481	\$ 978,586	\$ 66,055,067	\$ 13,912,106
Deferred revenue	2,716,209	12,101	-	42,381,877
Due to other governments	37,028,249	-	37,028,249	488,585
Due to other funds	-	225,300	225,300	-
Long-term liabilities				
Due within one year	10,546,801	327,818	10,874,619	7,191,151
Due in more than one year	216,752,268	3,383,477	220,135,745	111,961,155
Judgments and claims	27,695,521	-	27,695,521	-
Total liabilities	<u>359,815,529</u>	<u>4,927,282</u>	<u>362,014,501</u>	<u>175,934,874</u>
Net Assets				
Invested in capital assets, net of related debt	7,167,999	17,183,043	24,351,042	32,669,628
Restricted for				
Capital projects	5,449,883	-	5,449,883	-
Debt Service	3,502,088	-	3,502,088	-
Other	-	-	-	18,481,509
Unrestricted (deficit)	(24,540,694)	4,046,110	(20,494,584)	(7,581,711)
Total net assets	<u>\$ (8,420,724)</u>	<u>\$ 21,229,153</u>	<u>\$ 12,808,429</u>	<u>\$ 43,569,426</u>

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

Dutchess County, New York
Statement of Activities
Year Ended December 31, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities - Enterprise Funds	Total	
Primary government								
Governmental activities								
General government	\$ 79,715,358	\$ 12,054,449	\$ 2,628,418	\$ 49,367	\$ (64,983,124)	\$ -	\$ (64,983,124)	\$ -
Education	14,110,612	831	-	760,096	(13,349,685)	-	(13,349,685)	-
Public safety	77,039,999	5,072,141	2,896,867	-	(69,070,991)	-	(69,070,991)	-
Health	74,739,757	12,731,282	30,831,063	-	(31,177,412)	-	(31,177,412)	-
Transportation	24,091,035	1,246,189	3,246,861	3,762,979	(15,835,006)	-	(15,835,006)	-
Economic assistance and opportunity	142,005,494	8,071,213	68,224,613	-	(65,709,668)	-	(65,709,668)	-
Culture and recreation	4,943,265	749,548	580,185	1,402,000	(2,211,532)	-	(2,211,532)	-
Home and community services	15,227,738	530,258	3,721,795	-	(10,975,685)	-	(10,975,685)	-
Debt service	8,665,326	-	2,200	-	(8,663,126)	-	(8,663,126)	-
Total governmental activities	<u>440,538,584</u>	<u>40,455,911</u>	<u>112,132,002</u>	<u>5,974,442</u>	<u>(281,976,229)</u>	<u>-</u>	<u>(281,976,229)</u>	<u>-</u>
Business-type activities - Enterprise Funds								
Enterprise airport	3,151,747	1,530,238	-	548,467	-	(1,073,042)	(1,073,042)	-
Enterprise transportation	6,949,579	1,244,559	3,466,079	377,927	-	(1,861,014)	(1,861,014)	-
Total business-type activities	<u>10,101,326</u>	<u>2,774,797</u>	<u>3,466,079</u>	<u>926,394</u>	<u>-</u>	<u>(2,934,056)</u>	<u>(2,934,056)</u>	<u>-</u>
Total primary government	<u>\$ 450,639,910</u>	<u>\$ 43,230,708</u>	<u>\$ 115,598,081</u>	<u>\$ 6,900,836</u>	<u>(281,976,229)</u>	<u>(2,934,056)</u>	<u>(284,910,285)</u>	<u>-</u>
Component units								
Resource Recovery	\$ 18,552,649	\$ 14,046,850	\$ 36,286	\$ -				(4,469,513)
Industrial Development Agency	555,927	117,649	-	-				(438,278)
Water and Wastewater Authority	7,389,195	4,683,923	-	-				(2,705,272)
Soil and Water Conservation	574,433	65,947	216,227	-				(292,259)
Dutchess Community College	72,814,756	38,724,477	16,388,945	3,813,854				(13,887,480)
Total component units	<u>\$ 99,886,960</u>	<u>\$ 57,638,846</u>	<u>\$ 16,641,458</u>	<u>\$ 3,813,854</u>				<u>(21,792,802)</u>
General revenues								
Taxes								
Real property taxes, levied for general purposes					92,152,840	-	92,152,840	-
Real property taxes, levied for debt service					6,508,386	-	6,508,386	-
Sales and use taxes					140,856,347	-	140,856,347	-
Other taxes					6,853,779	-	6,853,779	-
TASC revenues					4,106,130	-	4,106,130	-
Payments from primary government					-	-	-	18,552,729
Unrestricted interest income and other					603,146	149,400	752,546	(118,632)
Transfers					(2,746,595)	2,746,595	-	-
Total general revenues and transfers					<u>248,334,033</u>	<u>2,895,995</u>	<u>251,230,028</u>	<u>18,434,097</u>
Change in net assets					(33,642,196)	(38,061)	(33,680,257)	(3,358,705)
Net assets, beginning					25,221,472	21,267,214	46,488,686	46,928,131
Net assets, ending					<u>\$ (8,420,724)</u>	<u>\$ 21,229,153</u>	<u>\$ 12,808,429</u>	<u>\$ 43,569,426</u>

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

Dutchess County, New York
Balance Sheet - Governmental Funds
December 31, 2009

	General (Major)	Capital Projects (Major)	Other Governmental Funds (Non-Major)	Dutchess Tobacco Asset Securitization Corporation (Major)	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 43,622,082	\$ 8,440,240	\$ 4,468,387	\$ 12,1992	\$ 56,652,701
Restricted cash and cash equivalents	2,692,488	12,487,400	-	3,441,438	18,621,326
Delinquent property taxes, including interest, penalties and liens net of allowance of \$3,825,260	44,815,391	-	-	-	44,815,391
Inventories	100,910	-	-	-	100,910
Due from other funds	6,192,311	-	-	-	6,192,311
Due from other governments	53,552,427	6,207,331	1,945,080	3,595,357	65,300,195
Other assets	2,117,722	-	127,453	-	2,245,175
Total assets	<u>\$ 153,093,331</u>	<u>\$ 27,134,971</u>	<u>\$ 6,540,920</u>	<u>\$ 7,158,787</u>	<u>\$ 193,928,009</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 46,998,427	\$ 1,874,911	\$ 2,704,035	\$ -	\$ 51,577,373
Accrued liabilities	115,050	717,207	44,478	-	876,735
Due to other governments	37,028,249	-	-	-	37,028,249
Due to other funds	-	5,967,172	-	-	5,967,172
Other liabilities	1,723,363	-	6,799	-	1,730,162
Deferred revenue	15,383,924	638,398	-	-	16,022,322
Total liabilities	<u>101,249,013</u>	<u>9,197,688</u>	<u>2,755,312</u>	<u>-</u>	<u>113,202,013</u>
Fund balances					
Reserved for					
Encumbrances	6,861,981	11,037,228	150,299	-	18,049,508
Inventories	120,000	-	-	-	120,000
Workers' compensation	1,557,705	-	-	-	1,557,705
Capital reserve	4,543	-	-	-	4,543
Debt Service	2,392,889	-	-	7,158,787	9,551,676
Other specified purposes	715,167	-	-	-	715,167
Unreserved					
Designated for					
Insurance reserve	3,060,742	-	-	-	3,060,742
Subsequent year's expenditure	12,600,000	-	1,500,000	-	14,100,000
Undesignated	24,531,291	6,900,055	2,135,309	-	33,566,655
Total fund balances	<u>51,844,318</u>	<u>17,937,283</u>	<u>3,785,608</u>	<u>7,158,787</u>	<u>80,725,996</u>
Total liabilities and fund balances	<u>\$ 153,093,331</u>	<u>\$ 27,134,971</u>	<u>\$ 6,540,920</u>	<u>\$ 7,158,787</u>	<u>\$ 193,928,009</u>

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

Fund balance above	\$ 80,725,996
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	148,478,419
Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds	9,782,436
Deferred property tax revenue represents taxes not expected to be collected currently (within 60 days) and therefore reported as deferred revenue in the fund net assets of government activities	13,306,113
Deferred financing costs used in governmental activities are recorded as an expense in the governmental funds, but, are capitalized for government wide purposes gross	1,003,109
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	2,469,574
Liabilities including bonds payable (\$161,705,321), compensated absences (\$9,483,625), judgments and claims (\$27,695,521), accrued interest (\$9,191,781), environmental cleanup costs (\$620,000) and post retirement benefits (\$55,490,123) are not due and payable in the current period and therefore not reported in the governmental fund balance	(264,186,371)
Net assets of governmental activities	<u>\$ (8,420,724)</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 of
Governmental Funds
Year Ended December 31, 2009

	General Fund (Major)	Capital Projects (Major)	Other Governmental Funds (Non-Major)	Dutchess Tobacco Asset Securitization Corporation (TASC) (Major)	Total Governmental Funds
Revenues					
Real property taxes	\$ 85,233,066	\$ -	\$ 11,356,726	\$ -	\$ 96,589,792
Sales and use tax	140,856,347	-	-	-	140,856,347
Other taxes	6,853,779	-	-	-	6,853,779
Departmental	34,936,231	-	1,125,257	-	36,061,488
Interest and rentals	1,222,806	-	11,385	165,785	1,399,976
Grants and aid	110,028,240	4,546,919	7,526,425	-	122,101,584
Miscellaneous	4,334,951	25,523	157,816	3,940,345	8,458,635
Total revenues	383,465,420	4,572,442	20,177,609	4,106,130	412,321,601
Expenditures					
General Government	60,725,373	-	-	61,312	60,786,685
Education	2,277,000	-	-	-	2,277,000
Public safety	53,524,382	-	278,748	-	53,803,130
Health	64,550,493	-	9,962,602	-	74,513,095
Transportation	2,908,225	-	-	-	2,908,225
Economic assistance and opportunity	129,725,720	-	2,226,191	-	131,951,911
Culture and recreation	2,969,735	-	-	-	2,969,735
Home and community services	9,719,894	-	4,954,094	-	14,673,988
Employee benefits	40,787,126	-	3,270,612	-	44,057,738
Debt service					
Principal retirement	6,508,386	-	-	2,165,000	8,673,386
Interest	4,413,616	-	-	2,263,192	6,676,808
Self-insurance	4,281,603	-	-	-	4,281,603
Capital outlay	-	15,461,334	-	-	15,461,334
Total expenditures	382,391,553	15,461,334	20,692,247	4,489,504	423,034,638
Excess (deficiency) of revenues over expenditures	1,073,867	(10,888,892)	(514,638)	(383,374)	(10,713,037)
Other financing sources (uses)					
Proceeds of refunding bonds	16,074,000	-	-	-	16,074,000
Payment to refunded bond escrow agent	(16,074,000)	-	-	-	(16,074,000)
Return of excess bond proceeds from component unit	-	1,402,000	-	-	1,402,000
Transfers in	1,070,334	101,000	-	-	1,171,334
Transfers out	(14,297,574)	(458,253)	-	-	(14,755,827)
Total other financing sources (uses)	(13,227,240)	1,044,747	-	-	(12,182,493)
Net change in fund balances	(12,153,373)	(9,844,145)	(514,638)	(383,374)	(22,895,530)
Fund balances—beginning of year	63,997,691	27,781,428	4,300,246	7,542,161	103,621,526
Fund balances—end of year	\$ 51,844,318	\$ 17,937,283	\$ 3,785,608	\$ 7,158,787	\$ 80,725,996

