

**Dutchess County, New York**  
**Annual Financial Report**  
**(and Report of Independent Auditors)**  
**December 31, 2010**

**Dutchess County, New York**  
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**December 31, 2010**

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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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dutchess Community College, the Dutchess County Resource Recovery Agency, the Dutchess County Water and Wastewater Authority, and the Dutchess County Industrial Development Agency, which in aggregate represented 99 percent of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. 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. They conducted their audits of these financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that the auditor to 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 30, 2011 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 19 and budgetary comparison information on pages 96 and 97 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on this information.

*Prinwotulom Coopers LLP*

September 30, 2011

# Dutchess County, New York

## Management's Discussion and Analysis

### December 31, 2010

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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, 2010. It should be read in conjunction with the basic financial statements and notes to the financial statements contained herein.

#### Financial Highlights

- On November 23, 2010, the County issued \$21 million Public Improvement (Serial) Bonds providing funding for the governmental and proprietary funds for a variety of capital projects, including improvements to various county facilities, equipment and vehicle purchases.
- At December 31, 2010, undesignated fund balance for the general fund was approximately 29.9 million representing a slight increase of .4 million from the adjusted undesignated fund balance from 2009.
- The clothing exemption was repealed on March 1, 2010 resulting in increased revenue from Sales Tax.
- There was appropriated fund balance of \$14.1 million used for the 2010 budget adopted in 2009. The summary of details of the major components of fund balance can be found on page 20.
- The principal sources of County revenue, other than state and federal aid, consist of property taxes and sales tax. Property tax collections for 2010, including adjustments (interest and penalty; real property tax auction) were **\$106.1** million which represents a 9.8% **increase** over 2009 and 23.4% 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, 2010, the County wide obligation is \$294,965,700 which is to be paid out in health benefits for its active and retired employees. The amounts recognized for the year ending December 31, 2010 are \$19,435,200 for the County and \$137,600 for the Airport. The remaining amounts unfunded for the year ended December 31, 2010 are \$74,925,300 for the County and \$494,700 for the Airport. The fund balance is negatively impacted annually by the growing liability for the unfunded portion of the post-retirement benefits.

**Dutchess County, New York  
Management's Discussion and Analysis  
December 31, 2010**

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**Revised Financial Statements**

In 2010, management identified accounting errors in posting liquidations of accounts payable to the County's general ledger during 2007, 2008 and 2009. Management determined these errors resulted from an issue within the County's financial management system that was implemented during 2006. Whereas, departments input liquidation adjustments into the system application, they were not properly updated to the general ledger. As a result, the County did not record a total of \$4,991,252 of liquidation adjustments (comprising of \$2,132,723, \$2,710,314 and \$148,215 in 2007, 2008 and 2009). The following summarizes the revisions of fund balances and net assets as of January 1, 2010:

	<b>Total Fund Balance Governmental Funds</b>	<b>Total Net Assets Governmental Activities</b>
<b>Beginning balance at January 1, 2010 as previously reported</b>	\$ 80,725,996	\$ (8,420,724)
Recognition of prior period adjustments	<u>4,991,252</u>	<u>4,991,252</u>
<b>Balance at January 1, 2010, as revised</b>	<u><u>\$ 85,717,248</u></u>	<u><u>\$ (3,429,472)</u></u>

The following summarizes the impact on expenses, net assets and fund balances by year, is as follows:

<b>2009</b>	<b>As Reported</b>	<b>As Revised</b>
Total expenditures	\$ 423,034,638	\$ 422,886,423
Expenses (total government activities)	440,538,584	440,390,369
Net assets	(8,420,724)	(3,429,472)
Fund balances	80,725,996	85,717,248

Accordingly, the 2009 Condensed financial information derived from the government wide financial statements has been adjusted for comparative purposes.

**Dutchess County, New York**  
**Management's Discussion and Analysis**  
**December 31, 2010**

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**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:

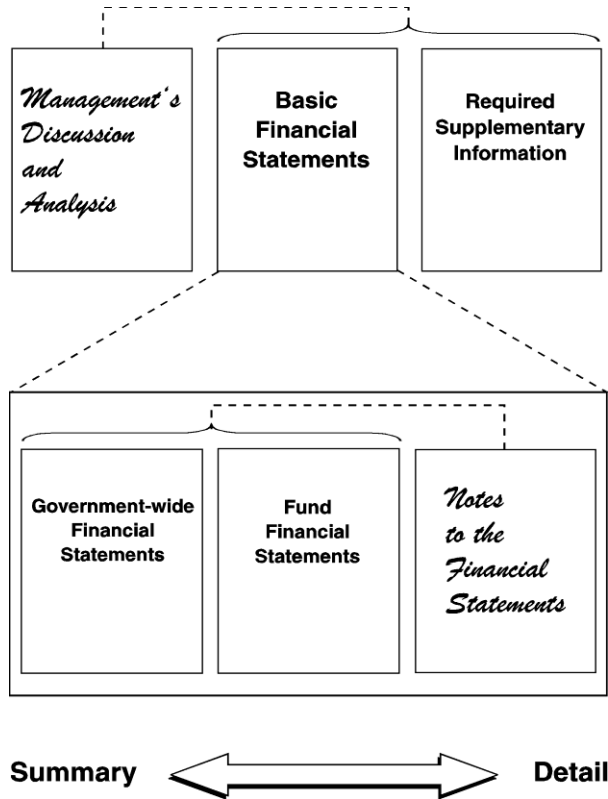


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each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

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

	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	<i>Entire County government (except fiduciary funds) and the County's component units.</i>	<i>The activities of the County those are not proprietary or fiduciary, such as public safety, education and health.</i>	<i>Activities the County operates similar to private businesses, such as bus transportation and the airport.</i>	<i>Instances in which the County is the trustee or agent for someone else's resources.</i>
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> <li>• Reconciliation of the Statement of Revenues, Expenditures and changes in fund balances to the Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Modified accrual accounting and current financial resources focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Accrual accounting and economic resources focus</i>
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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, 2010

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

The proprietary fund financial statements can be found on pages 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.

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**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, 2010 and 2009.

	2010			2009		
	Governmental Activities	Business-type Activities - Proprietary Funds	Total	Governmental Activities	Business-type Activities - Proprietary Funds	Total
<b>Asset</b>						
Current and other assets	\$ 209,759,598	\$ 9,322,172	\$219,081,770	\$ 202,916,386	\$ 5,666,840	\$208,583,226
Capital assets	162,533,430	25,035,697	187,569,127	148,478,419	20,489,595	168,968,014
Total assets	372,293,028	34,357,869	406,650,897	351,394,805	26,156,435	377,551,240
<b>Liabilities</b>						
Other liabilities	96,485,701	3,791,224	100,276,925	99,829,667	1,215,987	101,045,654
Long-term liabilities	283,129,620	5,923,219	289,052,839	254,994,590	3,711,295	258,705,885
Total liabilities	379,615,321	9,714,443	389,329,764	354,824,257	4,927,282	359,751,539
<b>Net Assets</b>						
Invested in capital assets, net of related debt	10,600,484	19,645,306	30,245,790	7,167,999	17,183,043	24,351,042
Restricted	19,669,696	-	19,669,696	8,951,971	-	8,951,971
Unrestricted (deficit)	(37,592,473)	4,998,120	(32,594,353)	(19,549,442)	4,046,110	(15,503,332)
Total net assets	\$ (7,322,293)	\$ 24,643,426	\$ 17,321,133	\$ (3,429,472)	\$ 21,229,153	\$ 17,799,681

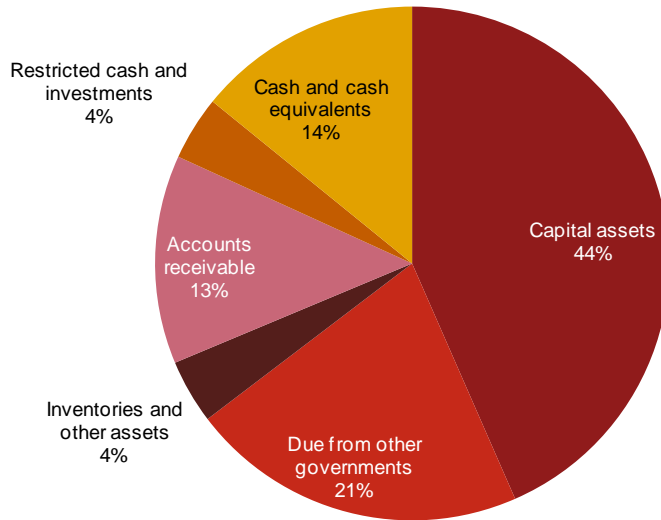
The amount by which the County's assets exceeds its liabilities is the total net assets. At December 31, 2010, the County's total net assets were \$17.3 million. Of that amount, approximately \$30.2 million was invested in capital assets, net of related debt. Another \$19.7 million was subject to external restriction upon its use. The negative (\$32.6) 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 \$74.9 million and \$0.5 million for the Airport.

State and Federal Receivables within the General Fund, which is included in current and other assets, have increased from \$27 million in 2009 to \$29.4 million in 2010. 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.

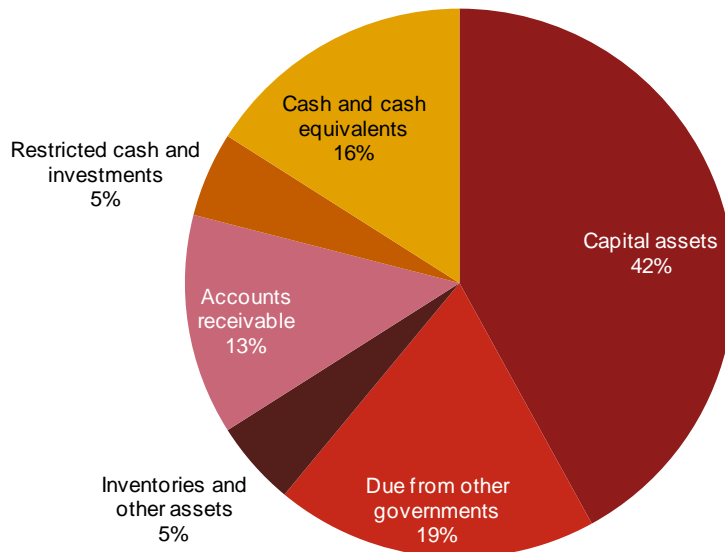
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Management's Discussion and Analysis  
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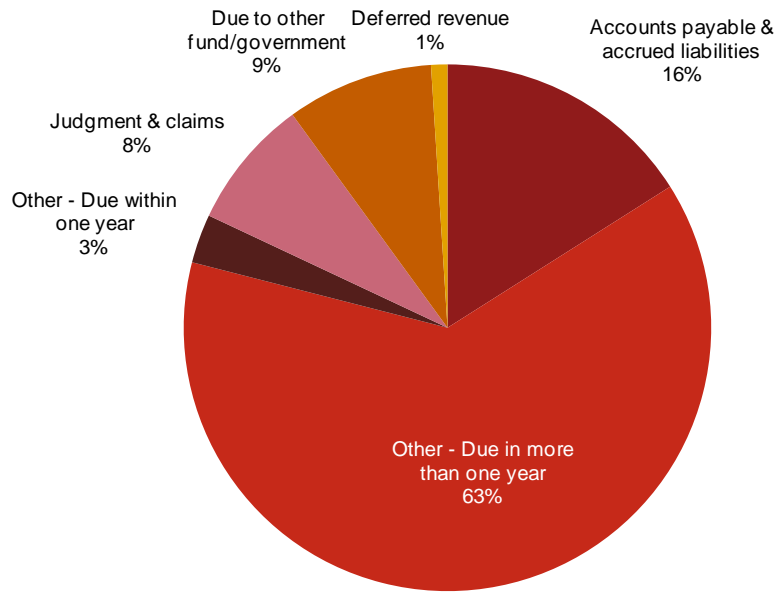
**Assets – General Government – 2010 (Government Activities)**



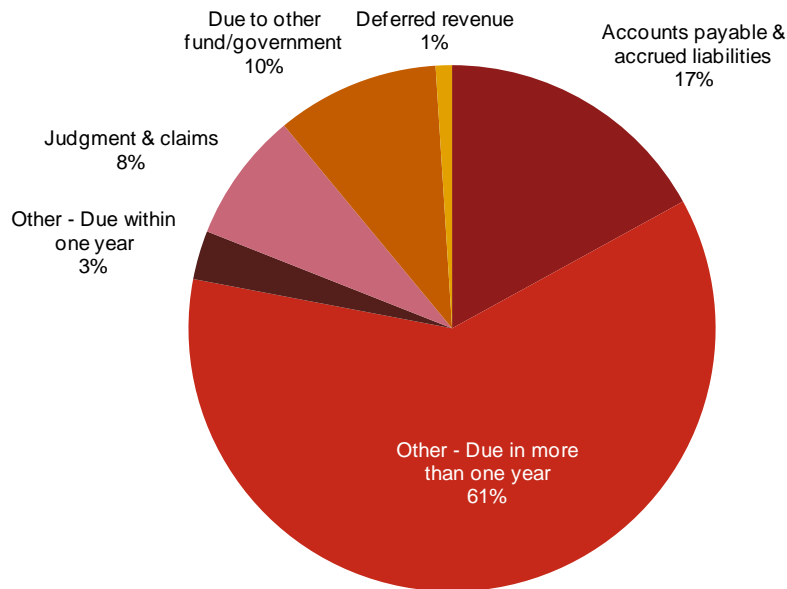
**Assets – General Government – 2009 (Government Activities)**



**Liabilities – General Government – 2010 (Government Activities)**



**Liabilities – General Government – 2009  
 (Government Activities)  
 (as revised)**



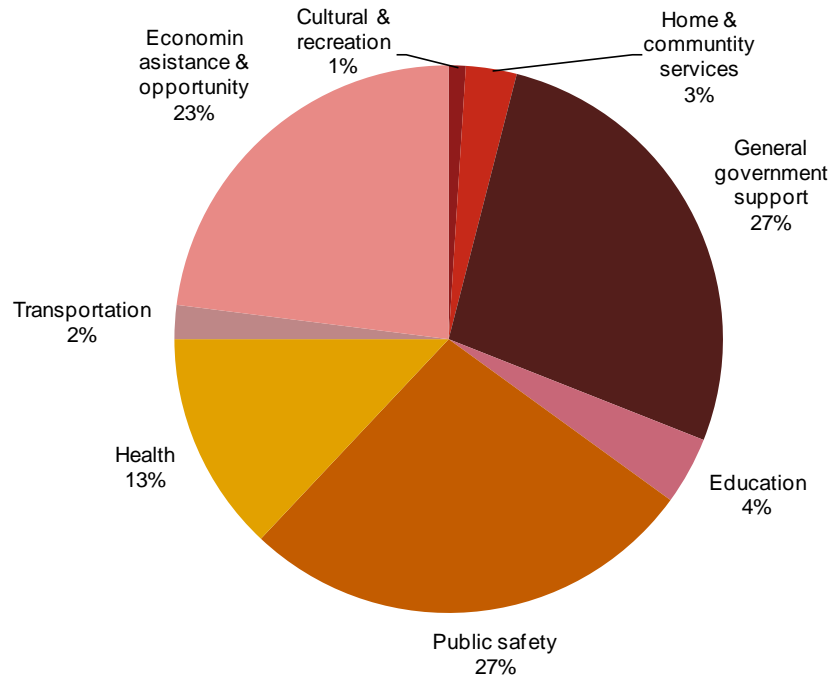
**Dutchess County, New York  
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**Activities for the Years Ended December 31, 2010 and 2009**

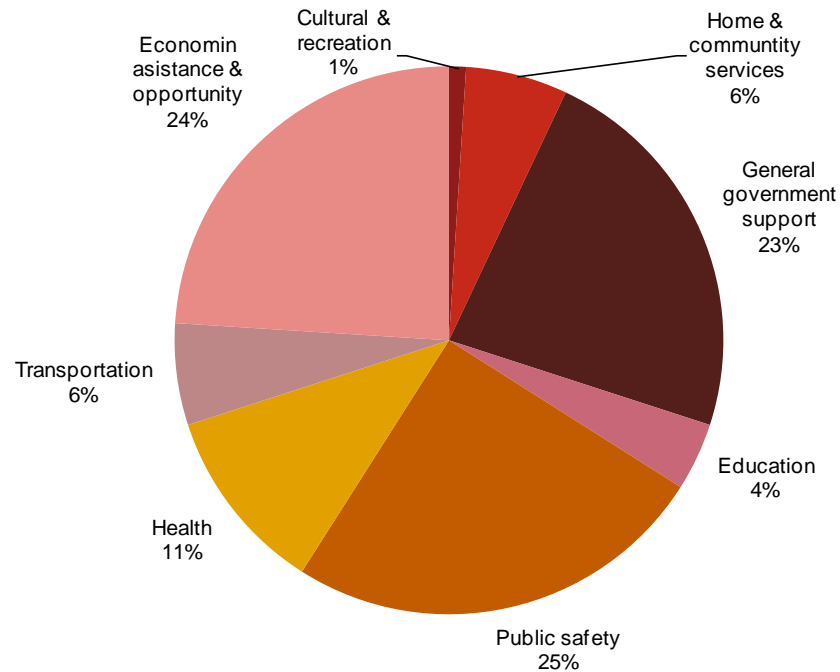
The table below presents condensed financial information derived from the government-wide financial statements for the County for the years ended December 31, 2010 and 2009.

	2010			2009		
	Governmental Activities	Business-type Activities - Proprietary Funds	Total	Governmental Activities	Business-type Activities - Proprietary Funds	Total
Program revenues						
Charge for services	\$ 28,202,393	\$ 3,606,434	\$ 31,808,827	\$ 45,447,163	\$ 2,774,797	\$ 48,221,960
Operating grants and contribution	124,570,920	3,373,542	127,944,462	112,132,002	3,466,079	115,598,081
Capital grants and contributions	13,761,222	4,728,918	18,490,140	5,974,442	926,394	6,900,836
General Revenues						
Property tax	109,911,123	-	109,911,123	98,661,226	-	98,661,226
Sales and other taxes	157,852,325	-	157,852,325	147,710,126	-	147,710,126
Interest income and other	4,027,135	80,146	4,107,281	4,709,276	149,400	4,858,676
<b>Total Revenues</b>	<b>438,325,118</b>	<b>11,789,040</b>	<b>450,114,158</b>	<b>414,634,235</b>	<b>7,316,670</b>	<b>421,950,905</b>
Program expenses						
General government	80,807,173	-	80,807,173	79,715,358	\$ -	79,715,358
Education	11,868,676	-	11,868,676	14,110,612	-	14,110,612
Public Safety	78,850,898	-	78,850,898	77,039,999	-	77,039,999
Health	70,385,974	-	70,385,974	74,739,757	-	74,739,757
Transportation	23,856,286	-	23,856,286	24,091,035	-	24,091,035
Economic assistance and opportunity	149,486,900	-	149,486,900	142,005,494	-	142,005,494
Culture and recreation	3,270,402	-	3,270,402	4,943,265	-	4,943,265
Home and community service	13,078,023	-	13,078,023	15,227,738	-	15,227,738
Debt service	8,267,792	-	8,267,792	8,665,326	-	8,665,326
Airport	-	3,527,455	3,527,455	-	3,151,747	3,151,747
Transportation	-	7,193,127	7,193,127	-	6,949,579	6,949,579
<b>Total program expenses</b>	<b>439,872,124</b>	<b>10,720,582</b>	<b>450,592,706</b>	<b>440,538,584</b>	<b>10,101,326</b>	<b>450,639,910</b>
Increase (decrease) in net assets before transfers	(1,547,006)	1,068,458	(478,548)	(25,904,349)	(2,784,656)	(28,689,005)
Transfers	(2,345,815)	2,345,815	-	(2,746,595)	2,746,595	-
<b>Increase (decrease) in net assets</b>	<b>(3,892,821)</b>	<b>3,414,273</b>	<b>(478,548)</b>	<b>(28,650,944)</b>	<b>(38,061)</b>	<b>(28,689,005)</b>
Net assets, beginning of year	(3,429,472)	21,229,153	17,799,681	25,221,472	21,267,214	46,488,686
<b>Net assets, end of year</b>	<b>\$ (7,322,293)</b>	<b>\$ 24,643,426</b>	<b>\$ 17,321,133</b>	<b>\$ (3,429,472)</b>	<b>\$ 21,229,153</b>	<b>\$ 17,799,681</b>

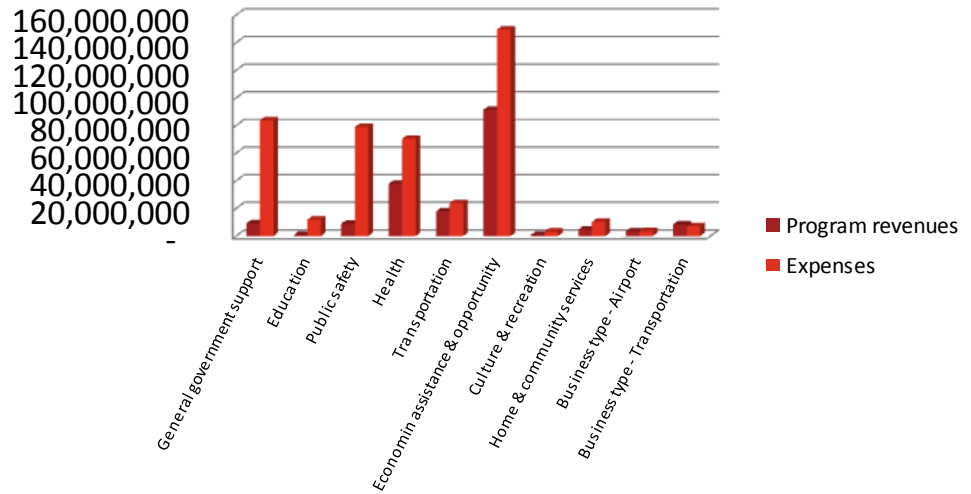
**Net (Expense) Revenue per Function from the Government Wide  
 Financial Statements (excluding debt service) - 2010**



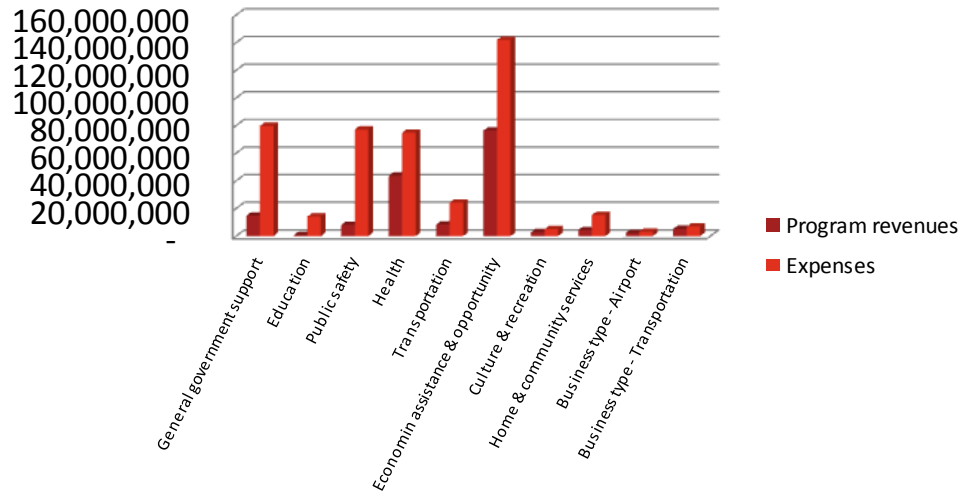
**Net (Expense) Revenue per Function from the Government Wide  
 Financial Statements (excluding debt service) - 2009  
 (as revised)**



### Program Revenue and Expenses (excluding debt service) - 2010



### Program Revenue and Expenses (excluding debt service) - 2009





**Dutchess County, New York  
Management's Discussion and Analysis  
December 31, 2010**

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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.

	<b>Financial Position</b>			
	<b>2010</b>	<b>2009</b>	<b>\$ Change</b>	<b>% Change</b>
<b>General Fund</b>				
Total assets	\$ 150,682,596	\$ 153,093,331	\$ (2,410,735)	-1.57%
Total liabilities	94,119,579	96,257,761	-	0.00%
Fund balance	56,563,017	56,835,570	-	0.00%
<b>Capital Projects</b>				
Total assets	\$ 37,828,126	\$ 27,134,971	\$ 10,693,155	39.41%
Total liabilities	10,630,655	9,197,688	1,432,967	15.58%
Fund balance	27,197,471	17,937,283	9,260,188	51.63%
<b>Other Governmental Funds</b>				
Total assets	\$ 5,529,281	\$ 6,540,920	\$ (1,011,639)	-15.47%
Total liabilities	2,330,899	2,755,312	(424,413)	-15.40%
Fund balance	3,198,382	3,785,608	(587,226)	-15.51%
<b>Dutchess TASC</b>				
Total assets	\$ 6,976,189	\$ 7,158,787	\$ (182,598)	-2.55%
Fund balance	6,976,189	7,158,787	(182,598)	-2.55%

Total General Fund balance including the designated fund balance remained level from the 2009 to 2010. This is primarily due to controlled spending and fiscal stewardship despite the economic challenges facing the County at this time.

The ending fund balance for the Capital Projects fund can be attributed to proceeds from November 23, 2010 borrowing of \$21 million. These funds are intended to provide funding for capital projects during 2011 and beyond.

**Dutchess County, New York**  
**Management's Discussion and Analysis**  
**December 31, 2010**

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.

	<b>Results of Operations</b>			
	<b>2010</b>	<b>2009</b>	<b>\$ Change</b>	<b>% Change</b>
<b>General Fund</b>				
Revenues	\$ 411,242,443	\$ 388,456,672	\$ 22,785,771	5.87%
Expenditures	398,430,187	382,391,553	16,038,634	4.19%
Excess (deficiency) of				
revenues over expenditures	12,812,251	6,065,119	6,747,132	111.24%
Other financing sources (uses)	(13,084,804)	(13,227,240)	142,436	-1.08%
Fund balance-beginning of year	56,835,570	63,997,691	(7,162,121)	-11.19%
Fund balance-end of year	56,563,017	56,835,570	(272,553)	-0.48%
<b>Capital Projects</b>				
Revenues	\$ 13,761,222	\$ 4,572,442	\$ 9,188,780	200.96%
Expenditures	23,011,469	15,461,334	7,550,135	48.83%
Excess (deficiency) of				
revenues over expenditures	(9,250,247)	(10,888,892)	1,638,645	-15.05%
Other financing sources (uses)	18,510,435	1,044,747	17,465,688	1671.76%
Fund balance-beginning of year	17,937,283	27,781,428	(9,844,145)	-35.43%
Fund balance-end of year	27,197,471	17,937,283	9,260,188	51.63%
<b>Other Governmental Funds</b>				
Revenues	\$ 20,026,733	\$ 20,177,609	\$ (150,876)	-0.75%
Expenditures	20,613,959	20,692,247	(78,288)	-0.38%
Excess (deficiency) of				
revenues over expenditures	(587,226)	(514,638)	(72,588)	14.10%
Other financing sources (uses)	-	-	-	#DIV/0!
Fund balance-beginning of year	3,785,608	4,300,246	(514,638)	-11.97%
Fund balance-end of year	3,198,382	3,785,608	(587,226)	-15.51%
<b>Dutchess TASC</b>				
Revenues	\$ 3,643,582	\$ 4,106,130	\$ (462,548)	-11.26%
Expenditures	3,826,180	4,489,504	(663,324)	-14.77%
Excess (deficiency) of				
revenues over expenditures	(182,598)	(383,374)	200,776	-52.37%
Fund balance-beginning of year	7,158,787	7,542,161	(383,374)	-5.08%
Fund balance-end of year	6,976,189	7,158,787	(182,598)	-2.55%

**Dutchess County, New York  
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December 31, 2010**

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**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):

<b>Appropriations</b>	<b>Original</b>	<b>Increase</b>	<b>Modified</b>	<b>Actual</b>
General government support	\$ 64,000,236	\$ 232,663	\$ 64,232,899	\$ 64,099,497
Public safety	55,364,302	2,286,651	57,650,953	54,355,405
Economic assistance and opportunity	134,108,616	3,664,823	137,773,439	141,533,184
Home and community services	7,651,573	1,805,676	9,457,249	10,884,579
Total	<u>\$ 261,124,727</u>	<u>\$ 7,989,813</u>	<u>\$ 269,114,540</u>	<u>\$ 270,872,665</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 2010 is \$154.2 million with \$28.4 million in Sales Tax revenue shared between the cities, towns and villages leaving the County portion to be \$125.8 million.