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 of Governmental Funds to the Statement of Activities
Year Ended December 31, 2009

Net change in fund balances—total governmental funds			\$(22,895,530)
Amounts reported for <i>governmental activities</i> in the statement of revenues, expenditures and changes in fund balances of governmental funds are different because			
Revenues in the statement of activities that do provide current financial resources are reported as revenues in the funds.			2,071,434
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.			
Expenditures for capital assets	14,872,499		
Less: Current year depreciation	<u>(14,908,477)</u>		(35,978)
Governmental funds report the Wastewater Authority other asset capital outlay as expenditures. However, in the statement of activities the cost of this asset is amortized over its useful life.			
Expenditures for other asset	\$ 2,643		
Amortization	<u>205,415</u>		208,058
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the statement of activities, these costs represent expenses of the current year.			38,250
Judgment and claims not payable from current year resources are not reported as expenditures of the current year. In the statement of activities, these costs represent expenses of the current year.			(1,350,087)
Post retirement annual required contribution is not recorded in governmental funds as an expense. In the statement of activities, these costs represent expenses of the current year.			(17,762,100)
Pollution remediation costs are not recorded in the governmental funds as an expense. In the statement of activities, these costs represent expenses of the current year.			(300,000)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Payment of financing costs requires the use of current financial resources for the governmental funds. However, in the statement of activities the costs of financing are capitalized and amortized over the life of the debt.			
Repayment of bonds	8,673,386		
Amortization of deferred loss on bond refunding	(206,206)		
Amortization of deferred financing costs	(17,599)		
Amortization of bond discount/premium	<u>37,260</u>		8,486,841
Interest expense reported in the statement of activities does not require the use of current financial resources and is therefore not reported as expenditures in the governmental funds.			<u>(2,103,084)</u>
Change in net assets of governmental funds			<u><u>\$(33,642,196)</u></u>

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

Dutchess County, New York
Statement of Net Assets of Proprietary Funds
December 31, 2009

	Business-type Activities - Enterprise Funds		
	Airport	Transportation	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,322,745	\$ 2,902,240	\$ 4,224,985
Accounts receivable	325,704	1,029,606	1,355,310
Inventories	76,900	-	76,900
Due from other funds	124	37	161
Other assets	9,484	-	9,484
Total current assets	<u>1,734,957</u>	<u>3,931,883</u>	<u>5,666,840</u>
Noncurrent assets			
Net capital assets			
Land and buildings	6,527,728	7,285,117	13,812,845
Infrastructure	21,422,828	-	21,422,828
Machinery and equipment	2,459,586	10,155,872	12,615,458
Construction-in-progress	829,120	119,804	948,924
Less: Accumulated depreciation	(15,881,730)	(12,428,730)	(28,310,460)
Total noncurrent assets	<u>15,357,532</u>	<u>5,132,063</u>	<u>20,489,595</u>
Total assets	<u>\$ 17,092,489</u>	<u>\$ 9,063,946</u>	<u>\$ 26,156,435</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 331,831	\$ 556,703	\$ 888,534
Accrued liabilities	70,876	19,176	90,052
Deferred revenue	12,101	-	12,101
Current portion of long-term debt	307,818	20,000	327,818
Due to other funds	63,547	161,753	225,300
Total current liabilities	<u>786,173</u>	<u>757,632</u>	<u>1,543,805</u>
Noncurrent liabilities			
Compensated absences	47,643	-	47,643
Long-term debt	2,608,734	370,000	2,978,734
Other postemployment benefits	357,100	-	357,100
Total noncurrent liabilities	<u>3,013,477</u>	<u>370,000</u>	<u>3,383,477</u>
Total liabilities	<u>3,799,650</u>	<u>1,127,632</u>	<u>4,927,282</u>
Net Assets			
Invested in capital assets, net of related debt	12,440,980	4,742,063	17,183,043
Unrestricted (Note 1D)	851,859	3,194,251	4,046,110
Total net assets	<u>\$ 13,292,839</u>	<u>\$ 7,936,314</u>	<u>\$ 21,229,153</u>

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

Dutchess County, New York
Statement of Revenues, Expenses, and Changes in Fund Net Assets of
Proprietary Funds
Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds		
	Airport	Transportation	Total
Operating revenues			
Charges for services	\$ 1,530,238	\$ 1,244,559	\$ 2,774,797
Operating grants and revenues	-	3,466,079	3,466,079
Other	11,639	97,291	108,930
Total operating revenues	<u>1,541,877</u>	<u>4,807,929</u>	<u>6,349,806</u>
Operating expenses			
Personal services	637,222	91,404	728,626
Employee benefits	389,857	14,751	404,608
Depreciation	1,065,125	690,979	1,756,104
Contracted services	1,059,543	6,152,445	7,211,988
Total operating expenses	<u>3,151,747</u>	<u>6,949,579</u>	<u>10,101,326</u>
Loss from operations	<u>(1,609,870)</u>	<u>(2,141,650)</u>	<u>(3,751,520)</u>
Nonoperating revenues (expenses)			
Interest income	178,173	4,716	182,889
Interest expense	(123,744)	(18,675)	(142,419)
Total nonoperating revenue (expense)	<u>54,429</u>	<u>(13,959)</u>	<u>40,470</u>
Loss before contributions and transfers	(1,555,441)	(2,155,609)	(3,711,050)
Capital contributions	548,467	377,927	926,394
Transfers in	615,985	2,242,691	2,858,676
Transfers out	(62,081)	(50,000)	(112,081)
Increase (decrease) in net assets	(453,070)	415,009	(38,061)
Fund net assets—beginning	<u>13,745,909</u>	<u>7,521,305</u>	<u>21,267,214</u>
Fund net assets—ending	<u>\$ 13,292,839</u>	<u>\$ 7,936,314</u>	<u>\$ 21,229,153</u>

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

Dutchess County, New York
Statement of Cash Flows of Proprietary Funds
Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds		
	Airport	Transportation	Total
Cash flow from operating activities			
Charges for services and other	\$ 1,099,212	\$ 1,244,559	\$ 2,343,771
Receipt of operating grants and revenue	-	4,920,945	4,920,945
Payments to employees	(898,401)	(106,155)	(1,004,556)
Payments to suppliers of contracted services	(978,296)	(8,105,485)	(9,083,781)
Other receipts	11,639	97,291	108,930
Net cash used in operating activities	<u>(765,846)</u>	<u>(1,948,845)</u>	<u>(2,714,691)</u>
Cash flow from noncapital financing activities			
Operating transfers in	615,985	2,242,691	2,858,676
Operating transfers out	(62,081)	(50,000)	(112,081)
Net cash from noncapital financing activities	<u>553,904</u>	<u>2,192,691</u>	<u>2,746,595</u>
Cash flow from capital and related financial activities			
Capital contributions for fixed asset acquisitions	462,580	1,853,543	2,316,123
Acquisition of capital assets	(460,105)	(437,950)	(898,055)
Principal paid on long-term debt	(262,878)	(62,500)	(325,378)
Interest paid on long-term debt	(123,744)	(18,675)	(142,419)
Net cash used in capital and related financing activities	<u>(384,147)</u>	<u>1,334,418</u>	<u>950,271</u>
Cash flow from investing activities			
Interest earned	178,173	4,716	182,889
Net cash provided by investing activities	<u>178,173</u>	<u>4,716</u>	<u>182,889</u>
Net increase (decrease) in cash and cash equivalents	(417,916)	1,582,980	1,165,064
Cash and cash equivalents - beginning of the year	1,740,661	1,319,260	3,059,921
Cash and cash equivalents - end of the year	<u>\$ 1,322,745</u>	<u>\$ 2,902,240</u>	<u>\$ 4,224,985</u>
Reconciliation of operating loss to net cash used in operating activities			
Loss from operations	\$ (1,609,870)	\$ (2,141,650)	\$ (3,751,520)
Adjustments to reconcile loss from operations to net cash used in operating activities			
Depreciation expense	1,065,125	690,979	1,756,104
Changes in assets and liabilities			
Accounts receivable	(23,850)	2,031,753	2,007,903
Inventories	(29,352)	-	(29,352)
Other assets	1,737	-	1,737
Accounts payable and accrued liabilities	108,862	(1,953,040)	(1,844,178)
Due to /from other funds	(419,277)	(177,184)	(596,461)
Compensated absences	6,578	-	6,578
Deferred revenue	12,101	(399,703)	(387,602)
Other postemployment benefits	122,100	-	122,100
Net cash used in operating activities	<u>\$ (765,846)</u>	<u>\$ (1,948,845)</u>	<u>\$ (2,714,691)</u>

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

Dutchess County, New York
Statement of Fiduciary Net Assets
December 31, 2009

	Private Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 4,355	\$ 7,947,322
Mortgage tax receivable	-	748,058
Investments, at fair value	1,500	-
Total assets	<u>\$ 5,855</u>	<u>\$ 8,695,380</u>
Liabilities		
Refunds payable and others	-	8,695,380
Total liabilities	<u>\$ -</u>	<u>\$ 8,695,380</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 Fiduciary Net Assets
Year Ended December 31, 2009

	Private Purpose Trusts
Additions	
Interest	\$ 83
Deductions	83
Economic assistance & opportunity	199
Changes in net assets	(116)
Net assets-beginning of the year	5,971
Net assets-end of the year	\$ 5,855

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

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

Included within the reporting entity:

Dutchess Community College

The Dutchess Community College ("DCC" or the "College") was established under Article 126 of the Education Act of the State of New York under the sponsorship of the County and is operated by a Board of Trustees under Paragraph (c) of Subdivision 6 of Section 6304 of the Education Act of the State of New York. DCC's year end is August 31. The Dutchess Community College Association, Inc. (the "Association") is organized under the not-for-profit laws of New York State to supplement and conduct activities and services for the students, faculty, staff and alumni of the College. The Association is presented as a component unit of the College, and its year end is June 30. The Dutchess Community College Foundation, Inc. (the "Foundation") is organized under the not-for-profit laws of New York State to raise funds to provide scholarships and to provide support for initiatives that will have a significant and measurable impact on the students, faculty and staff of the College. The Foundation is a component unit of the College and its year end is August 31.

Dutchess County Resource Recovery Agency

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

Dutchess County Water and Wastewater Authority

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

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

Dutchess County Industrial Development Agency (Non-Major Component Unit)

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

Dutchess County Soil and Water Conservation District (Non-Major Component Unit)

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

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.

B. Basis of Presentation

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

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

Fund Financial Statements: The fund financial statements provide information about the County's funds, including fiduciary funds. Separate statements for each fund category -- governmental, proprietary, and fiduciary -- are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

General Fund

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

Capital Project Fund

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

Dutchess Tobacco Asset Securitization Corporation (TASC)

The TASC is used to account for the receipt and disbursement of resources related to Tobacco Assets and related obligations.