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

**Capital Asset and Debt Administration**

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounted to \$179 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:

- \$12.0 million Various improvements to roads and bridges
- \$0.4 million Improvements at Dutchess Community College
- \$5.2 million Various building improvements and purchase of vehicles and equipment
- \$0.3 million Public Safety improvements
- \$5.2 million Various health, community service, culture and recreation improvements

The above have been offset by \$15.7 million in depreciation expense in the current year.

The County expended \$0.4 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 2010, the County's outstanding debt totaled \$110.7 million (without the Tobacco Asset Securitization Corporation) and represents approximately 4.53% 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, 2010

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

2009	\$ 38,896,722
2010	40,588,343
2011 (Budgeted)	41,821,497

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:

2009	\$ 8,677,720
2010	13,918,830

The County has appropriated \$15.0 million in fund balance to finance the 2011 budget from various funds to meet budgetary needs. The undesignated fund balance is \$29 million in the general fund as of December 31, 2010.

The total tax levy for the 2011 budget is \$100.6 million resulting in a property tax rate of \$3.06 per thousand of assessed value which is 8.1% higher than \$2.83 in 2010.

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. IBM has committed to a \$50,000,000 investment for a five-year Poughkeepsie site upgrade including providing Smart Building Technology for increase energy efficiency. Significant investments would be made to the utility plant, site electrical distributions systems and other facility systems. Also included are building renovations and raised floor upgrades. While no new jobs are anticipated from this investment, it will help retain jobs in Dutchess County. Hudson Baylor Corporation has made a \$30 million investment to construct a new 60,000 SF single stream recycling facility in the City of Beacon which will result in 60 new jobs.

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 agricultural sector contributes between \$100 to \$150 million to the County's economy.

Wealth levels for Dutchess County residents are above National averages. The U.S. Census Bureau estimated the per capita personal income of the County residents in 2009 was \$42,331 which placed the County 9th among all counties in the State for the year. Unemployment for the County was 7.5% as of July 2011, which is lower than both New York State and the United States as a whole.

**Dutchess County, New York  
Management's Discussion and Analysis  
December 31, 2010**

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A summary of the County-wide budget for 2011 and 2010 is as follows:

	(millions) <b>2010 Adopted</b>	(millions) <b>2011 Adopted</b>
<b>Appropriations</b>		
Salaries and Wages	\$ 117.6	\$ 113.1
NYS Retirement System	14.5	17.6
Other Employee Benefits	38.0	38.1
Total Personal Services	170.1	168.8
Pre-School Special Education	23.0	23.3
Other Mandates including Medicaid	102.8	107.4
Total State Mandates	125.8	130.7
Other Services	105.0	104.4
	\$ 400.9	\$ 403.9
<b>Revenues</b>		
Property Tax (net of tax reserve)	\$ 99.8	\$ 99.6
Sales Tax	122.7	132.5
State Aid	65.4	65.5
Federal Aid	41.9	35.6
Other Revenues	57.0	55.7
Total Revenues	386.8	388.9
<b>Appropriate Fund Balance</b>		
Various Funds to meet Budget	14.1	15.0
Medicaid Stabilization	-	-
	\$ 400.9	\$ 403.9

**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, 2010**

	<u>Primary Government</u>			<b>Aggregate Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Proprietary Funds</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 53,318,622	\$ 4,108,057	\$ 57,426,679	\$ 29,484,722
Restricted cash and investments	16,614,580	-	16,614,580	21,697,032
Investments	-	-	-	5,695,539
Receivables, net of allowance of \$4,047,253	46,734,343	5,130,499	51,864,842	9,348,266
Inventories	91,784	64,895	156,679	664,443
Due from other funds	2,569,974	436	2,570,410	-
Due from other governments	73,966,093	-	73,966,093	916,061
Deferred financing costs	984,409	-	984,409	-
Net deferred loss on bond refunding	2,246,174	-	2,246,174	-
Intangible and other assets	13,233,619	18,285	13,251,904	2,725,324
Capital assets				
Land	7,036,017	3,385,364	10,421,381	2,500,864
Right of way and easements	8,467,938	-	8,467,938	-
Buildings and improvements	134,568,918	10,476,944	145,045,862	161,249,460
Infrastructure	142,655,228	25,060,929	167,716,157	47,174,762
Machinery and equipment	59,305,983	15,245,791	74,551,774	15,472,795
Construction in progress	19,010,192	229,569	19,239,761	3,496,610
Less: Accumulated depreciation	(208,510,846)	(29,362,900)	(237,873,746)	(87,585,779)
Total capital assets	<u>162,533,430</u>	<u>25,035,697</u>	<u>187,569,127</u>	<u>142,308,712</u>
Total assets	<u>\$ 372,293,028</u>	<u>\$ 34,357,869</u>	<u>\$ 406,650,897</u>	<u>\$ 212,840,099</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 60,099,415	\$ 1,213,925	\$ 61,313,340	\$ 10,976,615
Deferred revenue	1,649,575	6,889	1,656,464	33,228,067
Due to other governments	34,736,711	-	34,736,711	710,218
Due to other funds	-	2,570,410	2,570,410	-
Long-term liabilities				
Due within one year	12,415,645	408,082	12,823,727	8,328,991
Due in more than one year	241,215,197	5,515,137	246,730,334	116,906,646
Judgments and claims	29,498,778	-	29,498,778	-
Total liabilities	<u>379,615,321</u>	<u>9,714,443</u>	<u>389,329,764</u>	<u>170,150,537</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	10,600,484	19,645,306	30,245,790	34,624,614
Restricted for				
Capital projects	16,172,348	-	16,172,348	-
Debt service	3,497,348	-	3,497,348	-
Other	-	-	-	18,761,517
Unrestricted	<u>(37,592,473)</u>	<u>4,998,120</u>	<u>(32,594,353)</u>	<u>(10,696,569)</u>
Total net assets (liabilities)	<u>\$ (7,322,293)</u>	<u>\$ 24,643,426</u>	<u>\$ 17,321,133</u>	<u>\$ 42,689,562</u>

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

**Dutchess County, New York**  
**Statement of Activities**  
**Year Ended December 31, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Proprietary Funds	Total	
<b>Primary government</b>								
Governmental activities								
General government	\$ 80,807,173	\$ 5,947,916	\$ 3,145,025	\$ 25,064	\$ (71,689,168)	\$ -	\$ (71,689,168)	\$ -
Education	11,868,676	1,020	-	868,856	(10,998,800)	-	(10,998,800)	-
Public safety	78,850,898	4,746,904	3,608,545	-	(70,495,449)	-	(70,495,449)	-
Health	70,385,974	9,700,299	27,330,027	-	(33,355,648)	-	(33,355,648)	-
Transportation	23,856,286	2,269,872	2,759,316	12,867,302	(5,959,796)	-	(5,959,796)	-
Economic assistance and opportunity	149,486,900	4,142,382	83,470,503	-	(61,874,015)	-	(61,874,015)	-
Culture and recreation	3,270,402	833,149	-	-	(2,437,253)	-	(2,437,253)	-
Home and community services	13,078,023	560,851	4,215,215	-	(8,301,957)	-	(8,301,957)	-
Debt service	8,267,792	-	42,289	-	(8,225,503)	-	(8,225,503)	-
Total governmental activities	<u>439,872,124</u>	<u>28,202,393</u>	<u>124,570,920</u>	<u>13,761,222</u>	<u>(273,337,589)</u>	<u>-</u>	<u>(273,337,589)</u>	<u>-</u>
Business-type activities								
Enterprise airport	3,527,455	1,645,693	-	1,679,670	-	(202,092)	(202,092)	-
Enterprise transportation	7,193,127	1,960,741	3,373,542	3,049,248	-	1,190,404	1,190,404	-
Total proprietary funds	<u>10,720,582</u>	<u>3,606,434</u>	<u>3,373,542</u>	<u>4,728,918</u>	<u>-</u>	<u>988,312</u>	<u>988,312</u>	<u>-</u>
Total primary government	<u>\$450,592,706</u>	<u>\$ 31,808,827</u>	<u>\$127,944,462</u>	<u>\$ 18,490,140</u>	<u>(273,337,589)</u>	<u>988,312</u>	<u>(272,349,277)</u>	<u>-</u>
<b>Component units</b>								
Resource Recovery	\$ 18,729,627	\$ 15,089,153	\$ 173,831	\$ -				(3,466,643)
Industrial Development Agency	280,245	218,785	-	-				(61,460)
Water and Wastewater Authority	7,397,386	4,551,449	-	58,607				(2,787,330)
Soil and Water Conservation	533,266	97,409	200,428	-				(235,429)
Local Development Corporation	9,148	245,869	-	-				236,721
Dutchess Community College	77,354,997	44,989,763	16,953,052	2,807,454				(12,604,728)
Total component units	<u>\$104,304,669</u>	<u>\$ 65,192,428</u>	<u>\$ 17,327,311</u>	<u>\$ 2,866,061</u>				<u>(18,918,869)</u>
<b>General revenues</b>								
Taxes								
Real property taxes, levied for general purposes					99,368,940		99,368,940	
Real property taxes, levied for debt service					10,542,183		10,542,183	
Sales and use taxes					154,170,385		154,170,385	
Other taxes					3,681,940		3,681,940	
TASC revenues					3,643,582		3,643,582	
Payments from primary government								18,086,222
Unrestricted interest income and other					383,553	80,146	463,699	(47,217)
Transfers					(2,345,815)	2,345,815	-	
Total general revenues and transfers					<u>269,444,768</u>	<u>2,425,961</u>	<u>271,870,729</u>	<u>18,039,005</u>
Change in net assets					(3,892,821)	3,414,273	(478,548)	(879,864)
Net assets (liabilities), beginning, as revised (Note 1)					(3,429,472)	21,229,153	17,799,681	43,569,426
Net assets (liabilities), ending					<u>\$ (7,322,293)</u>	<u>\$ 24,643,426</u>	<u>\$ 17,321,133</u>	<u>\$ 42,689,562</u>

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

**Dutchess County, New York**  
**Balance Sheet - Governmental Funds**  
**December 31, 2010**

	General (Major)	Capital Projects (Major)	Other Governmental Funds (Non-Major)	Dutchess Tobacco Asset Securitization Corporation (Major)	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 33,046,738	\$ 16,754,085	\$ 3,428,109	\$ 89,690	\$ 53,318,622
Restricted cash and cash equivalents	2,148,019	11,025,123	-	3,441,438	16,614,580
Delinquent property taxes, including interest, penalties and liens net of allowance of \$4,047,253	46,734,343	-	-	-	46,734,343
Inventories	91,784	-	-	-	91,784
Due from other funds	8,404,620	14,076	-	-	8,418,696
Due from other governments	56,819,692	10,034,842	1,907,498	3,445,061	72,207,093
Other assets	3,437,400	-	193,674	-	3,631,074
Total assets	<u>\$ 150,682,596</u>	<u>\$ 37,828,126</u>	<u>\$ 5,529,281</u>	<u>\$ 6,976,189</u>	<u>\$ 201,016,192</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 39,322,912	\$ 3,459,105	\$ 2,244,044	\$ -	\$ 45,026,061
Accrued liabilities	20,137	-	-	-	20,137
Due to other governments	34,736,711	-	-	-	34,736,711
Due to other funds	-	5,800,569	48,153	-	5,848,722
Other liabilities	1,024,390	732,583	38,702	-	1,795,675
Deferred revenue	19,015,429	638,398	-	-	19,653,827
Total liabilities	<u>94,119,579</u>	<u>10,630,655</u>	<u>2,330,899</u>	<u>-</u>	<u>107,081,133</u>
<b>Fund balances</b>					
<b>Reserved for</b>					
Encumbrances	6,070,263	9,103,563	33,090	-	15,206,916
Inventories	120,000	-	-	-	120,000
Workers' compensation	2,265,301	-	-	-	2,265,301
Capital reserve	4,552	-	-	-	4,552
Debt service	1,765,745	-	-	-	1,765,745
Other specified purposes	503,469	-	-	6,976,189	7,479,658
<b>Unreserved</b>					
<b>Designated for</b>					
Insurance reserve	2,143,466	-	-	-	2,143,466
Subsequent year's expenditure	13,795,717	-	1,219,383	-	15,015,100
Undesignated	29,894,504	18,093,908	1,945,909	-	49,934,321
Total fund balances	<u>56,563,017</u>	<u>27,197,471</u>	<u>3,198,382</u>	<u>6,976,189</u>	<u>93,935,059</u>
Total liabilities and fund balances	<u>\$ 150,682,596</u>	<u>\$ 37,828,126</u>	<u>\$ 5,529,281</u>	<u>\$ 6,976,189</u>	<u>\$ 201,016,192</u>

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



**Dutchess County, New York**  
**Balance Sheet - Governmental Funds**  
**December 31, 2010**

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

Fund balance above	\$ 93,935,059
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	154,065,492
Intangible assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	18,070,483
Deferred property tax revenue represents taxes not expected to be collected currently (within 60 days) and therefore reported as deferred revenue in the fund net assets of governmental activities	17,067,280
Deferred financing costs used in governmental activities are recorded as an expense in the governmental funds, but, are capitalized for government wide purposes gross	984,409
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	2,246,174
Deferred revenue from bond issuance represents amounts not expected to be collected currently (within 60 days) and therefore reported as deferred revenue in the fund net assets of governmental activities	936,972
Liabilities including bonds payable (\$ 169,101,484), compensated absences (\$9,284,034) judgments and claims (\$29,498,778) accrued interest (\$ 11,498,543) environmental cleanup costs (\$320,000) and post employment benefits (\$74,925,323) are not due and payable in the current period and therefore not reported in the governmental fund balance	<u>(294,628,162)</u>
Net assets (liabilities) of governmental activities	<u>\$ (7,322,293)</u>

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

**Dutchess County, New York**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended December 31, 2010**

	General Fund (Major)	Capital Projects (Major)	Other Governmental Funds (Non-Major)	Dutchess Tobacco Asset Securitization Corporation (TASC) (Major)	Total Governmental Funds
<b>Revenues</b>					
Real property taxes	\$ 95,283,341	\$ -	\$ 10,866,615	\$ -	\$ 106,149,956
Sales and use tax	154,170,385	-	-	-	154,170,385
Other taxes	3,681,940	-	-	-	3,681,940
Departmental	29,875,006	172,373	1,900,459	-	31,947,838
Interest and rentals	1,107,371	-	8,183	164,705	1,280,259
Grants and aid	115,903,348	13,563,785	7,120,644	-	136,587,777
Miscellaneous	11,221,047	25,064	130,832	3,478,877	14,855,820
Total revenues	<u>411,242,438</u>	<u>13,761,222</u>	<u>20,026,733</u>	<u>3,643,582</u>	<u>448,673,975</u>
<b>Expenditures</b>					
General Government	64,099,497	-	-	81,492	64,180,989
Education	1,952,830	-	-	-	1,952,830
Public safety	54,355,405	-	263,551	-	54,618,956
Health	59,569,469	-	-	-	59,569,469
Transportation	2,864,510	-	9,661,933	-	12,526,443
Economic assistance and opportunity	141,553,184	-	1,932,869	-	143,486,053
Culture and recreation	2,688,979	-	-	-	2,688,979
Home and community services	10,884,579	-	5,058,720	-	15,943,299
Employee benefits	46,021,322	-	3,696,886	-	49,718,208
Debt service					
Principal retirement	10,542,183	-	-	1,575,000	12,117,183
Interest	4,061,188	-	-	2,169,688	6,230,876
Self-insurance	(162,959)	-	-	-	(162,959)
Capital outlay		23,011,469	-	-	23,011,469
Total expenditures	<u>398,430,187</u>	<u>23,011,469</u>	<u>20,613,959</u>	<u>3,826,180</u>	<u>445,881,795</u>
Excess (deficiency) of revenues over expenditures	<u>12,812,251</u>	<u>(9,250,247)</u>	<u>(587,226)</u>	<u>(182,598)</u>	<u>2,792,180</u>
<b>Other financing sources (uses)</b>					
Proceeds of obligations	-	18,609,344	-	-	18,609,344
Transfers in	698,909	-	-	-	698,909
Transfers out	(13,783,713)	(98,909)	-	-	(13,882,622)
Total other financing sources (uses)	<u>(13,084,804)</u>	<u>18,510,435</u>	<u>-</u>	<u>-</u>	<u>5,425,631</u>
Net change in fund balances	<u>(272,553)</u>	<u>9,260,188</u>	<u>(587,226)</u>	<u>(182,598)</u>	<u>8,217,811</u>
<b>Fund balances</b>					
Beginning of year, as revised (Note 1)	<u>56,835,570</u>	<u>17,937,283</u>	<u>3,785,608</u>	<u>7,158,787</u>	<u>85,717,248</u>
End of year	<u>\$ 56,563,017</u>	<u>\$ 27,197,471</u>	<u>\$ 3,198,382</u>	<u>\$ 6,976,189</u>	<u>\$ 93,935,059</u>

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

**Dutchess County, New York**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances – Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2010**

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<b>Net change in fund balances—total governmental funds</b>		\$ 8,217,811
Amounts reported for governmental activities in the statement of activities are different because		
Revenues in the statement of activities that provide current financial resources are reported as revenues in the governmental funds.		3,761,167
Governmental funds report capital outlays as expenditures. Whereas such expenditures are capitalized and depreciated over estimated useful lives in the statement of activities.		
Expenditures for capital assets	28,746,201	
Less: Depreciation in the statement of activities	<u>(15,096,164)</u>	13,650,037
Governmental funds report the Wastewater Authority other asset capital outlay as expenditures in the statement of activities amortized over its estimated useful life.		
Expenditures for other asset	499,655	
Less: Amortization	<u>(274,571)</u>	225,084
Compensated absences not payable from current year resources are not reported as expenditures in governmental w hereas in the statement of activities, these costs represent expenses.		199,591
Judgment and claims not payable from current year resources are not reported as expenditures in governmental w hereas in the statement of activities, these costs represent expenses.		(1,803,257)
Post retirement annual required contribution is not recorded in governmental funds as an expense, net of contributions, w hereas such costs represent expenses.		(19,435,200)
Pollution remediation costs are not recorded in the governmental funds as an expense w hereas such costs represent expenses in the statement of activities.		300,000
Bond proceeds provide current financial resources to governmental funds, w hereas issuing debt increases long-term liabilities in the statement of net assets.	(18,609,344)	
Repayment of bond principal is an expenditure in the governmental funds, w hereas the repayment reduces long-term liabilities in the statement of net assets.	12,117,183	
Payment of financing costs requires the use of current financial resources for the governmental funds w hereas such financing costs are capitalized and amortized over the life of the debt in the statement of activities.		
Amortization of deferred loss on bond refunding	(223,400)	
Amortization of deferred financing costs	(18,700)	
Amortization of bond discount/premium	<u>32,970</u>	(6,701,291)
Interest expense reported in the statement of activities does not require use of current financial resources and is therefore not reported as expenditures in the governmental funds.		<u>(2,306,763)</u>
Change in net assets of governmental activities		<u><u>\$ (3,892,821)</u></u>

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

**Dutchess County, New York**  
**Statement of Net Assets – Proprietary Funds**  
**December 31, 2010**

	<b>Proprietary Funds</b>		
	<b>Airport</b>	<b>Transportation</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,856,271	\$ 2,251,786	\$ 4,108,057
Accounts receivable	363,620	4,766,879	5,130,499
Inventories	64,895	-	64,895
Due from other funds	358	78	436
Other assets	18,285	-	18,285
Total current assets	<u>2,303,429</u>	<u>7,018,743</u>	<u>9,322,172</u>
Noncurrent assets			
Net capital assets			
Land	3,136,399	248,965	3,385,364
Buildings and improvements	3,391,329	7,085,615	10,476,944
Infrastructure	25,060,929	-	25,060,929
Machinery and equipment	3,178,980	12,066,811	15,245,791
Construction-in-progress	109,765	119,804	229,569
Less: Accumulated depreciation	<u>(17,212,365)</u>	<u>(12,150,535)</u>	<u>(29,362,900)</u>
Total noncurrent assets	<u>17,665,037</u>	<u>7,370,660</u>	<u>25,035,697</u>
Total assets	<u>\$ 19,968,466</u>	<u>\$ 14,389,403</u>	<u>\$ 34,357,869</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 739,088	\$ 272,536	\$ 1,011,624
Accrued liabilities	184,999	17,302	202,301
Deferred revenue	6,889	-	6,889
Current portion of long-term debt	586,374	48,980	635,354
Due to other funds	51,766	2,518,644	2,570,410
Total current liabilities	<u>1,569,116</u>	<u>2,857,462</u>	<u>4,426,578</u>
Noncurrent liabilities			
Compensated absences	38,128	-	38,128
Long-term debt	4,126,499	628,538	4,755,037
Other postemployment benefits	494,700	-	494,700
Total noncurrent liabilities	<u>4,659,327</u>	<u>628,538</u>	<u>5,287,865</u>
Total liabilities	<u>\$ 6,228,443</u>	<u>\$ 3,486,000</u>	<u>\$ 9,714,443</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 12,952,164	\$ 6,693,142	\$ 19,645,306
Unrestricted (Note 1B)	787,859	4,210,261	4,998,120
Total net assets	<u>\$ 13,740,023</u>	<u>\$ 10,903,403</u>	<u>\$ 24,643,426</u>

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

**Dutchess County, New York**  
**Statement of Revenues, Expenses, and Changes in Net Assets –**  
**Proprietary Funds**  
**Year Ended December 31, 2010**

	<b>Proprietary Funds</b>		
	<b>Airport</b>	<b>Transportation</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 1,645,693	\$ 1,960,741	\$ 3,606,434
Operating grants and revenues	-	3,373,542	3,373,542
Other	9,701	46,193	55,894
Total operating revenues	<u>1,655,394</u>	<u>5,380,476</u>	<u>7,035,870</u>
<b>Operating expenses</b>			
Personal services	637,818	81,536	719,354
Employee benefits	420,172	29,682	449,854
Depreciation	1,396,782	911,114	2,307,896
Contracted services	1,072,683	6,170,796	7,243,479
Total operating expenses	<u>3,527,455</u>	<u>7,193,128</u>	<u>10,720,583</u>
Loss from operations	<u>(1,872,061)</u>	<u>(1,812,652)</u>	<u>(3,684,713)</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	178,048	3,151	181,199
Interest expense	(139,159)	(17,788)	(156,947)
Total nonoperating revenue (expense)	<u>38,889</u>	<u>(14,637)</u>	<u>24,252</u>
Loss before contributions and transfers	<u>(1,833,172)</u>	<u>(1,827,289)</u>	<u>(3,660,461)</u>
Capital contributions	1,679,670	3,049,248	4,728,918
Transfers in	600,686	1,795,129	2,395,815
Transfers out	-	(50,000)	(50,000)
Increase (decrease) in net assets	447,184	2,967,088	3,414,272
<b>Net assets</b>			
Beginning	<u>13,292,839</u>	<u>7,936,314</u>	<u>21,229,153</u>
Ending	<u>\$ 13,740,023</u>	<u>\$ 10,903,402</u>	<u>\$ 24,643,425</u>

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

**Dutchess County, New York**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended December 31, 2010**

	<b>Proprietary Funds</b>		
	<b>Airport</b>	<b>Transportation</b>	<b>Total</b>
<b>Cash flow from operating activities</b>			
Charges for services and other	1,317,649	1,960,741	\$ 3,278,390
Receipt of operating grants and revenue	-	1,615,168	1,615,168
Payments to employees	(929,905)	(111,218)	(1,041,123)
Payments to suppliers of contracted services	(548,099)	(6,456,836)	(7,004,935)
Other receipts	9,701	46,193	55,894
Net cash used in operating activities	<u>(150,654)</u>	<u>(2,945,952)</u>	<u>(3,096,606)</u>
<b>Cash flow from noncapital financing activities</b>			
Operating transfers in	600,686	1,795,129	2,395,815
Operating transfers out	-	(50,000)	(50,000)
Net cash from noncapital financing activities	<u>600,686</u>	<u>1,745,129</u>	<u>2,345,815</u>
<b>Cash flow from capital and related financial activities</b>			
Capital contributions for fixed asset acquisitions	1,952,571	3,427,199	5,379,770
Acquisition of capital assets	(3,704,287)	(3,149,711)	(6,853,998)
Proceeds received from debt issuance	2,104,138	307,518	2,411,656
Principal paid on long-term debt	(307,817)	(20,000)	(327,817)
Interest paid on long-term debt	(139,159)	(17,788)	(156,947)
Net cash used in capital and related financing activities	<u>(94,554)</u>	<u>547,218</u>	<u>452,664</u>
<b>Cash flow from investing activities</b>			
Interest earned	178,048	3,151	181,199
Net cash provided by investing activities	<u>178,048</u>	<u>3,151</u>	<u>181,199</u>
Net increase (decrease) in cash and cash equivalents	533,526	(650,454)	(116,928)
Cash and cash equivalents - beginning of the year	1,322,745	2,902,240	4,224,985
Cash and cash equivalents - end of the year	<u>\$ 1,856,271</u>	<u>\$ 2,251,786</u>	<u>\$ 4,108,057</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>			
Loss from operations	\$ (1,872,061)	\$ (1,812,651)	\$ (3,684,712)
Adjustments to reconcile loss from operations to net cash used in operating activities			
Depreciation expense	1,396,782	911,114	2,307,896
Changes in assets and liabilities			
Accounts receivable	(310,817)	(4,115,224)	(4,426,041)
Inventories	12,005		12,005
Other assets	(8,801)		(8,801)
Accounts payable and accrued liabilities	521,380	(286,041)	235,339
Due to /from other funds	(12,015)	2,356,850	2,344,835
Compensated absences	(9,515)		(9,515)
Deferred revenue	(5,212)		(5,212)
Other postemployment benefits	137,600		137,600
Net cash used in operating activities	<u>\$ (150,654)</u>	<u>\$ (2,945,952)</u>	<u>\$ (3,096,606)</u>

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

**Dutchess County, New York**  
**Statement of Net Assets – Fiduciary Funds**  
**December 31, 2010**

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	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,404	\$ 7,155,650
Mortgage tax receivable		730,619
Investments, at fair value	<u>1,500</u>	
Total assets	<u>5,904</u>	<u>7,886,269</u>
<b>Liabilities</b>		
Refunds payable and others	<u>-</u>	<u>7,886,269</u>
Total liabilities	<u>-</u>	<u>\$ 7,886,269</u>
<b>Net Assets</b>		
Net assets held in trust	<u>\$ 5,904</u>	

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

**Dutchess County, New York**  
**Statement of Changes in Net Assets – Fiduciary Funds**  
**Year Ended December 31, 2010**

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	<b>Private Purpose Trusts</b>
<b>Additions</b>	
Interest	\$ 49
<b>Deductions</b>	49
Economic assistance & opportunity	-
Changes in net assets	49
<b>Net assets</b>	
Beginning of the year	5,855
End of the year	<u>\$ 5,904</u>

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



# Dutchess County, New York

## Notes to Financial Statements

### December 31, 2010

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#### 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 summary of the component units included in the County's report.