The County reports the following major business type funds:

Enterprise Funds

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

The County reports the following fiduciary fund types:

Agency Funds

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

Private Purpose Trust Funds

This fund represents a trust arrangement under which cemetery plots are maintained.

C. Basis of Accounting

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

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

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

D. Assets and Liabilities

Primary Government:

Cash and Cash Equivalents

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

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 \$17,599 was incurred in 2009. Discounts recognized from the issuance of debt of \$1,902,637 are amortized over the life of the debt. Amortization expense of \$69,550 was recognized in 2009. Premiums recognized from the issuance of debt amounted to \$2,108,585. Amortization expense for these premiums amounted to \$106,809 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 \$206,204 was recognized in 2009.

Investments

Investments are recorded at fair value.

Capital Assets

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

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

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

Real Property of the Dutchess Community College

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

Judgments and Claims

Costs associated with workers' compensation or legal liabilities for both reported and unreported insured events of \$27,695,521 at December 31, 2009, which include estimates of both future payment of losses and related claim adjustment expenses, are recorded as long-term liabilities in the government wide financial statements.

Post Retirement Benefits

The County provides health insurance coverage and survivor benefits for retired employees and their survivors. The County's employees may become eligible for these benefits upon retirement, with a minimum of ten years of service. The County's annual OPEB expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years beginning in 2007.

Compensated Absences

Vacation leave and other compensated absences with similar characteristics of \$9,483,625 at December 31, 2009, are accrued as a liability as the benefits are earned by the employees if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Net Assets

Net assets are classified and displayed in three components:

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

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

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

The unrestricted net assets of the business type activity funds (enterprise funds) have been designated as follows at December 31, 2009:

	Airport	Transportation	Total
Unrestricted net assets undesignated	\$ (2,064,693)	\$ 2,804,251	\$ 739,558
Unrestricted net assets, designated for debt repayment	<u>2,916,552</u>	<u>390,000</u>	<u>3,306,552</u>
	<u>\$ 851,859</u>	<u>\$ 3,194,251</u>	<u>\$ 4,046,110</u>

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

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.

Subsequent Events

The County has performed an evaluation of subsequent events through September 29, 2010, which is the date the financial statements were available for issuance.

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 business type activities 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.

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

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.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of an escrow account opened pursuant to a municipal lease purchase agreement in 2007 to hold the proceeds received from the lessor. Funds in the escrow account are restricted to payments for the equipment identified in an energy services agreement for which the proceeds were received. All funds in the escrow account were expended during the year ended August 31, 2009 in accordance with the energy services agreement.

Capital Assets

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

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

	Estimated Useful Life
Buildings	20 – 50
Building improvements	20 – 50
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.

Operating Revenue

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

The State University of New York's University Controller's Office recently issued guidance on the proper classification of Pell and other financial aid grants receipts. The guidance conducted that Pell and other financial aid grants are agency transactions and, as such, should be recorded as nonoperating revenue. As a result, approximately \$5,925,000 in federal and state grants and contracts were reclassified from operating revenue to nonoperating revenue in the statement of revenues, expenses and changes in net assets for the year ended August 31, 2008.

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

Nonoperating Revenue

Nonoperating revenues consist principally of state and local government appropriations and federal and state student financial aid grants.

Employee Benefits

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

Through its negotiated contracts with certain employee groups the College offered retirement incentives to eligible employees making irrevocable notifications of intent to retire. Employees electing to retire under the incentive receive a contractual percentage of their base pay. The liability for these incentives is included in accrued expenses, and totaled \$0 at August 31, 2009.

Other Postemployment Benefit Obligations (OPEB)

In addition to providing pension benefits (Note 9), the College provides health insurance coverage and survivor benefits for retired employees and their survivors. The College's employees may become eligible for these benefits upon retirement, with a minimum of ten years of service. The College'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.

Income Taxes

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

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of certain assets, liabilities and disclosure of contingent liabilities at the date of the financial statements. They also affect reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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.

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

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

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

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

Cash and Cash Equivalents

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

Capital Assets

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

Debt Issuance Costs

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

Income Taxes

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

Insurance

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

Equity Classifications

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

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

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

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

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

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 non-pension 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.

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

Cash, Cash Equivalents and Investments

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

Dutchess County, New York
Notes to Financial Statements
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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 for customers and operating grants from Dutchess County, New York.

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

Deferred Revenue

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

Equity Classifications

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

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

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

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

Net asset amounts considered to be restricted or invested in capital-type assets, net of related debt as of December 31, 2008 have been reclassified to conform to the 2009 presentation. That presentation allocates accrued and accreted interest liabilities as a reduction of the related restricted cash first and a reduction of unrestricted net assets second, rather than the related capital-type asset. There is no effect on total net assets.

2. Adjustment to DCC Separately Issued Financial Statements

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

As a result of this adjustment, net assets and long-term liabilities of DCC, included in the aggregate discretely presented component unit column of these financial statements have been increased and decreased, respectively, for outstanding debt balance of \$14,018,037 at December 31, 2009 (Note 4).

3. Detailed Disclosures Regarding Assets and Revenues

A. Restricted and Unrestricted Cash and Cash Equivalents

Primary Government:

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

Dutchess County, New York
Notes to Financial Statements
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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 \$94,151,312, of which \$10,021,635 was covered by Federal Depository Insurance.

The bank balance of the County's cash and cash equivalents of \$82,275,309 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 \$1,854,368 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 \$12,487,400 and \$3,441,438, respectively. Also included in restricted cash is a \$2,692,488 insurance reserve held for workers' compensation self-insurance plan.

Component Units:

Dutchess Community College

Cash and Cash Equivalents and Short-Term Investments

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

The carrying amount of the College's deposits with financial institutions was approximately \$14,277,000 and the bank balance was approximately \$14,781,000 as of August 31, 2009. The bank balance is collateralized as follows as of August 31, 2009:

Amount insured by FDIC	\$ 316,863
Securities collateral held by a third party in the College's name	<u>16,261,721</u>
	<u><u>\$ 16,578,584</u></u>

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
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Deposits with bond trustees consist of the following:

	August 31, 2009		
	DASNY	County	Total
Cash and cash equivalents	\$ 263,817	\$ 1,111	\$ 264,928
U.S. Government obligations and federal agency deposits:			
Construction Fund	143,383	-	143,383
Debt Service Fund	89,699	-	89,699
Debt Service Reserve Fund	149,560	-	149,560
Total	<u>\$ 646,459</u>	<u>\$ 1,111</u>	<u>\$ 647,570</u>

Deposits with the Dormitory Authority of the State of New York ("DASNY") are held by DASNY's trustees, which are approved by the State of New York. Except for the portion covered by federal depository insurance, deposits with DASNY are not insured or collateralized. At August 31, 2009, the College's deposits (including amounts in-transit) with the County and DASNY were fully covered by Federal depository insurance.

At August 31, 2009, the College's deposits (including amounts in-transit) with the County and DASNY were covered by Federal Depository Insurance.

At August 31, 2009, the College's investments with DASNY were as follows:

Investment Type	Fair Value	Less than One Year	One to Five Years
U.S. Government Obligations			
U.S. Treasury Notes	\$ 675	\$ 675	\$ -
U.S. Treasury Bills	313,116	313,116	-
U.S. Treasury Strips	1,199	1,199	-
	<u>314,990</u>	<u>314,990</u>	<u>-</u>
Federal Agencies			
Federal National Mortgage Association	52,711	52,711	-
Federal Home Loan Bank	14,941	14,941	-
	<u>67,652</u>	<u>67,652</u>	<u>-</u>
Total	<u>\$ 382,642</u>	<u>\$ 382,642</u>	<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, New York
Notes to Financial Statements
December 31, 2009

Resource Recovery Agency

Cash and Cash Equivalents and Investments

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

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

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

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

As of December 31, 2009, the Agency had cash deposited in various banks aggregating approximately \$565,000, 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, 2009, the Agency had cash and cash equivalents and investments of \$11,022,772 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, 2009:

Bank Balance	\$ 1,279,145
U.S. Treasury Bills	4,625,372
Insured Investment	<u>5,118,255</u>
Total Risk Category B	<u><u>\$ 11,022,772</u></u>

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

Restricted Cash and Investments

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

As of December 31, 2009, the trustee reported the following restricted cash and cash equivalents and investments:

1998 Series C	
Projected Funds	\$ 3,925
Reserve and contingency funds	35
Current restricted funds	<u>3,960</u>
Debt service reserve fund - non-current	<u>447,000</u>
Total 1998 Series C	<u><u>\$ 450,960</u></u>
1999 Series A	
Project funds	<u>116,610</u>
Current restricted funds	<u>116,610</u>
Reserve and contingency fund	379,430
Debt service reserve fund	<u>3,347,303</u>
Non-current restricted funds	<u>3,726,733</u>
Total 1999 Series A	<u><u>\$ 3,843,343</u></u>
2007 Series	
Project funds	772,842
Cost of insurance fund	98,164
Debt service reserve fund	27
Current restricted funds	<u>871,033</u>
Reserve and contingency fund	85,866
Debt service reserve fund	<u>858,656</u>
Non-current restricted funds	<u>944,522</u>
Total 2007 Series	<u><u>\$ 1,815,555</u></u>
Total	<u><u>\$ 6,109,858</u></u>

The Debt Service Reserve Funds are funded in an amount equal to the greater of any annual principal and interest or sinking fund payments, but limited to 10% of the original principal amount of the 1998 C and 1999 A Series bonds. The Reserve and Contingency Fund is funded in an amount at least equal to 10% of the debt service payments required for the current year. However, since these funds are not anticipated to be used in the subsequent year, they have been classified as restricted noncurrent assets in the statement of net assets.

In addition, as a result of the assignment of the service agreement and other documents, in 1998, the Agency received funds to be used for capital improvements. At December 31, 2009, these funds, including interest earnings, amounted to \$37,556.

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 \$5,244,219 at December 31, 2009, and are included in restricted cash and cash equivalents.

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

Restricted assets are summarized as follows as of December 31, 2009:

Current restricted assets	
Series 1998 B&C bonds	\$ 3,960
Series 1999 A	116,610
Series 2007	871,033
Capital Improvement funds	37,556
Energy revenues and debt service funds	<u>5,244,219</u>
Total current restricted cash and investments	<u>6,273,378</u>
Noncurrent restricted cash and investments	
Series 1998 B&C bonds	447,000
Series 1999 A	3,726,733
Series 2007	<u>944,522</u>
Total non current restricted cash and investments	<u>5,118,255</u>
Total restricted cash and investments	<u>\$ 11,391,633</u>

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
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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, 2009:

	Category 1	Category 2	Category 3	Total
Cash in Banks	<u>\$ 56,859</u>	<u>\$ 2,715,773</u>	<u>\$ -</u>	<u>\$ 2,772,632</u>
Investments				
Money Market Funds	\$ 8,972,980	\$ -	\$ -	\$ 8,972,980
U.S. Treasury Bills & Notes	<u>1,503,693</u>	<u>-</u>	<u>-</u>	<u>1,503,693</u>
Investment Total	<u>\$ 10,476,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,476,673</u>

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

Restricted Cash and Investments

The restricted cash and investments of the Authority consist of unexpended bond and note proceeds, which are invested in cash funds and investments under the control of bank trustees. These assets are restricted in use by bond covenants as described below as of December 31, 2009:

Litigation Reserve Funds	\$ 275,796
Construction Reserve Funds	7,429,384
Debt Service Sinking Funds	71,690
Debt Service Reserve Funds	<u>85,073</u>
Current Restricted Funds	7,861,943
Debt Service Reserve Funds Non Current	<u>2,614,730</u>
Total	<u>\$ 10,476,673</u>

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

B. Property Taxes

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

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

Tax rates are calculated using assessments prepared by individual city and town assessors utilizing the equalization rates established by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable equalized assessed value of real property included in the tax levy of 2009 is \$37,216,668,740. The effective tax rate on this value is \$2.54 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2009 levy represents approximately 17.4% of the constitutional tax limit.