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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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 nonvoting. Voting members serve five year terms with two members appointed by the County Executive, two appointed by the Chairman of the County Legislature and the fifth being a joint appointment confirmed by the entire Legislature. The nonvoting members include the Director of the Dutchess County Environmental Management Council, the Director of the Dutchess County Soil and Water Conservation District, and the Commissioner of the Dutchess County Department of Planning and Economic Development.

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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**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 Local Development Corporation (Non-Major Component Unit)**

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

**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 nonprofit organization set up to coordinate state and federal conservation programs on a local level. The SWCD provides education and technical assistance on managing soil, water and related natural resources to municipalities, farmers, business owners and homeowners.

**Dutchess Tobacco Asset Securitization Corporation (Blended Component Unit)**

The Dutchess Tobacco Asset Securitization Corporation (the "TASC") is a special purpose local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, created by Dutchess County for the purposes of: (i) purchasing from the County all rights, title and interest in certain litigation awards under the Consent Decree and Final Judgment of the Supreme Court of the State of New York dated December 23, 1998 and in all portions due to the County under the Master Settlement Agreement with respect to tobacco related litigation among various settling states and participating manufacturers, (ii) to purchase, acquire, own, hold, sell, dispose of tobacco assets and any future rights of tobacco assets and (iii) to issue and sell bonds to pay for the acquisition of such tobacco assets. The sole member of the Corporation is the County Attorney. There are three directors, one appointed by the County Executive, one appointed by the Chairman of the Dutchess County Legislature and one jointly appointed by the County Executive and Chairman of the County Legislature.

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

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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**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 proprietary funds, but not between governmental and proprietary funds. These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for services rendered.

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

Governmental Funds: 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 proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

**General Fund**

The general fund is the general operating fund of the County. 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:

**Proprietary Funds**

The proprietary funds are used to account for the operations of the Dutchess County Airport (Airport) and the Dutchess County Bus Transportation System (Transportation). Both are considered to be major funds. These entities are financed and operated in a manner similar to a private business enterprise. The intent of the County is that the costs (expenses,

# Dutchess County, New York

## Notes to Financial Statements

### December 31, 2010

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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 proprietary funds, for which they may not be charged. Additionally, the general fund periodically provides advances to the proprietary funds for operational needs.

The County reports the following fiduciary fund types:

#### **Agency Funds**

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

#### **Private Purpose Trust Funds**

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

#### **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.

#### **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, 2010**

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**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 \$18,700 was incurred in 2010. Discounts recognized from the issuance of debt of \$1,902,637 are amortized over the life of the debt. Amortization expense of \$73,840 was recognized in 2010. 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 \$206,206 was recognized in 2010.

**Investments**

Investments are recorded at fair value.

**Capital Assets**

Capital assets are reported at historical cost or extended historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received.

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

	<b>Capitalization Thresholds</b>	<b>Depreciation Method</b>	<b>Estimated Useful Lives</b>
Buildings and improvements	\$ 100,000	Straight-line	5–40 years
Infrastructure	100,000	Straight-line	10–50 years
Machinery and equipment	5,000	Straight-line	3–15 years

**Real Property of the Dutchess Community College**

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

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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**Judgments and Claims**

Costs associated with workers' compensation or legal liabilities for both reported and unreported insured events of \$28,498,778 at December 31, 2010, which include estimates of both future payment of losses and related claim adjustment expenses, are recorded as long-term liabilities in the government wide financial statements.

**Post Retirement Benefits**

The County provides health insurance coverage and survivor benefits for retired employees and their survivors. The County's employees may become eligible for these benefits upon retirement, with a minimum of ten years of service. The County's annual OPEB expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years beginning in 2007. The obligation at December 31, 2010 was \$74,929,300 for the County and \$494,700 for the airport.

**Compensated Absences**

Vacation leave and other compensated absences with similar characteristics of \$9,284,033 at December 31, 2010, 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."

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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The unrestricted net assets of the business type activity funds (proprietary funds) have been designated as follows at December 31, 2010:

	<b>Airport</b>	<b>Transportation</b>	<b>Total</b>
Unrestricted net assets undesignated	\$ (3,925,014)	\$ 3,532,743	\$ (392,271)
Unrestricted net assets, designated for debt repayment	<u>4,712,873</u>	<u>677,518</u>	<u>5,390,391</u>
	<u><u>\$ 787,859</u></u>	<u><u>\$ 4,210,261</u></u>	<u><u>\$ 4,998,120</u></u>

**Use of Estimates**

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

**Revised Financial Statements**

In 2010, management identified accounting errors in posting liquidations of accounts payable to the County's general ledger during 2007, 2008, and 2009. Management determined these errors resulted from an issue within the County's financial management system that was implemented during 2006. Whereas, departments input liquidation adjustments into the system application, they were not properly updated to the general ledger. As a result, the County did not record a total of \$4,991,252 of liquidation adjustments (comprising of \$2,132,723, \$2,710,314 and \$148,215 in 2007, 2008 and 2009). The following summarizes the revisions of fund balances and net assets as of January 1, 2010:

	<b>Total Fund Balance Governmental Funds</b>	<b>Total Net Assets Governmental Activities</b>
<b>Beginning balance at January 1, 2010 as previously reported</b>	\$ 80,725,996	\$ (8,420,724)
Recognition of prior period adjustments	<u>4,991,252</u>	<u>4,991,252</u>
<b>Balance at January 1, 2010, as revised</b>	<u><u>\$ 85,717,248</u></u>	<u><u>\$ (3,429,472)</u></u>

The following summarizes the impact on expenses, net assets and fund balances by year, is as follows:

<b>2009</b>	<b>As Reported</b>	<b>As Revised</b>
Total expenditures	\$ 423,034,638	\$ 422,886,423
Expenses (total government activities)	440,538,584	440,390,369
Net assets	(8,420,724)	(3,429,472)
Fund balances	80,725,996	85,717,248



**Dutchess County, New York**  
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<b>2008</b>	<b>As Reported</b>	<b>As Revised</b>
Total expenditures	\$ 432,199,414	\$ 429,870,981
Expenses (total government activities)	436,417,393	433,707,079
Net assets	25,221,472	30,364,509
Fund balances	103,621,526	108,464,563
<b>2007</b>	<b>As Reported</b>	<b>As Revised</b>
Total expenditures	\$ 413,024,150	\$ 410,891,427
Expenses (total government activities)	419,185,834	417,053,111
Net assets	51,803,464	53,936,187
Fund balances	118,737,399	120,870,122

**Component Units:**

**Dutchess Community College**

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

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

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

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

**Dutchess County, New York**  
**Notes to Financial Statements**  
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**Significant Accounting Policies**

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

**Cash Equivalents**

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

**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.

	<b>Estimated Useful Life</b>
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.

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

**Dutchess County, New York**  
**Notes to Financial Statements**  
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**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.

**Deferred Student Revenue**

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

**Nonoperating Revenue**

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

**State Aid**

Operating revenues received from the State University of New York are regulated by a financing formula contained in the State University regulations. Under the formula, the amount of basic state aid is limited to the lower of 40 percent of the College's net allowable expenses or an established rate per full-time equivalent student (FTE) (\$2,675 for the first quarter and \$2,545 for the second, third and fourth quarters of the year ended August 31, 2010) added to 45.45 percent of rental costs.

**Capital Chargebacks**

The College is authorized by the New York State Education Law to charge and collect from each county within the State for each nonresident student an allocable portion of the local sponsor's capital share of the costs. The law requires that these amounts be separately accounted for and that the funds be utilized to meet capital expenditure requirements of future periods.

**Income Taxes**

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

**Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 22, 2010.

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

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

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**  
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**Postemployment Benefit Obligations**

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

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

**Use of Estimates**

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

**Prior Year Restatement**

A prior period reclassification was made to recognize repairs and maintenance expense that should have been capitalized in a previous period. Consequently, Fixed Assets increased by \$354,167 and Due from Related Party decreased by same amount. Further, unrestricted net assets were reduced by accrued interest payable, as such payment is made from unrestricted funds. There is no impact on the overall net assets from the prior year.

**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.

# **Dutchess County, New York**

## **Notes to Financial Statements**

### **December 31, 2010**

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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 nonoperating revenues.

#### **Cash, Cash Equivalents and Investments**

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

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

#### **Restricted Assets**

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

#### **Deferred Bond Financing Costs**

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

#### **Capital Assets**

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

**Dutchess County, New York**  
**Notes to Financial Statements**  
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Depreciation is computed using the straight-line method over the following estimated useful lives, beginning in the year the asset is placed in service:

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

**Revenues and Receivables**

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

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

**Deferred Revenue**

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

**Equity Classifications**

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

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

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

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

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

**Use of Estimates**

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

**Dutchess County, New York**  
**Notes to Financial Statements**  
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**Income Taxes**

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

**Reclassifications**

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

**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 \$12,736,508 at December 31, 2010 (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.

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 \$90,632,456, of which \$2,750,000 was covered by Federal Depository Insurance.

The bank balance of the County's cash and cash equivalents of \$85,264,703 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 \$1,452,518 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.



**Dutchess County, New York**  
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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 \$11,025,123 and \$3,441,438, respectively. Also included in restricted cash is a \$2,148,019 insurance reserve held for workers' compensation self-insurance plan.

**Component Units:**

**Dutchess Community College**

**Deposits with Trustees**

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

Deposits with bond trustees consist of the following:

	<b>August 31, 2010</b>		
	<b>DASNY</b>	<b>County</b>	<b>Total</b>
Cash and cash equivalents	\$ 1,813	\$ 1,112	\$ 2,925
U.S. Government obligations and federal agency deposits:			
Construction Fund	49,996		49,996
Debt Service Fund	43,406		43,406
Debt Service Reserve Fund	149,283		149,283
Total	<u>\$ 244,498</u>	<u>\$ 1,112</u>	<u>\$ 245,610</u>

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

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

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

At August 31, 2010, the College's deposits (including amounts in-transit) with the County and DASNY were covered by Federal Depository Insurance.

At August 31, 2010, the College's investments with DASNY were as follows:

<b>Investment Type</b>	<b>Fair Value</b>
<b>U.S. Government Obligations</b>	
U.S. Treasury Notes	\$ 19,700
U.S. Treasury Bills	217,009
U.S. Treasury Strips	
	<u>236,709</u>
<b>Federal Agencies</b>	
Federal National Mortgage Association	
Federal Home Loan Bank	5,976
	<u>5,976</u>
	<u>\$ 242,685</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.

**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.

**Dutchess County, New York**  
**Notes to Financial Statements**  
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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, 2010, the Agency had cash deposited in various banks aggregating approximately \$1,096,000, 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, 2010, the Agency had cash and cash equivalents and investments of \$10,705,913 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, 2010:

Bank Balance	\$ 1,042,664
U.S. Treasury Bills	4,476,355
Insured Investment	<u>5,186,894</u>
Total Risk Category B	<u><u>\$ 10,705,913</u></u>

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

**Restricted Cash and Investments**

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

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As of December 31, 2010, the trustee reported the following restricted cash and cash equivalents and investments:

<b>1998 Series C</b>	
Projected Funds	\$ 3,955
Reserve and contingency funds	-
Current restricted funds	<u>3,955</u>
Debt service reserve fund - noncurrent	-
Total 1998 Series C	<u>3,955</u>
<b>1999 Series A</b>	
Project funds	<u>161,013</u>
Current restricted funds	<u>161,013</u>
Reserve and contingency fund	447,957
Debt service reserve fund	<u>3,794,303</u>
Non-current restricted funds	<u>4,242,260</u>
Total 1999 Series A	<u>4,403,273</u>
<b>2007 Series</b>	
Project funds	413,863
Cost of insurance fund	98,176
Debt service reserve fund	<u>27</u>
Current restricted funds	<u>512,066</u>
Reserve and contingency fund	85,876
Debt service reserve fund	<u>858,758</u>
Non-current restricted funds	<u>944,634</u>
Total 2007 Series	<u>1,456,700</u>
Total	<u><u>\$ 5,863,928</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, 2010, these funds, including interest earnings, amounted to \$0.

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 \$5,594,032 at December 31, 2010, and are included in restricted cash and cash equivalents.

**Dutchess County, New York**  
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Restricted assets are summarized as follows as of December 31, 2010:

<b>Current restricted assets</b>	
Series 1998 B&C bonds	\$ 3,955
Series 1999 A	161,013
Series 2007	512,066
Capital Improvement funds	-
Energy revenues and debt service funds	5,594,032
Total current restricted cash and investments	<u>6,271,066</u>
<b>Noncurrent restricted cash and investments</b>	
Series 1998 B&C bonds	-
Series 1999 A	4,242,260
Series 2007	944,634
Total non current restricted cash and investments	<u>5,186,894</u>
Total restricted cash and investments	<u>\$ 11,457,960</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**  
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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, 2010:

	Category 1	Category 2	Category 3	Total
Cash in Banks	<u>\$ 548,709</u>	<u>\$ 2,926,413</u>	<u>\$ -</u>	<u>\$ 3,475,122</u>
Investments				
Money Market Funds	\$ 1,472,385	\$ -	\$ -	\$ 1,472,385
U.S. Treasury Bills & Notes	<u>8,502,351</u>	<u>-</u>	<u>-</u>	<u>8,502,351</u>
Investment Total	<u>\$ 9,974,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,974,736</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, 2010:

Litigation Reserve Funds	\$ 275,796
Construction Reserve Funds	6,793,611
Debt Service Sinking Funds	59,002
Debt Service Reserve Funds	<u>262,909</u>
Current Restricted Funds	7,391,318
Debt Service Reserve Funds Non Current	<u>2,583,418</u>
Total	<u>\$ 9,974,736</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 noncurrent 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, 2010**

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**B. Property Taxes**

**Primary Government**

Tax collections are the responsibility of either the city tax collectors for the Cities of Poughkeepsie and Beacon or the town receivers or collectors for the towns in the County and are collected through May 31 or August 31, the later date being for certain towns that pay in installments. After these dates, uncollected 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 2010 is \$35,565,853,486. The effective tax rate on this value is \$2.83 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2010 levy represents approximately 18.2% of the constitutional tax limit.

**Dutchess County, New York**  
**Notes to Financial Statements**  
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**C. Capital Assets**

**Primary Government:**

Capital assets activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 5,139,023	\$ 1,896,994	\$ -	\$ 7,036,017
Right of way and easements	-	8,467,938	-	8,467,938
Construction in progress	14,329,923	22,581,938	(17,901,669)	19,010,192
Total capital assets, not being depreciated	<u>19,468,946</u>	<u>32,946,870</u>	<u>(17,901,669)</u>	<u>34,514,147</u>
Capital assets, being depreciated:				
Buildings and improvements	126,353,772	8,215,146	-	134,568,918
Infrastructure	144,974,304	7,289,551	(9,608,627)	142,655,228
Machinery and equipment	58,673,652	3,111,453	(2,479,122)	59,305,983
Totals	<u>330,001,728</u>	<u>18,616,150</u>	<u>(12,087,749)</u>	<u>336,530,129</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(71,430,318)	(4,818,660)	3,495	(76,245,483)
Infrastructure	(88,239,754)	(6,661,495)	5,419,103	(89,482,146)
Machinery and equipment	(41,322,183)	(3,900,310)	2,439,276	(42,783,217)
Totals	<u>(200,992,255)</u>	<u>(15,380,465)</u>	<u>7,861,874</u>	<u>(208,510,846)</u>
Total capital assets, being depreciated, net	<u>129,009,473</u>	<u>3,235,685</u>	<u>(4,225,875)</u>	<u>128,019,283</u>
Governmental activity capital assets, net	<u>\$ 148,478,419</u>	<u>\$ 36,182,555</u>	<u>\$ (22,127,544)</u>	<u>\$ 162,533,430</u>
Proprietary funds				
Capital assets, not being depreciated:				
Land	\$ 3,385,364	\$ -	\$ -	\$ 3,385,364
Construction in progress	948,923	6,853,998	(7,573,352)	229,569
Total capital assets, not being depreciated	<u>4,334,287</u>	<u>6,853,998</u>	<u>(7,573,352)</u>	<u>3,614,933</u>
Capital assets, being depreciated:				
Buildings and improvements	10,427,481	49,463	-	10,476,944
Infrastructure	21,422,828	3,638,101	-	25,060,929
Equipment	12,615,458	3,885,788	(1,255,455)	15,245,791
Totals	<u>44,465,767</u>	<u>7,573,352</u>	<u>(1,255,455)</u>	<u>50,783,664</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(6,596,521)	(452,228)	-	(7,048,749)
Infrastructure	(12,169,171)	(965,364)	-	(13,134,535)
Equipment	(9,544,768)	(890,303)	1,255,455	(9,179,616)
Totals	<u>(28,310,460)</u>	<u>(2,307,895)</u>	<u>1,255,455</u>	<u>(29,362,900)</u>
Total capital assets, being depreciated, net	<u>16,155,307</u>	<u>5,265,457</u>	<u>-</u>	<u>21,420,764</u>
Proprietary funds capital assets, net	<u>\$ 20,489,594</u>	<u>\$ 12,119,455</u>	<u>\$ (7,573,352)</u>	<u>\$ 25,035,697</u>

During 2010 the County adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The impact on the 2010 County financial statements was an increase of \$1.9 million in land and an increase of \$8.5 million in other capital assets not being depreciated. These amounts have been reclassified from infrastructure and include easements and right of ways which are capital assets that are not depreciated.



**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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**Component Units:**

**Dutchess Community College**

Capital assets activity consists of the following for the year ended August 31, 2010:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Grounds	\$ 1,148,465	\$ -	\$ -	\$ 1,148,465
Building and improvements	82,623,720	157,034	(15,004)	82,765,750
Furniture and equipment	7,961,416	187,587	(289,129)	7,859,874
	<u>91,733,601</u>	<u>344,621</u>	<u>(304,133)</u>	<u>91,774,089</u>
Less: Accumulated depreciation	33,373,228	2,184,862	(289,129)	35,268,961
Capital assets, net	<u>\$ 58,360,373</u>	<u>\$ (1,840,241)</u>	<u>\$ (15,004)</u>	<u>\$ 56,505,128</u>

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

	<b>2010</b>	<b>2009</b>
Cost basis	\$ 5,227,174	\$ 5,227,174
Accumulated depreciation	<u>(1,809,279)</u>	<u>(1,444,373)</u>
	<u>\$ 3,417,895</u>	<u>\$ 3,782,801</u>

Depreciation expense for the year ended August 31, 2010 was approximately \$2,224,185.

**Resource Recovery Agency**

Capital asset activity for the year ended December 31, 2010 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	66,181,536	-	-	66,181,536
Equipment	1,161,991	2,200	-	1,164,191
	<u>67,861,118</u>	<u>2,200</u>	<u>-</u>	<u>67,863,318</u>
Less: Accumulated depreciation	<u>(33,261,593)</u>	<u>(2,212,513)</u>	<u>-</u>	<u>(35,474,106)</u>
Capital assets, net	<u>\$ 34,599,525</u>	<u>\$ (2,210,313)</u>	<u>\$ -</u>	<u>\$ 32,389,212</u>

Depreciation was recorded in the amount of \$2,212,513 less amortization of deferred revenues associated with the funding of capital improvements of \$68,520 resulting in \$2,143,993 in depreciation expense for the year ended December 31, 2010.

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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**Water and Wastewater Authority**

Capital assets consisted of the following as of December 31, 2010:

	Balance	Increase	Decrease	Balance
Land	\$ 834,808	\$ -	\$ -	\$ 834,808
Improvements	120,255	-	-	120,255
Buildings	12,181,920	-	-	12,181,920
Water system	45,742,521	67,370	-	45,809,891
Machinery and equipment	4,668,359	30,755	-	4,699,114
Sewage collection system	1,364,871	-	-	1,364,871
Construction in progress	646,724	2,849,886	-	3,496,610
Sub-total	65,559,458	2,948,011	-	68,507,469
Less: Accumulated depreciation	(14,058,704)	(1,576,614)	-	(15,635,318)
Net capital assets	<u>\$ 51,500,754</u>	<u>\$ 1,371,397</u>	<u>\$ -</u>	<u>\$ 52,872,151</u>

Depreciation was recorded in the amount of \$1,576,614, less amortization of deferred revenues associated with the Central Dutchess Water Transmission Line of \$595,853. The effect of netting these amounts resulted in \$980,761 in depreciation expense for the year ended December 31, 2010.

**D. Depreciation Expense**

Depreciation expense was charged to functions/programs as follows for the year ended December 31, 2010:

**Primary Government:**

**Governmental activities**

General government	\$ 4,718,249
Public safety	2,400,674
Health	48,177
Transportation	6,907,731
Economic assistance and opportunity	363,015
Culture and recreation	604,392
Home and community services	338,227
Total depreciation expense – governmental activities	<u>\$ 15,380,465</u>

**Proprietary funds**

Airport	\$ 1,396,782
Transportation	911,114
Total depreciation expense – proprietary funds	<u>\$ 2,307,896</u>

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

**4. Detailed Disclosures Regarding Liabilities and Expenses/Expenditures**

**A. Long-term Liabilities**

**Primary Government:**

Long-term liability activity for the year ended December 31, 2010, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ 99,150,978	\$ 19,546,316	\$ (10,648,992)	\$ 108,048,302	\$ 12,415,645
Tobacco Asset Securitization Bonds (TASC debt) , net of discount	62,554,343	-	(1,501,161)	61,053,182	-
Total bonds and BANS payable	161,705,321	19,546,316	(12,150,153)	169,101,484	12,415,645
Judgments and claims	27,695,521	1,803,257	-	29,498,778	-
Post retirement liability	55,490,123	19,435,200	-	74,925,323	-
Compensated absences	9,483,625	-	(199,591)	9,284,034	-
Environmental clean up	620,000	-	(300,000)	320,000	-
Governmental activity long-term liabilities	<u>\$ 254,994,590</u>	<u>\$ 40,784,773</u>	<u>\$ (12,649,744)</u>	<u>\$ 283,129,619</u>	<u>\$ 12,415,645</u>

General obligation bonds of the County (not including the TASC debt) is issued principally as serial bonds, which are due at various times through 2028. The bonds are issued primarily to finance acquisition or construction of capital facilities. Bonds have been issued to advance-refund previously issued bonds. These bonds are guaranteed by the full faith and credit of the County and are being repaid from applicable taxes. Principal and interest payments are included in the expenditures of the General Fund. The County has utilized 4.53% of its constitutional debt limit as of December 31, 2010.

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 \$510,000 at December 31, 2010.

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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In August 2001, the County refunded its outstanding 1990 Series bonds of \$1,575,000, its 1994 Series bonds of \$5,370,000 and its 1995 Series bonds of \$8,905,000, carrying a weighted average interest rate of 5.64% with new debt of \$16,360,000 issued with a weighted average interest rate of 3.25%. The net proceeds of \$16,360,000 plus an additional \$439,000 premium from bond issuance and \$53,000 of County monies (net of \$130,000 of issuance costs and discount) were used to purchase U.S. Government Securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service for the 1990, 1994 and 1995 bonds. As a result, the bonds are considered to be defeased and the liabilities for these bonds have been removed from the County's long term liabilities. The balance of the defeased debt is approximately \$3,990,000 at December 31, 2010. In May 2006, the County refunded its outstanding 1996 Public Improvement Bond of \$5,800,000, its 1997 Public Improvement Bond of \$1,500,000 and its 1998 Public Improvement Bond of \$2,920,000 carrying a weighted average interest rate of 5.07% with new debt of \$10,265,000 issued with a weighted average interest rate of 4.46%. The net proceeds of the \$10,265,000 were used to purchase U.S. Government Securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service for the 1996, 1997 and 1998 bonds. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the County's long-term liabilities. The balance of the defeased debt is approximately \$8,515,000 at December 31, 2010.

In December 2003, the TASC issued \$47,815,000 in bonds (TASC debt, see below) to finance the acquisition of tobacco assets from the County. The TASC transferred \$40,811,628 in proceeds to the General Fund to refund \$36,141,402 of general obligation debt. The proceeds of \$47,815,000 (\$40,811,628 for the General Fund and \$1,158,722 for the Proprietary Funds), net of \$1,902,637 in discount, \$425,576 in bond issue costs and \$3,516,437 deposited into a liquidity reserve were transferred to the general fund which then deposited the \$41,970,350 in irrevocable trust with an escrow agent to provide for all future debt service payments for the 1996, 1997, 1998, 2001, 2004 Series bonds at interest rates ranging from 2% to 7%. As such, \$37,300,124 of debt was removed from the General Fund and Proprietary Funds debt. The County recorded a deferred loss from refunding in the amount of \$4,670,226 related to this transaction. This deferred loss is amortized over the life of the TASC debt; accordingly, amortization expense of \$233,511 was recognized in 2010. The balance of the defeased debt is \$34,816,903 at December 31, 2010. The TASC recorded \$45,912,363 of debt from this sale of tobacco bonds. The TASC debt will be repaid with proceeds from tobacco sales, in future periods, as dictated by the Master Settlement Agreement and Indenture Agreement, as defined.

In November 2005, the TASC issued \$26,236,279 in bonds (TASC debt, see below) to finance the acquisition of tobacco assets from the County. The proceeds of \$26,236,279, net of \$692,437 in bond issue costs were transferred (\$9,543,842) to the General Fund and (\$16,000,000) to the Capital Projects Fund. The County deposited the \$9,543,842 in an irrevocable trust with an escrow agent to provide for all future debt service payments for a portion of the 2004 Series bond at interest rates ranging from 6% to 7.85%. As such, \$10,090,000 of debt was removed from the General Fund. The County recorded a deferred gain from refunding in the amount of \$546,158 related to this transaction. This deferred gain is amortized over the life of the TASC debt; accordingly, amortization of \$27,305 was recognized in 2010. The balance of the defeased debt is \$26,236,279 at December 31, 2010. 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 \$18,325,000 at December 31, 2010.