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

C. Capital Assets

Primary Government:

Capital assets activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 4,754,388	\$ 384,635	\$ -	\$ 5,139,023
Construction in progress	23,286,872	14,875,142	(23,832,091)	14,329,923
Total capital assets, not being depreciated	<u>28,041,260</u>	<u>15,259,777</u>	<u>(23,832,091)</u>	<u>19,468,946</u>
Capital assets, being depreciated:				
Buildings and improvements	118,956,503	7,397,269	-	126,353,772
Machinery and equipment	52,264,202	6,409,450	-	58,673,652
Infrastructure	135,336,210	9,638,094	-	144,974,304
Totals	<u>306,556,915</u>	<u>23,444,813</u>	<u>-</u>	<u>330,001,728</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(66,847,872)	(4,582,446)	-	(71,430,318)
Machinery and equipment	(37,803,828)	(3,518,355)	-	(41,322,183)
Infrastructure	(81,432,078)	(6,807,676)	-	(88,239,754)
Totals	<u>(186,083,778)</u>	<u>(14,908,477)</u>	<u>-</u>	<u>(200,992,255)</u>
Total capital assets, being depreciated, net	<u>120,473,137</u>	<u>8,536,336</u>	<u>-</u>	<u>129,009,473</u>
Governmental activity capital assets, net	<u>\$ 148,514,397</u>	<u>\$ 23,796,113</u>	<u>\$ (23,832,091)</u>	<u>\$ 148,478,419</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 3,385,364	\$ -	\$ -	\$ 3,385,364
Construction in progress	735,111	898,099	(684,287)	948,923
Total capital assets, not being depreciated	<u>4,120,475</u>	<u>898,099</u>	<u>(684,287)</u>	<u>4,334,287</u>
Capital assets, being depreciated:				
Buildings and improvements	10,427,481	-	-	10,427,481
Infrastructure	21,186,730	236,099	-	21,422,829
Equipment	12,167,269	448,189	-	12,615,458
Totals	<u>43,781,480</u>	<u>684,288</u>	<u>-</u>	<u>44,465,768</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(6,098,663)	(497,858)	-	(6,596,521)
Infrastructure	(11,458,536)	(710,635)	-	(12,169,171)
Equipment	(8,997,157)	(547,611)	-	(9,544,768)
Totals	<u>(26,554,356)</u>	<u>(1,756,104)</u>	<u>-</u>	<u>(28,310,460)</u>
Total capital assets, being depreciated, net	<u>17,227,124</u>	<u>(1,071,816)</u>	<u>-</u>	<u>16,155,308</u>
Business-type activity capital assets, net	<u>\$ 21,347,599</u>	<u>\$ (173,717)</u>	<u>\$ (684,287)</u>	<u>\$ 20,489,595</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

Component Units:
Dutchess Community College

Capital assets activity consists of the following for the year ended August 31, 2009:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 1,148,465	\$ -	\$ -	\$ 1,148,465
Building and improvements	81,457,049	1,166,671	-	82,623,720
Furniture and equipment	8,059,876	188,941	(287,401)	7,961,416
	<u>90,665,390</u>	<u>1,355,612</u>	<u>(287,401)</u>	<u>91,733,601</u>
Less: Accumulated depreciation	31,491,224	2,169,405	(287,401)	33,373,228
Capital assets, net	<u><u>\$ 59,174,166</u></u>	<u><u>\$ (813,793)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,360,373</u></u>

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

	2009	2008
Cost basis	\$ 5,227,174	\$ 5,227,174
Accumulated depreciation	<u>(1,444,373)</u>	<u>(1,079,467)</u>
	<u><u>\$ 3,782,801</u></u>	<u><u>\$ 4,147,707</u></u>

Depreciation expense for the year ended August 31, 2009 was approximately \$2,197,300.

Resource Recovery Agency

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	65,721,367	106,002	-	65,827,369
Equipment	1,093,401	68,590	-	1,161,991
	<u>67,332,359</u>	<u>174,592</u>	<u>-</u>	<u>67,506,951</u>
Less: Accumulated depreciation	<u>(31,127,620)</u>	<u>(2,133,973)</u>	<u>-</u>	<u>(33,261,593)</u>
Capital assets, net	<u><u>\$ 36,204,739</u></u>	<u><u>\$ (1,959,381)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,245,358</u></u>

Depreciation was recorded in the amount of \$2,133,973 less amortization of deferred revenues associated with the funding of capital improvements of \$68,520 resulting in \$2,065,453 in depreciation expense for the year ended December 31, 2009.

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

Water and Wastewater Authority

Capital assets consisted of the following as of December 31, 2009:

	Balance	Increase	Decrease	Balance
Land	\$ 834,808	\$ -	\$ -	\$ 834,808
Improvements	120,255	-	-	120,255
Buildings	12,164,678	17,242	-	12,181,920
Water system	45,706,703	56,362	(20,544)	45,742,521
Machinery and equipment	4,465,244	203,489	(374)	4,668,359
Sewage collection system	1,364,871	-	-	1,364,871
Construction in progress	530,745	235,201	(119,222)	646,724
Sub-total	65,187,304	512,294	(140,140)	65,559,458
Less: Accumulated depreciation	<u>(12,474,242)</u>	<u>(1,584,462)</u>	-	<u>(14,058,704)</u>
Net capital assets	<u>\$ 52,713,062</u>	<u>\$ (1,072,168)</u>	<u>\$ (140,140)</u>	<u>\$ 51,500,754</u>

Depreciation was recorded in the amount of \$1,584,472, less amortization of deferred revenues associated with the Central Dutchess Utility Corridor of \$595,853. The effect of netting these amounts resulted in \$988,609 in depreciation expense for the year ended December 31, 2009.

D. Depreciation Expense

Depreciation expense was charged to functions/programs as follows for the year ended December 31, 2009:

Primary Government:

Governmental activities:	
General government	\$ 4,033,359
Public safety	2,675,570
Health	188,306
Transportation	6,680,114
Economic assistance and opportunity	370,151
Culture and recreation	1,102,326
Home and community services	(141,349)
Total depreciation expense – governmental activities	<u>\$ 14,908,477</u>
Business type activities:	
Airport	\$ 1,065,125
Transportation	690,979
Total depreciation expense – business type activities	<u>\$ 1,756,104</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

4. Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Long-term Liabilities

Primary Government:

Long-term liability activity for the year ended December 31, 2009, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 106,156,198	\$ 15,095,000	\$ (22,100,220)	\$ 99,150,978	\$ 10,546,801
Tobacco Asset Securitization Bonds (TASC debt) , net of discount	64,649,793	-	(2,095,450)	62,554,343	-
Total bonds and BANS payable	170,805,991	15,095,000	(24,195,670)	161,705,321	10,546,801
Judgments and claims	26,345,434	1,350,087	-	27,695,521	-
Post retirement liability	37,728,000	17,762,123	-	55,490,123	-
Compensated absences	9,521,873	-	(38,248)	9,483,625	-
Environmental clean up	320,000	300,000	-	620,000	-
Governmental activity long-term liabilities	<u>\$ 244,721,298</u>	<u>\$ 34,507,210</u>	<u>\$ (24,233,918)</u>	<u>\$ 254,994,590</u>	<u>\$ 10,546,801</u>

General long-term debt of the County (not including the TASC debt) is issued principally as serial bonds, which are due at various times through 2028. The bonds are issued primarily to finance acquisition or construction of capital facilities. Bonds have been issued to advance-refund previously issued bonds. These bonds are guaranteed by the full faith and credit of the County and are being repaid from applicable taxes. Principal and interest payments are included in the expenditures of the General Fund. The County has utilized 4.38% of its constitutional debt limit as of December 31, 2009.

On June 2, 1993, the County of Dutchess issued \$7.445 million in General Obligation Bonds with an average interest rate of 4.37 percent to advance refund \$6.525 million of outstanding 1988 Series bonds with an average interest rate of 7.26 percent. The net proceeds of \$7.373 million (after payment of \$118,000 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 Series bonds. As a result, the 1988 Series bonds are considered to be defeased and the liability for those bonds has been removed from the County's long term liabilities. The balance of the defeased debt is approximately \$695,000 at December 31, 2009.

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

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 \$5,160,000 at December 31, 2009. In May 2006, the County refunded its outstanding 1996 Public Improvement Bond of \$5,800,000, its 1997 Public Improvement Bond of \$1,500,000 and its 1998 Public Improvement Bond of \$2,920,000 carrying a weighted average interest rate of 5.07% with new debt of \$10,265,000 issued with a weighted average interest rate of 4.46%. The net proceeds of the \$10,265,000 were used to purchase U.S. Government Securities, which were placed on an irrevocable trust with an escrow agent to provide for all future debt service for the 1996, 1997 and 1998 bonds. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the County's long-term liabilities. The balance of the defeased debt is approximately \$10,205,000 at December 31, 2009.

In December 2003, the TASC issued \$47,815,000 in bonds (TASC debt, see below) to finance the acquisition of tobacco assets from the County. The TASC transferred \$40,811,628 in proceeds to the General Fund to refund \$36,141,402 of general obligation debt. The proceeds of \$47,815,000 (\$40,811,628 for the General Fund and \$1,158,722 for the Enterprise Funds), net of \$1,902,637 in discount, \$425,576 in bond issue costs and \$3,516,437 deposited into a liquidity reserve were transferred to the general fund which then deposited the \$41,970,350 in irrevocable trust with an escrow agent to provide for all future debt service payments for the 1996, 1997, 1998, 2001, 2004 Series bonds at interest rates ranging from 2% to 7%. As such, \$37,300,124 of debt was removed from the General Fund and Enterprise Funds debt. The County recorded a deferred loss from refunding in the amount of \$4,670,226 related to this transaction. This deferred loss is amortized over the life of the TASC debt; accordingly, amortization expense of \$233,511 was recognized in 2009. The balance of the defeased debt is \$36,318,064 at December 31, 2009. The TASC recorded \$45,912,362 of debt from this sale of tobacco bonds. The TASC debt will be repaid with proceeds from tobacco sales, in future periods, as dictated by the Master Settlement Agreement and Indenture Agreement, as defined.

In November 2005, the TASC issued \$26,236,279 in bonds (TASC debt, see below) to finance the acquisition of tobacco assets from the County. The proceeds of \$26,236,279, net of \$692,437 in bond issue costs were transferred (\$9,543,842) to the General Fund and (\$16,000,000) to the Capital Projects Fund. The County deposited the \$9,543,842 in an irrevocable trust with an escrow agent to provide for all future debt service payments for a portion of the 2004 Series bond at interest rates ranging from 6% to 7.85%. As such, \$10,090,000 of debt was removed from the General Fund. The County recorded a deferred gain from refunding in the amount of \$546,158 related to this transaction. This deferred gain is amortized over the life of the TASC debt; accordingly, amortization of \$27,307 was recognized in 2009. The balance of the defeased debt is \$26,236,279 at December 31, 2009. 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 \$19,775,000 at December 31, 2009.

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

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

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

In December 2007, the County issued \$27,000,000 in public improvement serial bonds with an average interest rate of 4.5%. The proceeds will be used to finance various capital projects. The balance of the debt is \$24,050,000 at December 31, 2009.

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 \$5,950,000 at December 31, 2009.

Dutchess County issued \$15,095,000 Public Improvement Refunding (Serial) Bonds, 2009 Series dated February 18, 2009. The series consisted of \$2.165 Million Public Improvement (Serial) Bonds 2009, Series A, maturity date February 15, 2018; and \$12.930 Million Public Improvement (Serial) Bonds, Series B, maturity date August 15, 2021. Their interest rates range from 3% to 4%. The 2009 bonds were issued to advance refund \$15,485,000 in Public Improvement (Serial) Bonds originally issued by the County as follows: \$2.24 Million remaining from the \$8.55 Million Public Improvement (Serial) Bonds, February 15, 1998, maturity date February 15, 2018 and \$13.24 Million remaining from the \$29.85 Public Improvement (Serial) Bonds, August 1, 2001, maturity date August 15, 2021. Their interest rates ranged between 4.875% and 4.00%. 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 \$15,485,000 at December 31, 2009.

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.

TASC Debt

On December 18, 2003, the TASC issued the 2004 New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds (TASC debt, Series 2003 Term Bonds) amounting to \$47,815,000, with an issue value of \$45,912,363, net of bond discount of \$1,902,637. The TASC recognized \$69,550 in amortization expense related to the bond discount and \$15,557 related to the amortization of deferred financing costs in 2009.

On November 28, 2005, the TASC issued the 2005 New York Tobacco Trust V, Tobacco Settlement Pass Through Bonds (Subordinate Turbo Capital Appreciation Bonds ("CABs")) amounting to \$26,236,279. The TASC recognized \$2,042 related to the amortization of deferred financing costs in 2009.

Collectively these bonds are considered the "TASC Debt"

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

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

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

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

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

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

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, 2009:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2009	Annual Principal Installments
Serial Bonds					
2.50% – 5.25%	1993	2013	\$ 7,445,000	\$ 695,000	\$ 150,000 - 185,000
3.25 – 5.00	2001	2016	16,360,000	5,160,000	305,000 - 1,170,000
2.00 – 4.50	2003	2022	18,800,000	8,735,000	200,000 - 124,572
5.00 – 6.00	2003	2043	45,912,362	37,870,000	3,245,000
5.00 – 6.00	2004	2019	17,085,000	10,920,000	565,000 - 1,182,569
6.00 – 7.85	2005	2060	26,236,279	26,236,279	2,604,375 - 10,384,242
4.00 – 4.25	2006	2014	1,525,000	1,495,000	295,000 - 305,000
4.00 – 5.00	2006	2018	8,740,000	8,710,000	95,000 - 1,385,000
3.50 – 5.00	2006	2027	22,587,595	19,775,000	525,000 - 1,361,000
4.00 – 5.00	2007	2028	27,000,000	24,050,000	600,000 - 2,222,000
3.00 – 5.00	2008	2023	6,358,763	5,950,000	375,000 - 525,000
3.00 – 4.00	2009	2018	2,165,000	2,165,000	160,000 - 300,000
3.00 – 4.00	2009	2021	12,930,000	12,930,000	405,000 - 1,865,000
				<u>\$164,691,279</u>	

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

Business-Type Activities

Long-term liability activity for the year ended December 31, 2009 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable:					
Airport bonds	\$ 3,179,429	\$ -	\$ (262,877)	\$ 2,916,552	\$ 307,818
Transportation bonds	452,500	-	(62,500)	390,000	20,000
Total bonds payable	<u>3,631,929</u>	<u>-</u>	<u>(325,377)</u>	<u>3,306,552</u>	<u>327,818</u>
Compensated absences	41,065	6,578	-	47,643	-
Other post employment benefits	235,000	122,100	-	357,100	-
Business-type activity long-term liabilities	<u>\$ 3,907,994</u>	<u>\$ 128,678</u>	<u>\$ (325,377)</u>	<u>\$ 3,711,295</u>	<u>\$ 327,818</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

Long-term debt at December 31, 2009 consists of the following:

Airport

2001 serial bond, interest at 3.5% to 5% due in various installments through 2010	\$ 4,618
2003 serial bonds, interest at 2% to 4.5% due in various installments through 2022	934,397
2004 public improvement bonds, interest at 2% to 5% due in various installments through 2019	1,218,537
2006 public improvement bonds, interest at 3.5% to 5% due in various installments through 2027	748,000
2007 public improvement bonds, interest at 4% to 5% due in various installments through 2028	11,000
Total airport bonds	<u>2,916,552</u>
Less: current portion	<u>(307,818)</u>
Total bonds, net of current portion	<u><u>\$ 2,608,734</u></u>

Transportation

2004 public improvement bonds, interest at 3.5% to 5% due in various installments through 2027	390,000
Total transportation bonds	<u>390,000</u>
Less: current portion	<u>(20,000)</u>
Total bonds, net of current portion	<u><u>\$ 370,000</u></u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

As of December 31, 2009, the County's debt service requirements relating to bonds payable are as follows:

Year Ended	Government Activities General Obligation Bonds		TASC Bonds		Business-type Activities Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31						
2010	\$ 10,546,801	\$ 4,062,126	\$ -	\$ 2,209,063	\$ 327,818	\$ 130,787
2011	10,661,918	3,637,807	-	2,209,063	408,082	116,146
2012	10,152,271	3,208,528	-	2,209,063	417,729	101,565
2013	9,729,494	2,790,654	-	2,209,063	305,506	86,642
2014-2018	35,344,939	8,405,247	-	11,045,313	1,240,417	269,647
2019-2023	15,543,000	2,890,390	-	11,045,313	507,000	67,640
2024-2028	5,300,000	602,688	5,375,000	10,461,100	100,000	10,000
2029-2033	-	-	7,625,000	8,599,069	-	-
2034-2038	-	-	10,495,000	5,968,950	-	-
2039-2043	-	-	24,759,242	62,833,008	-	-
2044-2048	-	-	-	-	-	-
2049-2053	-	-	4,889,934	66,030,066	-	-
2054-2058	-	-	2,604,375	70,490,625	-	-
2059-2060	-	-	8,357,728	547,342,272	-	-
Total	97,278,423	25,597,440	64,106,279	802,651,968	3,306,552	782,427
Less: Discount	-	-	(1,551,936)	-	-	-
Add: Premium	1,872,555	-	-	-	-	-
Total	<u>\$ 99,150,978</u>	<u>\$ 25,597,440</u>	<u>\$ 62,554,343</u>	<u>\$ 802,651,968</u>	<u>\$ 3,306,552</u>	<u>\$ 782,427</u>

Component Units:

Dutchess Community College

The College has entered into financing agreements with DASNY and Dutchess County to finance most of its educational facilities. The DASNY bonds for these facilities, which have a maximum 30-year life, will be repaid from the appropriations received from the State of New York. Dutchess County has issued general obligation bonds, with a maximum 30-year life, to fund their portion of the construction costs. The College is currently paying the County an annual fee for debt service on these bonds (\$100,000 in 2009) derived from capital chargebacks.

	Balance August 31, 2008	New Borrowings	Repayments	Balance August 31, 2009
Financing agreements	\$ 36,003,030	\$ 965,329	\$ (1,851,940)	\$ 35,116,419
Less: current portion	1,851,939			2,014,277
Noncurrent portion	<u>\$ 34,151,091</u>			<u>\$ 33,102,142</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

As of August 31, 2009 (Note 2), debt service requirements relating to these obligations are as follows:

	DASNY	Dutchess County	Total Principal	Total Interest
Year Ending August 31:				
2010	\$ 732,748	\$ 1,281,529	\$ 2,014,277	\$ 1,687,906
2011	673,337	1,342,000	2,015,337	1,601,008
2012	887,880	1,373,000	2,260,880	1,514,296
2013	826,654	1,359,000	2,185,654	1,417,830
2014	887,490	1,277,000	2,164,490	1,323,356
2015-2019	5,772,833	5,231,000	11,003,833	5,004,273
2020-2024	5,745,692	1,081,000	6,826,692	2,864,939
2025-2029	4,213,954	10,000	4,223,954	1,321,227
2030-2034	1,201,139	-	1,201,139	504,514
2035-2039	156,655	-	156,655	334,899
2040-2041	-	1,063,508	1,063,508	95,716
	<u>\$ 21,098,382</u>	<u>\$ 14,018,037</u>	<u>\$ 35,116,419</u>	<u>\$ 17,669,964</u>

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

Interest expense on total financing agreements for the College was approximately \$1,896,000 in 2009.

Resource Recovery Agency

1998 A, B and C Series – Advance Refunding and Defeasance of Debt

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

The Agency recorded a deferred loss in the amount of \$3,303,920, representing the difference between the net carrying value of the old debt including unamortized bond issuance costs and the reacquisition price. This loss will be written over the life of the new debt. The present values of the difference in debt service requirements and including the effect of the extension of the debt from 2010 to 2014 have resulted in an economic gain of \$1,130,250. The unamortized deferred loss at December 31, 2009 was \$374,957.

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

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

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

Bonds payable, with interest payable semiannually on January 1, and July 1, consist of the following as of December 31, 2009:

<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2009</u>
Series Bonds			
5.05%	1999	2009	\$ -
5.15%	1999	2010	2,420,000
5.25%	1999	2011	3,075,000
5.35%	1999	2012	3,235,000
5.40%	1999	2013	3,410,000
5.45%	1999	2014	3,595,000
5.00%	2007	2015	925,000
5.00%	2007	2016	975,000
5.00%	2007	2017	1,020,000
5.00%	2007	2018	1,070,000
5.00%	2007	2019	1,125,000
4.25%	2007	2020	1,180,000
4.25%	2007	2021	1,230,000
4.25%	2007	2022	1,285,000
4.50%	2007	2023	1,340,000
4.50%	2007	2024	1,400,000
4.50%	2007	2025	1,465,000
4.50%	2007	2026	1,530,000
4.50%	2007	2027	1,595,000
Term Bonds			
5.00%	1999	2009	-
5.00%	1999	2010	505,000
			<u>32,380,000</u>
			<u>(2,925,000)</u>
Less current portion			<u>29,455,000</u>
Bond Payable - Long-Term			<u>\$ 29,455,000</u>

Dutchess County, New York
Notes to Financial Statements
December 31, 2009

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

<u>Years ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,925,000	\$ 1,532,155	\$ 4,457,155
2011	3,075,000	1,376,497	4,451,497
2012	3,235,000	1,209,242	4,444,242
2013	3,410,000	1,030,636	4,440,636
2014	3,595,000	840,601	4,435,601
2015-2019	5,115,000	3,226,438	8,341,438
2020-2024	6,435,000	1,907,488	8,342,488
2025-2027	4,590,000	418,950	5,008,950
Totals	\$ 32,380,000	\$ 11,542,007	\$ 43,922,007

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

Bond Covenants

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

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as restricted assets, which are subject to minimum funding requirements. At December 31, 2009 these debt service reserves exceeded their funding requirements.