# Dutchess County, New York

## Notes to Financial Statements

### December 31, 2010

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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 \$21,825,000 at December 31, 2010.

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 \$5,550,000 at December 31, 2010.

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

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 \$12,930,000 at December 31, 2010.

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 Corporation issued the 2003 New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds (Series 2003 Term Bonds) amounting to \$47,815,000., with an issue value of \$45,912,363, net of bond discount of \$1,902,637 proceeds of \$41,970,000 were used to purchase tobacco settlement rights from Dutchess County. The TASC recognized \$73,839 in amortization expense related to the bond discount and \$16,516 related to the amortization of deferred financing costs in 2010.

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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On November 28, 2005, the Corporation issued the 2005 New York Tobacco Trust V, Tobacco Settlement Pass Through Bonds [Subordinate Turbo Capital Appreciation Bonds ("CABs")] amounting to \$26,236,279. The TASC recognized \$2,184 related to the amortization of deferred financing costs in 2010.

Collectively these bonds are considered the "TASC Debt".

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

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

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

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

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, 2010**

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, 2010:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2010	Annual Principal Installments
Serial Bonds					
2.50% – 5.25%	1993	2013	\$ 7,445,000	\$ 510,000	\$ 150,000 - 185,000
3.25 – 5.00	2001	2016	16,360,000	3,990,000	305,000 - 1,170,000
2.00 – 4.50	2003	2022	18,800,000	8,735,000	200,000 - 1,241,572
5.00 – 6.00	2003	2043	45,912,362	36,295,000	0 - 3,245,000
5.00 – 6.00	2004	2019	17,085,000	9,620,000	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	1,190,000	295,000 - 305,000
4.00 – 5.00	2006	2018	8,740,000	7,325,000	95,000 - 1,385,000
3.50 – 5.00	2006	2027	22,587,595	18,325,000	525,000 - 1,361,000
4.00 – 5.00	2007	2028	27,000,000	21,825,000	600,000 - 2,222,000
3.00 – 5.00	2008	2023	6,358,763	5,550,000	375,000 - 525,000
3.00 – 4.00	2009	2018	2,165,000	1,865,000	160,000 - 300,000
3.00 – 4.00	2009	2021	12,930,000	11,065,000	405,000 - 1,865,000
2.00 – 4.00	2010	2025	21,021,000	21,021,000	825,000 - 2,240,000
				<u>\$ 173,552,279</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.

**Proprietary Funds**

Long-term liability activity for the year ended December 31, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Proprietary Funds</b>					
Bonds payable					
Airport bonds	\$ 2,916,552	\$ 2,104,138	\$ (307,817)	\$ 4,712,873	\$ 586,374
Transportation bonds	390,000	307,518	(20,000)	677,518	48,980
Total bonds payable	<u>3,306,552</u>	<u>2,411,656</u>	<u>(327,817)</u>	<u>5,390,391</u>	<u>635,354</u>
Compensated absences	47,643	-	(9,515)	38,128	
Other post employment benefits	357,100	137,600	-	494,700	
Proprietary funds long-term liabilities	<u>\$ 3,711,295</u>	<u>\$ 2,549,256</u>	<u>\$ (337,332)</u>	<u>\$ 5,923,219</u>	<u>\$ 635,354</u>

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

Long-term debt at December 31, 2010 consists of the following:

**Airport**

2003 serial bonds, interest at 2% to 4.5% due in various installments through 2022	\$ 911,074
2004 public improvement bonds, interest at 2% to 5% due in various installments through 2019	1,030,661
2006 public improvement bonds, interest at 3.5% to 5% due in various installments through 2027	659,000
2007 public improvement bonds, interest at 4% to 5% due in various installments through 2028	8,000
2010 public improvement bonds, interest at 2.0% to 4% due in various installments through 2025	<u>2,104,138</u>
Total airport bonds	4,712,873
Less: current portion	<u>586,374</u>
Total bonds, net of current portion	<u><u>\$ 4,126,499</u></u>

**Transportation**

2004 public improvement bonds, interest at 3.5% to 5% due in various installments through 2027	\$ 370,000
2010 public improvement bonds, interest at 2.0% to 4% due in various installments through 2025	<u>307,518</u>
Total transportation bonds	677,518
Less: current portion	<u>48,980</u>
Total bonds, net of current portion	<u><u>\$ 628,538</u></u>

As of December 31, 2010, the County's debt service requirements relating to bonds payable are as follows:

Year Ended December 31	Government Activities General Obligation Bonds		TASC Bonds		Proprietary Funds Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 12,415,645	\$ 4,222,288	\$ -	\$ 2,130,313	\$ 635,355	\$ 191,891
2012	12,099,834	3,757,935	-	2,130,313	670,126	172,765
2013	11,712,508	3,301,108	-	2,130,313	562,492	152,794
2014	11,119,638	2,817,561	-	2,130,313	505,362	132,704
2015-2019	36,441,333	8,375,693	-	10,651,563	1,928,667	404,701
2020-2024	16,926,260	2,706,892	-	10,651,563	918,740	112,810
2025-2029	4,630,351	407,562	5,185,000	10,123,981	169,649	9,313
2030-2034	-	-	8,065,000	8,145,700	-	-
2035-2039	-	-	21,569,242	65,884,308	-	-
2040-2044	-	-	11,860,000	1,480,200	-	-
2045-2049	-	-	-	-	-	-
2050-2054	-	-	4,889,934	66,030,066	-	-
2055-2059	-	-	2,604,375	70,490,625	-	-
2060	-	-	8,357,728	547,342,272	-	-
Total	<u>105,345,569</u>	<u>25,589,039</u>	<u>62,531,279</u>	<u>799,321,530</u>	<u>5,390,391</u>	<u>1,176,978</u>
Less: Discount	-	-	(1,478,097)	-	-	-
Add: Premium	<u>2,702,733</u>	-	-	-	-	-
Total	<u><u>\$ 108,048,302</u></u>	<u><u>\$ 25,589,039</u></u>	<u><u>\$ 61,053,182</u></u>	<u><u>\$ 799,321,530</u></u>	<u><u>\$ 5,390,391</u></u>	<u><u>\$ 1,176,978</u></u>



**Dutchess County, New York**  
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**Component Units:**

**Dutchess Community College**

The following table summarizes changes in the College's long-term liabilities for the year ended August 31, 2010:

	Beginning September 1, 2009	New Issues/ Additions	Maturities and/or Payments	Balance August 31, 2010	Due Within One-Year
<b>Bonds payable - capital projects</b>					
Bonds payable - DASNY	\$ 21,098,382	\$ 3,609,861	\$ 4,436,192	\$ 20,272,051	\$ 627,698
Bonds payable - Sponsor	14,018,037	-	1,281,529	12,736,508	1,342,000
Total bonds payable	35,116,419	3,609,861	5,717,721	33,008,559	1,969,698
<b>Other noncurrent liabilities</b>					
Compensated absences	2,277,956	518,873	227,796	2,569,033	256,903
Other post employment benefit obligations payable	23,009,764	8,291,349	1,840,266	29,460,847	-
Total long-term liabilities	<u>\$ 60,404,139</u>	<u>\$ 12,420,083</u>	<u>\$ 7,785,783</u>	<u>\$ 65,038,439</u>	<u>\$ 2,226,601</u>

The College has entered into financing agreements with DASNY and Dutchess County to finance most of its educational facilities. The DASNY bonds for these facilities, which have a maximum 30-year life, will be repaid from the appropriations received from the State of New York. Dutchess County has issued general obligation bonds, with a maximum 30-year life, to fund their portion of the construction costs. The College is currently paying the County an annual fee for debt service on these bonds (\$600,000 in 2010) derived from capital chargebacks.

As of August 31, 2010 (Note 2), debt service requirements relating to these obligations are as follows:

Year Ending August 31,	DASNY	Dutchess County	Total Principal	Total Interest
2011	\$ 627,698	\$ 1,342,000	\$ 1,969,698	\$ 1,451,080
2012	835,096	1,373,000	2,208,096	1,375,986
2013	768,338	1,359,000	2,127,338	1,287,298
2014	895,097	1,277,000	2,172,097	1,200,524
2015-2019	1,297,243	5,231,000	6,528,243	1,108,498
2020-2024	5,568,723	1,081,000	6,649,723	4,014,570
2025-2029	5,860,555	10,000	5,870,555	2,285,000
2030-2034	3,507,441	-	3,507,441	1,085,836
2035-2039	815,197	-	815,197	441,625
2040-2041	96,663	1,063,508	1,160,171	390,567
	<u>\$ 20,272,051</u>	<u>\$ 12,736,508</u>	<u>\$ 33,008,559</u>	<u>\$ 14,640,984</u>

Interest on the DASNY bonds range from 2.0% to 6.0%. Interest on the Dutchess County bonds ranges from 3% to 6%.

Interest expense on total financing agreements for the College was approximately \$1,638,621 in 2010.

**Dutchess County, New York**  
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**Advance Refunding**

During the 2010 fiscal year, the DASNY issued \$3,609,861 in serial bonds with interest at rates ranging from 2.0% to 5.0%. The proceeds were used to advance refund \$3,739,863 of outstanding 1999A serial bonds bearing interest at rates ranging from 5.0% to 5.25%. The bond proceeds (exclusive of costs) were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The College considers these bonds to be defeased. Accordingly, the trust account assets and liability for these bonds are not included in the College's financial statements.

The College advance refunded portions of these bonds to reduce its total debt service payments over 16 years by \$355,994 and to obtain a net present value economic gain of \$286,521.

As of August 31, 2010, \$3,739,863 of bonds outstanding were called and as such no amounts are outstanding.

**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 off 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, 2010 was \$287,969.

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.

**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.

**Dutchess County, New York**  
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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, 2010:

<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2010</u>
<b>Series Bonds</b>			
5.15%	1999	2010	\$ -
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
<b>Term Bonds</b>			
5.00%	1999	2010	-
			<u>29,455,000</u>
Less: Current portion			<u>(3,075,000)</u>
Bond Payable - Long-Term			<u><u>\$ 26,380,000</u></u>

**Dutchess County, New York**  
**Notes to Financial Statements**  
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Annual amortization and sinking fund requirements for Bonds Payable is as follows:

<b>Years ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	925,000	719,513	1,644,513
2016-2020	5,370,000	2,840,865	8,210,865
2021-2025	6,720,000	1,479,094	8,199,094
2026-2027	3,125,000	142,089	3,267,089
Totals	<u>\$ 29,455,000</u>	<u>\$ 9,638,537</u>	<u>\$ 39,093,537</u>

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, 2010 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.

**Dutchess County, New York**  
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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 and 2010.

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

**Dutchess County, New York**  
**Notes to Financial Statements**  
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**Description**

Debt issued under the above listed authorizations is as follows as of December 31, 2010:

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%	\$ 265,000
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%	300,000
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%	-
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%	-
2000 Service Agreement Revenue Bond Series 2000, due in various installments through 2020, interest 5.65%	525,000
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 Harboud Hills, due in various installments through 2021, interest 1.333%-5.063%	1,980,000
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%	360,000
2004 Water Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	1,625,000
2004 Sewer Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00% - 4.25%	1,725,000
2007 Sewer Service Agreement Revenue Bond Series 2007, due in various installments through 2037, interest 4.00% - 5.00%	1,795,000
2007 Sewer Service Agreement Revenue Bond Series 2007, due in various installments through 2027, interest 4.00% - 4.625%	360,000
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments through 2029, interest 3.00% - 5.00%	7,160,000
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments starting in 2030 through 2039 interest 5.62% - 5.96%	1,347,524
2010 Water Service Agreement Revenue Bond Series 2010, maturing December 9, 2011, interest 1.51%	1,905,800
Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2010C, due in various installments through 2019, interest .8450% - 3.355%	<u>10,326,923</u>
Total bonds payable	34,716,475
Accreted interest recorded on zero coupon bonds	<u>4,257,681</u>
Total long term debt	38,974,156
Current portion of long term debt	<u>(3,777,718)</u>
Total long term debt, less current portion	<u>\$ 35,196,438</u>

	<b>Balance at December 31, 2009</b>	<b>New Issues/ Additions**</b>	<b>Maturities and/or Payments</b>	<b>Balance at December 31, 2010</b>	<b>Due Within One Year</b>
Bonds Payable	\$ 38,314,308	\$ 13,659,848	\$ (13,000,000)	\$ 38,974,156	\$ 3,777,723
OPEB liability	434,500	175,400		609,900	
	<u>\$ 38,748,808</u>	<u>\$ 13,835,248</u>	<u>\$ (13,000,000)</u>	<u>\$ 39,584,056</u>	<u>\$ 3,777,723</u>

Bonds payable increased by \$474,230 in adjustments and accreted interest on 1998 Series One, 2001 debt and 2009 debt.

**Dutchess County, New York**  
**Notes to Financial Statements**  
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**Debt Service Requirements**

Debt Service requirements to maturity as of December 31, 2010 are as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 3,777,718	\$ 1,002,202	\$ 4,779,920
2012	1,920,000	936,220	2,856,220
2013	1,955,000	887,835	2,842,835
2014	1,985,000	837,659	2,822,659
2015	2,070,000	780,248	2,850,248
2016-2020	10,056,591	3,890,930	13,947,521
2021-2025	6,355,315	7,212,023	13,567,338
2026-2030	4,286,696	5,923,281	10,209,977
2031-2035	1,438,732	2,320,968	3,759,700
2036-2040	841,098	1,925,398	2,766,496
2041-2044	30,320	1,448	31,768
Totals	<u>\$ 34,716,470</u>	<u>\$ 25,718,212</u>	<u>\$ 60,434,682</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, 2010, the balance of the 2001 and 1999 defeased debt outstanding was \$1,925,000 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.