Water and Wastewater Authority

Bonds Payable

The Authority issues revenue bonds to finance the acquisition of systems and the cost of the capital renovations to those systems and to pay costs of issuance. Such debt has been issued under the following authorizations:

Trust Indenture

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

Special Bond Resolution

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

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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.

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.

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Description

Debt issued under the above listed authorizations is as follows as of December 31, 2009:

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%	\$ 310,000
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%	325,000
New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 1999B, due in various installments through 2019, interest 3.97% - 5.43%	11,125,000
New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bonds Series 1999B, due in various installments through 2019, interest 3.97% - 5.43%	240,000
2000 Service Agreement Revenue Bond Series 2000, due in various installments through 2020, interest 5.65%	565,000
2001 Service Agreement Revenue (Refunding) Bonds Series 2001, due in various installments through 2041, interest 3.00% - 5.36% - Partially refunded in 2002 as described below	1,223,410
2002 Service Agreement Revenue (Refunding) Bond Series 2002 Harbour Hills, due in various installments through 2021, interest 1.333%-5.063%	2,130,000
New York State Environmental Facilities Corporation State Clean Water Revolving Fund Revenue (Refunding) Bonds Series 2002, due in various installments through 2023, interest 1.825%-5.705%	380,000
2004 Water Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	1,710,000
2004 Sewer Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00% - 4.25%	1,815,000
2007 Sewer Service Agreement Revenue Bond Series 2007, due in various installments through 2037, interest 4.00% - 5.00%	1,830,000
2007 Sewer Service Agreement Revenue Bond Series 2007, due in various installments through 2027, interest 4.00% - 4.625%	375,000
2008 Revenue Notes Series 2008, maturing December 17, 2009, interest 3.49%	-
2008 Revenue Notes Series 2008, maturing June 1, 2009, interest 2.79%	-
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments through 2029, interest 3.00%-5.00%	7,350,000
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments starting in 2030 through 2039, interest 5.62%-5.96%	<u>1,347,524</u>
Total bonds payable	34,543,752
Accreted interest recorded on zero coupon bonds	<u>3,770,551</u>
Total long term debt	38,314,303
Current portion of long term debt	<u>(1,635,000)</u>
Total long term debt, less current portion	<u>\$ 36,679,303</u>

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	Balance at January 1, 2009	New Issues/ Additions**	Maturities and/or Payments	Balance at December 31, 2009	Due Within One Year
Bonds Payable	\$ 32,037,554	\$ 9,171,754	\$ (2,895,000)	\$ 38,314,308	\$ 1,635,000
OPEB liability	259,100	175,400	-	434,500	-
	<u>\$ 32,296,654</u>	<u>\$ 9,347,154</u>	<u>\$ (2,895,000)</u>	<u>\$ 38,748,808</u>	<u>\$ 1,635,000</u>

Bonds payable increased by \$474,230 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, 2009 are as follows:

Year Ending December 31,	Principal	Interest	Total
2010	\$ 1,635,000	\$ 1,421,162	\$ 3,056,162
2011	1,755,000	1,291,370	3,046,370
2012	1,820,000	1,214,886	3,034,886
2013	1,880,000	1,129,040	3,009,040
2014	2,000,000	1,042,565	3,042,565
2015-2019	11,015,000	3,661,347	14,676,347
2020-2024	6,853,854	7,311,486	14,165,340
2025-2029	4,958,762	6,885,043	11,843,805
2030-2034	1,480,389	2,288,270	3,768,659
2035-2039	1,083,460	2,397,734	3,481,194
2039-2043	62,287	2,975	65,262
Totals	<u>\$ 34,543,752</u>	<u>\$ 28,645,878</u>	<u>\$ 63,189,630</u>

Advance Refunding and Defeasance of Debt

In July 2002, the Authority refinanced a portion of the 2001 Series (Zone D Project) and a portion of the 1999 Series (Water Pollution Control) bonds in transactions accounted for as advance refundings of debt. The Authority defeased bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2009, the balance of the 2001 and 1999 defeased debt outstanding was \$2,070,000 and \$0, respectively.

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

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Bond Covenants

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

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

In addition to pledging its revenues and other rights as described above, the Authority made certain covenants including that it will fix, charge and collect water rates together with other Authority revenues in amounts sufficient to provide for operating expenses as included in the Authority's budget. The Authority also pledges to maintain, in full force and effect, the service agreement with Dutchess County, as is further described in Note 5C – Commitments and Contingencies.

B. Lease Obligations

Primary Government:

The County leases, buildings and equipment under noncancelable operating leases. Total costs for such leases were \$2,181,897 for governmental activities for the year ended December 31, 2009. Future minimum lease payments at December 31, 2009 were as follows:

	Governmental Activities
2010	\$ 2,714,386
2011	1,403,800
2012	978,150
2013	404,739
2014-2017	376,200
Totals	\$ 5,877,275

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Component Units:

Dutchess Community College

Capital Lease

The College has entered into an installment purchase agreement for equipment. The agreements provide that payments for any future fiscal period will not be required should funding not be appropriated. Interest on the purchase agreements ranges from 4.4% to 4.9%.

	Balance August 31, 2008	New Borrowings	Repayments	Balance August 31, 2009
Capital lease obligations	\$ 4,114,795	\$ -	\$ (366,982)	\$ 3,747,813
Less: current portion	<u>366,982</u>			<u>384,494</u>
Noncurrent portion	<u>\$ 3,747,813</u>			<u>\$ 3,363,319</u>

The future minimum payments required under the lease as of August 31, 2009 follows:

	Principal	Interest
2010	\$ 384,494	\$ 173,796
2011	402,843	155,447
2012	332,827	137,299
2013	283,230	123,921
2014	269,369	110,821
Thereafter	<u>2,075,050</u>	<u>543,866</u>
	<u>\$ 3,747,813</u>	<u>\$ 1,245,150</u>

Interest expense related to capital lease obligations was approximately \$191,300 in 2009.

Operating Leases

The College leases buildings for use in its operations under operating lease agreement which expire in August 2017. The agreements require the following minimum future annual lease payments as of August 31, 2009:

2010	\$ 550,085
2011	550,085
2012	550,085
2013	573,570
2014	573,570
Thereafter	<u>1,720,710</u>
	<u>\$ 4,518,105</u>

Rental expense for 2009 was approximately \$550,100.

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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 \$2,000 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.

C. Interfund Balances and Activity

Interfund Receivables and Payables

Interfund balances at December 31, 2009 were as follows:

Payable from:	Payable to: General Fund
Capital projects	\$ 5,967,172
Airport	63,423
Transportation	<u>161,716</u>
Total	<u><u>\$ 6,192,311</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, 2009 were as follows:

Transfer from:	General Fund	Airport	Transportation	Other Governmental Funds	Total
General fund	\$ -	\$ 62,081	\$ 50,000	\$ 608,253	\$ 720,334
Airport	615,985	-	-	-	615,985
Transportation	<u>2,242,691</u>	-	-	-	<u>2,242,691</u>
Total	<u><u>\$ 2,858,676</u></u>	<u><u>\$ 62,081</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 608,253</u></u>	<u><u>\$ 3,579,010</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.

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

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(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:

2009	\$ 9,739,184
2008	\$ 8,677,720
2007	\$ 11,805,503

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

Component Units:

Dutchess Community College

Plan Description

The College participates in the New York State and Local Employees' Retirement System (ERS), the New York State Teachers' Retirement System (TRS) and the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). ERS and TRS are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees for the TRS and ERS are governed by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). The Systems issue a publicly available financial report that includes financial statements and required supplementary information. The ERS report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12207. The TRS report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

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Funding Policy

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contributed 3% of their salaries for the first ten years of service. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the raises expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

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

	ERS		TRS	
	Actuarially Determined Rate	Required Contribution	Actuarially Determined Rate	Required Contribution
2009	7.0-14.3%	\$ 671,954	7.63%	\$ 279,536
2008	8.0-16.3%	715,062	8.73%	324,546
2007	9.9-13.3%	867,742	8.60%	303,072

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

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

TIAA-CREF is a defined contribution plan under Section 403(b) of the Internal Revenue Code. Under the Plan, the College is required to make contributions based on the gross salaries of the participants. Certain participants are also required to make a participating contribution. For the year ended August 31, 2009, the College incurred approximately \$1,372,000 in pension expense under this Plan.

Resource Recovery Agency

Plan Description

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

Funding Policy

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

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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
2009	\$ 35,015
2008	34,119
2007	<u>43,067</u>
Total	<u><u>\$ 112,201</u></u>

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

Water and Wastewater Authority

Pension Plan

Plan Description

Through the acquisition of the assets and employees of the Hyde Park Fire District 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 \$104,762, \$115,786, and \$83,055, respectively. The Authority's contributions made to the System were equal to 100% of the contributions required for those years.

E. Deferred Compensation Plan

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

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

As of October 1, 1997 the New York State Deferred Compensation Board (the "Board") created a Trust and Custody agreement making Chase Manhattan Bank the Trustee and Custodian of the Plan. Consequently, Statement No. 32 became effective for the New York State Deferred Compensation Plan as of October 1, 1997. Since the Board is no longer the trustee of the plan, the plan no longer meets the criteria for inclusion in New York State's financial statements. Therefore, municipalities which participate in New York State's Deferred Compensation Plan are no longer required to record the value of the plan assets.

At December 31, 2009, the market value of the plan assets totaled \$79,420,985.

F. Post retirement 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 an expenditure as premiums are paid within the governmental funds.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post retirement 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, 2009, the County's and the Airport's annual OPEB costs of \$21,805,600 and \$126,800, respectively, was

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recognized through the government wide statement of activities. Participating employees and active pension plan members are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members. The percentage that is contributed is determined by the class of employee and their adjusted benefit date. For management employees there is no contribution, confidential employees have no contribution if their adjusted benefit date is prior to January 1, 1982 and if it is after they contribute 10%. For CSEA employees their rate is 5%, 15%, or 20% if their adjusted benefit dates are prior to July 1, 1979 and January 1, 2007 and after January 1, 2007, respectively. For DCSEA employees there is no contribution, 15%, or 20% if their adjusted benefit dates are prior to November 1, 1979, between November 1, 1979 and January 1, 2004 and after January 1, 2004, respectively. For PBA employees there is no contribution and a 20% contribution if their adjusted benefit date is prior to November 1, 1979 and after November 1, 1979, respectively.

The following table shows the calculation of the projected Net OPEB Obligation at December 31, 2009:

	For the Fiscal Year Ending December 31, 2009		
	County Excluding		
	Airport	Airport	Total
Annual Required Contribution	\$ 21,353,000	\$ 124,000	\$ 21,477,000
Interest on Net OPEB Obligation	1,886,400	11,800	1,898,200
Adjustment to ARC	<u>(1,433,800)</u>	<u>(9,000)</u>	<u>(1,442,800)</u>
Annual OPEB Cost	21,805,600	126,800	21,932,400
Contributions made	<u>(4,043,500)</u>	<u>(5,500)</u>	<u>(4,049,000)</u>
Increase in Net OPEB Obligation	17,762,100	121,300	17,883,400
Net OPEB Obligation - beginning of year	<u>37,728,000</u>	<u>235,800</u>	<u>37,963,800</u>
Net OPEB Obligation - end of year	<u><u>\$ 55,490,100</u></u>	<u><u>\$ 357,100</u></u>	<u><u>\$ 55,847,200</u></u>

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The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation for fiscal year 2009 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
2009	\$ 21,932,400	18.5 %	\$ 55,847,200
2008	\$ 22,704,400	14.3 %	\$ 37,963,800
2007	\$ 21,384,200	13.5 %	\$ 18,496,800

<u>County Excluding Airport</u>			
Year Ended December 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 21,805,600	18.5 %	\$ 55,490,100
2008	\$ 22,591,200	14.3 %	\$ 37,728,000
2007	\$ 21,253,800	13.6 %	\$ 18,370,100

<u>Airport</u>			
Year Ended December 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 126,800	4.3 %	\$ 357,100
2008	\$ 113,200	3.6 %	\$ 235,800
2007	\$ 130,400	2.9 %	\$ 126,600

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$267,025,000 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.

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, morality, 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.

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The total unfunded accrued liability, amortization period and required contribution for 2009 as follows:

	County Excluding		
	<u>Airport</u>	<u>Airport</u>	<u>Total</u>
Accrued Liability	\$ 265,808,800	\$ 1,216,200	\$ 267,025,000
Assets	-	-	-
Unfunded Liability	<u>\$ 265,808,800</u>	<u>\$ 1,216,200</u>	<u>\$ 267,025,000</u>
Amortization Period	30 Years	30 Years	30 Years
Past Service Cost	\$ 10,102,000	\$ 46,200	\$ 10,148,200
Normal Cost	<u>11,251,000</u>	<u>77,800</u>	<u>11,328,800</u>
ARC for December 31, 2009	21,353,000	124,000	21,477,000
Interest obligation	1,886,400	11,800	1,898,200
Adjustments to the ARC	<u>(1,433,800)</u>	<u>(9,000)</u>	<u>(1,442,800)</u>
Annual postretirement benefit cost	21,805,600	126,800	21,932,400
Benefit Payouts for 2009	<u>(4,043,500)</u>	<u>(5,500)</u>	<u>(4,049,000)</u>
Net Impact	<u>\$ 17,762,100</u>	<u>\$ 121,300</u>	<u>\$ 17,883,400</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 - 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Medical Inflation rate - The inflation assumptions include an initial rate of 8% going down to 4.1% over seventy years. The inflation assumption for Medicare part B include an initial rate of 5% going down to 2.9% over seventy years.

Payroll growth rate - The expected long-term payroll growth was assumed to be 4%.

Based on the historical and expected returns of the town's short-term investment portfolio, a discount rate of 5.5 percent was used. 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 June 30, 2009 was 28 years.

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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)
8/1/2009	\$ -	\$ 267,025,000	\$ 267,025,000	0.0%	119,015,473	224%
8/1/2008	-	-	-	0.0%	-	-
8/1/2007	-	257,049,200	257,049,200	0.0%	108,546,346	237%

Component Units:

Dutchess Community College

Other Post Retirement Benefits

The College provides certain health care benefits for retired employees and their covered dependents. Certain classes of the College's employees may become eligible for those benefits if they reach normal retirement age while working for the College. Prior to 2007, the College recognized the cost of providing postretirement health insurance benefits by expensing those costs when paid.

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

Plan Description

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

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the College pursuant to applicable collective bargaining and employment agreements. The required contributions rates of the employer and the members varies depending on the applicable collective bargaining or employment agreement covering the retiree, the retiree's hire date and number of years of service to the College. The College currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of pre-funding additional benefits if so determined by the College. For 2009, the College contributed approximately \$772,000 for current premiums. The costs of administering the Plan are paid by the College.

Dutchess County, New York
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Funded Status and Funding Progress

The schedule of funding progress presents multiyear (when available) trend information that is useful in determining whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the plan as of August 31, 2009, the latest valuation dates based on the 2008 actuarial report.

Actuarial Accrued Liability (AAL)	College
Currently retired	\$ 26,956,000
Active employees	50,105,000
Actuarial accrued liability	<u>77,061,000</u>
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UALL)	<u>\$ 77,061,000</u>
Funded ratio	0%
Normal cost	<u>\$ 3,680,000</u>

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

UAAL	\$ 77,061,000
Amortization period (years)	30
Amortization discount rate	4%
Present value factor	\$ 17.98
UAAL amortization amount	\$ 4,456,000

Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for 2009:

Normal cost	\$ 3,680,000
Amortization of UAAL	4,456,000
ARC	<u>8,136,000</u>
Interest on OPEB obligation	666,000
Adjustment to ARC	<u>(926,000)</u>
OPEB expense	<u>\$ 7,876,000</u>

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The following table reconciles the College's OPEB obligation at August 31, 2009:

	College 2009
Net OPEB obligation at beginning of year	\$ 16,647,000
OPEB expense	7,876,000
OPEB contributions	<u>(1,514,000)</u>
Net OPEB obligation at end of year	23,009,000
Less: Estimated current portion of OPEB obligation	<u>(1,514,000)</u>
Estimated long-term portion of OPEB obligation	<u>\$ 21,495,000</u>
Percentage of expense contributed	19%

Trend Information

Year Ended	Beginning OPEB Obligation	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
8/31/2007	\$ -	\$ 9,841,000	\$ 1,323,000	13%	\$ 8,518,000
8/31/2008	8,518,000	9,708,000	1,579,000	16%	16,647,000
8/31/2009	16,647,000	7,876,000	1,514,000	19%	23,009,000

Actuarial Methods and Assumptions

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 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. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) 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.

Dutchess County, New York
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The measurement date for the calculation was September 1, 2008 and the discount rate utilized was 4%. No salary increases were assumed since benefits are not based on compensation. Health care costs were assumed to increase as follows:

Year	Trend Increase
2010	9.50%
2011	9.00%
2012	8.50%
2013	8.00%
2014	7.50%
2015	7.00%
2016	6.50%
2017	6.00%
2018	5.50%
2019	5.00%
Thereafter	5.00%

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.

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%

Dutchess County, New York
Notes to Financial Statements
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Funding Policy

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

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2009, the OPEB cost (expense) amounted to \$60,500 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	2009
Actuarial Accrued Liability (AAL) Retired and active employees	\$ 639,300
Unfunded actuarial accrued liability (UAAL)	<u>\$ 639,300</u>
Annual Required Contribution (ARC)	
Past Service Costs	\$ 24,300
Normal Costs	<u>36,200</u>
Annual Required Contribution (ARC)	<u>\$ 60,500</u>
Percent of annual OPEB cost contributed	13.2%

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.

Actuarial Methods and Assumptions

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

In the August 1, 2009, actuarial valuation, the liabilities were computed using the projected unit credit method. The actuarial assumptions utilized a 5% baseline discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 5% rate. The valuation assumes a prescribed schedule of percentage increases in premiums over the next seventy years.

Dutchess County, New York
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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. In adopting the requirements 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 are no 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
10–14	50%	35%
15–19	60%	45%
20–24	70%	55%
25+	80%	65%

Funding Policy

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

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2009, the Authority's OPEB cost (expense) amounted to \$175,400 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.

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Benefit Obligation at Normal Cost

Actuarial Accrued Liability (AAL)	
Retired employees (0)	\$ -
Active employees (20)	1,703,200
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,703,200</u>

Level Dollar Amortization

Past Service Costs	\$ 64,800
Normal Costs	110,600
Annual Required Contribution (ARC)	<u>\$ 175,400</u>
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 August 1, 2009, actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 5% baseline discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature such as money market funds, was considered in the selection of the 5% rate. The valuation assumes an initial 10.5% healthcare cost inflation rate, reduced by decrements of .5% for the next 11 years at the time it would be 5%.

G. Self-Insurance - Workers' Compensation

The Dutchess County Self-Insured Workers' Compensation Plan was organized in 1980 to provide a program of workers' compensation coverage for its member organizations. All political subdivisions in the County of Dutchess are eligible to participate. The program's general objectives are to formulate, develop, and administer, on behalf of the member political subdivisions, a program of workers' compensation insurance and to develop a comprehensive loss control program. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would not be responsible for the Fund's liabilities but would remain responsible for their individual liabilities which would include their estimated claims and related administrative obligations. A Fund member would also be responsible for its individual liabilities if it were to withdraw from the Fund. Fund members currently

Dutchess County, New York
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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 \$650,000.

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:

	2009
Unpaid claims and claim adjustment expenses at beginning of year	\$ 25,345,432
Incurred claims and claim adjustment expenses:	
Provision for events of the current year	4,005,584
Decrease in provision for events of prior years	<u>(2,259,969)</u>
Total incurred claims and claim adjustment expenses	<u>27,091,047</u>
Payments:	
Claims and claim adjustment expenses attributable to events of the current year	220,138
Claims and claim adjustment expenses attributable to events of prior years	<u>175,388</u>
Total payments	395,526
Total unpaid claims and claim adjustment expenses at end of the year	<u><u>\$ 26,695,521</u></u>

Summarized financial information for the self-insurance fund on the modified accrual basis at December 31, 2009 is as follows:

Total assets	\$ 4,970,944
Total revenues	\$ 4,812,923
Total expenses	\$ 4,781,603

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5. Other Note Disclosures

A. Condensed financial statements of component units

CONDENSED STATEMENT OF NET ASSETS

	Dutchess Community College	Resource Recovery Agency	Water and Wastewater Authority	Aggregated Non-Major Component Units	Total Aggregate Discretely Presented Component Units
Assets					
Cash and cash equivalents	\$ 14,921,459	\$ 196,139	\$ 2,772,632	\$ 2,452,192	\$ 20,342,422
Restricted cash and investments	647,570	11,391,633	10,476,673	-	22,515,876
Investments	9,849,508	-	-	-	9,849,508
Receivables, net	14,259,729	1,647,426	1,385,912	15,936	17,309,003
Inventories	480,091	-	-	-	480,091
Due from other governments	-	1,554,821	-	-	1,554,821
Other assets	945,963	913,187	1,184,124	750	3,044,024
Capital assets, net	58,661,451	34,245,358	51,500,754	992	144,408,555
Total assets	99,765,771	49,948,564	67,320,095	2,469,870	219,504,300
Liabilities					
Accounts payable and accrued liabilities	8,299,450	4,720,104	882,157	10,395	13,912,106
Deferred revenue	13,456,626	583,195	28,342,056	-	42,381,877
Due to other governments	-	461,933	26,652	-	488,585
Due w ithin one year	2,631,151	2,925,000	1,635,000	-	7,191,151
Due w ithin more than one year	45,224,807	29,622,540	37,113,808	-	111,961,155
Total liabilities	69,612,034	38,312,772	67,999,673	10,395	175,934,874
Net Assets (Deficit)					
Invested in capital, net of related debt	33,788,821	1,363,829	(2,484,014)	992	32,669,628
Restricted	4,556,066	11,391,633	2,533,810	-	18,481,509
Unrestricted	(8,191,150)	(1,119,670)	(729,374)	2,458,483	(7,581,711)
Total net assets (deficit)	\$ 30,153,737	\$ 11,635,792	\$ (679,578)	\$ 2,459,475	\$ 43,569,426

Dutchess County, New York
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CONDENSED STATEMENT OF ACTIVITIES

	Dutchess Community College	Resource Recovery Agency	Water and Wastewater Authority	Aggregated Non-Major Component Units	Total
Operating expenses					
Disposal fees	\$ -	\$ 2,393,731	\$ -	\$ -	\$ 2,393,731
Service fees	-	10,888,843	-	-	10,888,843
Administrative expenses	5,481,371	1,500,399	1,453,839	-	8,435,609
Interest expense	2,087,085	1,607,096	1,654,646	-	5,348,827
Depreciation	2,278,586	2,065,453	988,609	869	5,333,517
Amortization	-	97,127	78,620	-	175,747
Instruction	27,626,152	-	-	-	27,626,152
Public service	409,341	-	-	-	409,341
Academic support	3,756,434	-	-	-	3,756,434
Libraries	1,241,896	-	-	-	1,241,896
Student services	5,584,254	-	-	-	5,584,254
General institution	7,263,423	-	-	-	7,263,423
Operation and maintenance of plant	8,181,688	-	3,168,555	-	11,350,243
Student aid	3,402,170	-	-	-	3,402,170
Auxiliary	433,726	-	-	-	433,726
Bookstore	3,147,990	-	-	-	3,147,990
Food service and other	9,102	-	-	-	9,102
Day care	352,972	-	-	-	352,972
Personal services	-	-	-	357,759	357,759
Employee benefits	-	-	-	96,597	96,597
Purchases and contracted services	-	-	44,926	675,135	720,061
Other	1,558,566	-	-	-	1,558,566
Total operating expenses	72,814,756	18,552,649	7,389,195	1,130,360	99,886,960
Program revenues					
Tipping fees	-	11,222,085	-	-	11,222,085
Energy sales	-	2,816,053	-	-	2,816,053
Other charges for services	2,659,314	-	4,681,723	153,280	7,494,317
Student tuition and fees	18,681,974	-	-	-	18,681,974
Grants and contracts	9,038,066	-	-	-	9,038,066
Auxiliary	436,370	-	-	-	436,370
Bookstore	3,887,760	-	-	-	3,887,760
Other	4,020,993	8,712	2,200	30,316	4,062,221
Operating grants and contributions	16,388,945	36,286	-	216,227	16,641,458
Capital grants and contributions	3,813,854	-	-	-	3,813,854
Total program revenues	58,927,276	14,083,136	4,683,923	399,823	78,094,158
Net program expense	(13,887,480)	(4,469,513)	(2,705,272)	(730,537)	(21,792,802)

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	Dutchess Community College	Resource Recovery Agency	Water and Wastewater Authority	Aggregated Non-Major Component Units	Total
General revenues					
Payments from Dutchess County	10,837,899	4,946,199	2,506,550	262,081	18,552,729
Unrestricted interest earnings and other	(739,276)	235,947	353,520	31,177	(118,632)
Total general revenues	10,098,623	5,182,146	2,860,070	293,258	18,434,097
Change in					
net assets (deficit)	(3,788,857)	712,633	154,798	(437,279)	(3,358,705)
Beginning net assets	33,942,594	10,923,159	(834,376)	2,896,754	46,928,131
Ending					
net assets (deficit)	<u>\$ 30,153,737</u>	<u>\$ 11,635,792</u>	<u>\$ (679,578)</u>	<u>\$ 2,459,475</u>	<u>\$ 43,569,426</u>

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, 2009:

	Component Unit	Nature of Transaction
Community College	\$ 10,837,899	Operating and Capital Support
Resource Recovery Agency	4,946,199	Net Service Fees
Water and Wastewater Authority	2,506,550	Net Service Fee
Soil and Water Conservation District and IDA	262,081	Charges for Services
	<u>\$ 18,552,729</u>	

Component Units:

Resource Recovery Agency:

Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$4,946,199 in 2009. At December 31, 2009, \$1,518,504 was due from Dutchess County and included in Due from other governments.

During 2009, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$111,260.

In addition, Dutchess County allows the Agency to use the building designated for the Dutchess County Materials Recovery Facility rent-free. The Agency is only responsible for the repairs and maintenance on the building.

Net asset amounts considered to be restricted or invested in capital-type assets, net of related debt as of December 31, 2008, have been reclassified to conform to the 2009 presentation. That

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presentation allocates accrued and accreted interest liabilities as a reduction of the related restricted cash first and a reduction of unrestricted net assets second, rather than the related capital-type asset. There is no effect on total net assets.

Water and Wastewater Authority:

The Authority has entered into a service agreement with Dutchess County to provide water service and receive a service fee from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover certain operating expenses and debt service requirements. The Authority also receives payments from Dutchess County for the completion of certain consulting projects. Although these payments are subject to budgetary resolutions by the Dutchess County Legislature for approval, no approvals have been withheld by the Legislature. For the year ended December 31, 2009, the Authority recorded revenues of \$2,506,550 that was due to the County.

C. Commitments and Contingencies

Primary Government:

Grant Programs

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

Litigation

The County is a defendant in a number of lawsuits. In the opinion of the County Attorney, after considering all relevant facts including discussions with outside counsel in certain instances, such litigation will not in the aggregate have a material adverse effect on the financial position or results of operations of the County. At December 31, 2008, a liability of \$1,000,000 has been recorded in the caption "Judgments and claims" on the government-wide statement of net assets. Such estimate is based upon individual cases reported at December 31, 2009 for which the estimate of possible exposure is a range between \$1,000,000 and \$3,000,000.

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Notes to Financial Statements
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Commitments

The County had the following outstanding construction projects in progress as of December 31, 2009, as evidenced by contractual commitments.

Project	Commitment Remaining
Equipment, machinery and vehicle purchases	\$ 875,177
County road repair	4,488,784
Replacement of underground fuel tanks	76,760
County building / roof repairs	3,249,231
County Bridge repair / reconstruction	451,850
Airport public works	1,821,171
Safety / emergency response	247,514
Property remediation	4,750
County networking	87,648
Preservation	95,023
Records management	1,404,556
DCC equipment	1,438
Airport balefill	423
DCC improvements	101,251
Mass transit equipment	2,894,400
Stadium improvements	15,043
	<u><u>\$ 15,815,019</u></u>

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, 2009, 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 \$272,077 in 2009.

Component Units:

Dutchess Community College

Contingencies

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

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

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

Rate Adjustment – Operating Chargebacks

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

Resource Recovery Agency

Solid Waste Disposal Service Agreement

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

Operations Service Agreement

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

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 2009 the Agency caused to have delivered 149,695 acceptable tons.

Power Sales Agreement

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

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

Transportation of Ash Residue and Nonprocessable Waste

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

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

Landfill Agreement

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 was renewed as of December 31, 2009 for two years and will expire on December 31, 2011. 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 on a month-to-month basis with the same commercial corporation for 2009. The Agency will provide the plant with commingled and source separated recyclable materials, provide for the removal and disposal of rejected materials, and pay to the corporation service fees to operate the facility at an annual rate of \$266,667 for the year ending December 31, 2009.

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, 2009, the Agency recorded net service revenue of \$4,946,199.

Operating Permits

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

Dutchess County, New York

Notes to Financial Statements

December 31, 2009

The Agency is in the process of finalizing its 2009 annual engineer report with the corporation that is operating the resource recovery plant. Certain amounts and calculations from the final engineer report may vary based on continuing negotiations between the Agency and the corporation.

Water and Wastewater Authority

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

The Authority assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance. Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Authority has purchased insurance with limits as follows: umbrella coverage of \$20,000,000, business auto of \$1,000,000, general liability of \$1,000,000, property of \$31,383,050 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.

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, 2009, the Authority recorded revenue of \$2,506,550 and at December 31, 2009, \$26,166 was due to the County. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

Dutchess County, New York
Budgetary Comparison Schedule of the General Fund - RSI
Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Favorable (Unfavorable)
	Original	Final		
Budgetary fund balance, January 1	\$ 63,997,691	\$ 63,997,691	\$ 63,997,691	\$ -
Resources (inflows)				
Real property taxes	82,254,653	82,254,653	85,233,066	2,978,413
Sale and use taxes	129,496,186	155,488,408	140,856,347	(14,632,061)
Other taxes	5,436,500	5,436,500	6,853,779	1,417,279
Departmental	30,439,747	30,439,747	34,936,231	4,496,484
Interest and rentals	2,204,438	2,204,438	1,222,806	(981,632)
Grants and aid	95,493,410	100,596,081	110,028,240	9,432,159
Miscellaneous	2,350,824	2,368,614	4,334,951	1,966,337
Transfers in		-	1,070,334	1,070,334
Proceeds of obligations				
Self insurance (added to departmental, misc. interest, transfer)	6,587,722	6,587,722	-	(6,587,722)
Appropriated reserve		489,505	-	(489,505)
Appropriated fund balance	26,732,379	28,458,403	-	(28,458,403)
Total revenues and appropriation of prior year's fund balance	<u>380,995,859</u>	<u>414,324,071</u>	<u>384,535,754</u>	<u>\$ (29,788,317)</u>
Expenditures				
General government	37,350,418	62,144,511	60,725,373	1,419,138
Education	2,281,360	2,281,360	2,277,000	4,360
Public safety	53,922,625	56,033,030	53,524,382	2,508,648
Health	68,433,155	69,763,073	64,550,493	5,212,580
Transportation	2,685,742	2,908,225	2,908,225	-
Economic assistance and opportunity	127,622,319	132,492,025	129,725,720	2,766,305
Culture and recreation	3,304,526	3,371,023	2,969,735	401,288
Home and community services	11,488,890	11,437,913	9,719,894	1,718,019
Employee benefits	43,081,912	42,569,411	40,787,126	1,782,285
Debt service				
Principal retirement	6,521,386	6,524,586	6,508,386	16,200
Interest	4,509,958	4,413,618	4,413,616	2
Self insurance	6,087,722	6,087,722	4,281,603	1,806,119
Transfer out	13,705,846	14,297,574	14,297,574	-
Total expenditures	<u>380,995,859</u>	<u>414,324,071</u>	<u>396,689,127</u>	<u>\$ 17,634,944</u>
Fund balance, December 31	<u>\$ 63,997,691</u>	<u>\$ 63,997,691</u>	<u>\$ 51,844,318</u>	

Dutchess County, New York
Budgetary Comparison Schedule - Note to RSI
Year Ended December 31, 2009

**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	\$ 384,535,754
Differences—budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes.	<u>(1,070,334)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 383,465,420</u></u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 396,689,127
Differences—budget to GAAP:	
Transfer to other funds are outflows of budgetary resources but are not expenses for financial reporting purposes	<u>(14,297,574)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 382,391,553</u></u>