In May 2010, the Authority participated in a refinancing initiated by the New York State Environmental Facilities Corporation on behalf of the municipalities that participated in the State Clean Water and Drinking Water Revolving Funds Series 1998D, 1999A, and 1999B, amounting to \$11,266,923. A net present value savings of \$979,741 over the life of the new debt resulted from the refinancing transactions.

**Dutchess County, New York**  
**Notes to Financial Statements**  
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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 noncancellable operating leases. Total costs for such leases were \$1,079,261 for governmental activities for the year ended December 31, 2010. Future minimum lease payments at December 31, 2010 were as follows:

	<b>Government Activities</b>
2011	\$ 2,312,939
2012	1,492,997
2013	897,875
2014	740,878
2015	926,885
2016-2018	-
Totals	<u><u>\$ 6,371,574</u></u>



**Dutchess County, New York**  
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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%.

	<b>Balance August 31, 2009</b>	<b>New Borrowings</b>	<b>Repayments</b>	<b>Balance August 31, 2010</b>
Capital lease obligations	\$ 3,747,813	\$ -	\$ (258,757)	\$ 3,489,056
Less: Current portion	<u>258,757</u>			<u>410,354</u>
Noncurrent portion	<u>\$ 3,489,056</u>			<u>\$ 3,078,702</u>

The future minimum payments required under the lease as of August 31, 2010 follows:

	<b>Principal</b>	<b>Interest</b>
2011	\$ 410,354	\$ 147,936
2012	340,677	128,778
2013	291,434	115,011
2014	277,942	106,411
2015	207,623	90,917
Thereafter	<u>1,961,026</u>	<u>351,365</u>
	<u>\$ 3,489,056</u>	<u>\$ 940,418</u>

Interest expense related to capital lease obligations was approximately \$172,000 in 2010.

**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, 2010:

2011	\$ 550,085
2012	550,085
2013	573,570
2014	573,570
2015	573,570
Thereafter	<u>1,147,140</u>
	<u>\$ 3,968,020</u>

Rental expense for 2010 was approximately \$550,000.

**Dutchess County, New York**  
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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 \$4,000 per month from the lessee. The initial up-front payments are being amortized on a straight-line basis over the initial term of the leases.

**C. Interfund Balances and Activity**

**Primary Government**  
**Interfund Receivables and Payables**

Interfund balances at December 31, 2010 were as follows:

<b>Payable from:</b>	<b>Payable to: General Fund</b>
Capital projects	\$ 5,786,493
Airport	51,408
Transportation	2,518,566
Community development	<u>48,153</u>
Total	<u><u>\$ 8,404,620</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, 2010 were as follows:

<b>Transfer from:</b>	<b>General Fund</b>	<b>Airport</b>	<b>Transportation</b>	<b>Other Governmental Funds</b>	<b>Total</b>
General fund	\$ -	\$ -	\$ 50,000	\$ 298,909	\$ 348,909
Airport	600,686	-	-	-	600,686
Transportation	<u>1,795,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795,129</u>
Total	<u><u>\$ 2,395,815</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 298,909</u></u>	<u><u>\$ 2,744,724</u></u>

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

**Dutchess County, New York**  
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**D. Retirement Plan**

**Primary Government:**

**Plan Description**

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

2010	\$ 13,918,830
2009	9,739,184
2008	8,677,720

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

**Dutchess County, New York**  
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**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.

**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:

<b>ERS</b>		<b>TRS</b>	
<b>Tier/Plan</b>	<b>Rate</b>	<b>Tiers</b>	<b>Regular</b>
1 75I	9.3%	1-4	6.19 %
2 75I	8.70%		
3 A14	7.1%		
4 A15	7.1%		

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, 2010, the College incurred approximately \$1,445,358 in pension expense under this Plan.

**Dutchess County, New York**  
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**Resource Recovery Agency**

**Plan Description**

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

**Funding Policy**

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

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

	<b>ERS</b>
2010	\$ 48,011
2009	35,015
2008	<u>34,119</u>
Total	<u><u>\$ 117,145</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

**Dutchess County, New York**  
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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 \$131,574, \$104,762, and \$115,786, respectively. The Authority's contributions made to the System were equal to 100% of the contributions required for those years.

**E. Deferred Compensation Plan**

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

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

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

At December 31, 2010, the market value of the plan assets totaled \$89,607,287.

**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.

**Dutchess County, New York**  
**Notes to Financial Statements**  
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**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, 2010, the County's and the Airport's annual OPEB costs of \$24,247,200 and \$145,100, respectively, was recognized through the government wide statement of activities. Participating employees and active plan members are required to contribute to the plan at rates expressed as percentages of the payroll of active plan members. The percentage that is contributed is determined by the class of employee and their adjusted benefit date. For management employees there is no contribution, confidential employees have no contribution if their adjusted benefit date is prior to January 1, 1982 and if it is after they contribute 10%. For CSEA employees their rate is 5%, 15%, or 20% if their adjusted benefit dates are prior to July 1, 1979 and January 1, 2007 and after January 1, 2007, respectively. For DCSEA employees there is no contribution, 15%, or 20% if their adjusted benefit dates are prior to November 1, 1979, between November 1, 1979 and January 1, 2004 and after January 1, 2004, respectively. For PBA employees there is no contribution and a 20% contribution if their adjusted benefit date is prior to November 1, 1979 and after November 1, 1979, respectively.

**Dutchess County, New York**  
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The following table shows the calculation of the projected Net OPEB Obligation at December 31, 2010:

	<b>Year Ended December 31, 2010</b>		
	<b>County Excluding Airport</b>	<b>Airport</b>	<b>Total</b>
Annual Required Contribution	\$ 23,581,523	\$ 140,800	\$ 23,722,323
Interest on Net OPEB Obligation	2,774,500	17,900	2,792,400
Adjustment to ARC	<u>(2,108,800)</u>	<u>(13,600)</u>	<u>(2,122,400)</u>
Annual OPEB Cost	24,247,223	145,100	24,392,323
Contributions made	<u>(4,812,000)</u>	<u>(7,500)</u>	<u>(4,819,500)</u>
Increase in Net OPEB Obligation	19,435,223	137,600	19,572,823
Net OPEB Obligation - beginning of year	<u>55,490,100</u>	<u>357,100</u>	<u>55,847,200</u>
Net OPEB Obligation - end of year	<u>\$ 74,925,323</u>	<u>\$ 494,700</u>	<u>\$ 75,420,023</u>



**Dutchess County, New York**  
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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 2010 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
2010	\$ 24,392,300	19.8 %	\$ 75,420,000
2009	\$ 21,932,400	18.5 %	\$ 55,847,200
2008	\$ 22,704,400	14.3 %	\$ 37,963,800

<u>County Excluding Airport</u>			
Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 24,247,200	19.8 %	\$ 74,925,300
2009	\$ 21,805,600	18.5 %	\$ 55,490,100
2008	\$ 22,591,200	14.3 %	\$ 37,728,000

<u>Airport</u>			
Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 145,100	5.2 %	\$ 494,700
2009	\$ 126,800	4.3 %	\$ 357,100
2008	\$ 113,200	3.6 %	\$ 235,800

*Funded Status and Funding Progress.* As of June 30, 2010, the actuarial accrued liability for benefits was \$294,965,700 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Dutchess County, New York**  
**Notes to Financial Statements**  
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The total unfunded accrued liability, amortization period and required contribution for 2010 as follows:

	<u>County Excluding Airport</u>	<u>Airport</u>	<u>Total</u>
Accrued Liability	\$ 293,549,200	\$ 1,416,500	\$ 294,965,700
Assets	-	-	-
Unfunded Liability	<u>\$ 293,549,200</u>	<u>\$ 1,416,500</u>	<u>\$ 294,965,700</u>
Amortization Period	30 Years	30 Years	30 Years
Past Service Cost	\$ 11,156,200	\$ 53,900	\$ 11,210,100
Normal Cost	12,425,300	86,900	12,512,200
ARC for December 31, 2010	23,581,500	140,800	23,722,300
Interest obligation	2,774,500	17,900	2,792,400
Adjustments to the ARC	(2,108,800)	(13,600)	(2,122,400)
Annual postretirement benefit cost	24,247,200	145,100	24,392,300
Benefit Payouts for 2010	(4,812,000)	(7,500)	(4,819,500)
Net Impact	<u>\$ 19,435,200</u>	<u>\$ 137,600</u>	<u>\$ 19,572,800</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* - 2010 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 9.17% going down to 4.7% over seventy years. The inflation assumption for Medicare part B include an initial rate of 6.36% going down to 4.7% 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 County's short-term investment portfolio, a discount rate of 5% was used. This rate is subject to market conditions and could change in the future. In addition, a simplified version of the projected unit credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 27 years.

**Dutchess County, New York**  
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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 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)
8/1/2010	\$ -	\$ -	\$ -	0.0%	\$ -	-
8/1/2009	-	267,025,000	267,025,000	0.0%	119,015,473	224%
8/1/2008	-	-	-	0.0%	-	-

**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's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 established standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result reporting of expenses and liabilities will no longer be accounted for under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the annual required contribution ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**Dutchess County, New York**  
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**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 2010:

The following table reconciles the College's OPEB obligation at August 31, 2010:

<b>Amortization Component:</b>	<b>College</b>
Actuarial Accrued Liability as of September 1, 2009	\$ 82,309,965
Assets at Market Value	
Unfunded actuarial accrued liability ("UALL")	<u>82,309,965</u>
Funded Ratio	<u>0.00 %</u>
Covered Payroll (Active plan members)	<u>\$ 25,084,628</u>
UAAL as a percentage of Covered Payroll	328.13 %
Annual Required Contribution.	\$ 8,673,663
Interest on Net OPEB Obligation	920,391
Adjustment to Annual Required Contribution	<u>(1,302,705)</u>
Annual OPEB Cost	8,291,349
Contributions made	<u>(1,840,266)</u>
Increase in Net OPEB Obligation	6,451,083
Net OPEB Obligation - Beginning of Year	<u>23,009,764</u>
Net OPEB Obligation - End of Year	<u>\$ 29,460,847</u>

**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
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%
2010	
Thereafter	

**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	<u>% Paid by Authority</u>	
	Retiree	Dependent/Spouse
10	50%	35%
15	60%	45%
20	70%	55%
25	80%	65%

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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, 2010, the OPEB cost (expense) amounted to \$64,700 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.

<b>Benefit Obligation at Normal Cost</b>	<b>2010</b>
Actuarial Accrued Liability (AAL)	
Retired and active employees	\$ 701,700
Unfunded actuarial accrued liability (UAAL)	<u>\$ 701,700</u>
<b>Annual Required Contribution (ARC)</b>	
Past Service Costs	\$ 26,700
Normal Costs	<u>38,000</u>
Annual Required Contribution (ARC)	<u>\$ 64,700</u>
Percent of annual OPEB cost contributed	11.4%

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.

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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.

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**Annual Other Postemployment Benefit Cost**

For the year ended December 31, 2010, 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.

**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**

**Primary Government**

The Dutchess County Self-Insured Workers' Compensation Plan was organized in 1980 to provide a program of workers' compensation coverage for its member organizations. All political subdivisions in the County of Dutchess are eligible to participate. The program's general objectives are to formulate, develop, and administer, on behalf of the member political subdivisions, a



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program of workers' compensation insurance and to develop a comprehensive loss control program. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would not be responsible for the Fund's liabilities but would remain responsible for their individual liabilities which would include their estimated claims and related administrative obligations. A Fund member would also be responsible for its individual liabilities if it were to withdraw from the Fund. Fund members currently include three towns, one village, Dutchess Community College, Dutchess County Resource Recovery Agency and Dutchess County. The activity of the Plan is recorded in the General Fund.

The Plan maintains insurance coverage for claims in excess of \$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:

	<b>2010</b>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 26,695,521
Incurred claims and claim adjustment expenses:	
Provision for events of the current year	4,193,909
Decrease in provision for events of prior years	<u>(538,215)</u>
Total incurred claims and claim adjustment expenses	<u>30,351,215</u>
Payments:	
Claims and claim adjustment expenses attributable to events of the current year	258,028
Claims and claim adjustment expenses attributable to events of prior years	<u>1,594,409</u>
Total payments	<u>1,852,437</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u><u>\$ 28,498,778</u></u>

Summarized financial information for the self-insurance fund on the modified accrual basis at December 31, 2010 is as follows:

Total assets	\$ 6,018,740
Total revenues	\$ 1,147,813
Total expenses	\$ 387,041

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

**5. Other Note Disclosures**

**Component Units**

**A. Condensed financial statements of component units**

**CONDENSED STATEMENT OF NET ASSETS**

	<b>Dutchess Community College</b>	<b>Resource Recovery Agency</b>	<b>Water and Wastewater Authority</b>	<b>Aggregated Non-Major Component Units</b>	<b>Total Aggregate Discretely Presented Component Units</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 23,162,674	\$ 237,770	\$ 3,475,122	\$ 2,609,156	\$ 29,484,722
Restricted cash and investments	245,610	11,457,960	9,974,736	18,726	21,697,032
Investments	5,695,539	-	-	-	5,695,539
Receivables, net	5,814,675	2,249,378	1,214,543	69,670	9,348,266
Inventories	664,443	-	-	-	664,443
Due from other governments	-	842,498	-	73,563	916,061
Other assets	829,426	792,028	1,103,120	750	2,725,324
Capital assets, net	57,045,374	32,389,212	52,872,151	1,975	142,308,712
Total assets	<u>93,457,741</u>	<u>47,968,846</u>	<u>68,639,672</u>	<u>2,773,840</u>	<u>212,840,099</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	5,436,105	4,697,833	757,861	84,816	10,976,615
Deferred revenue	4,646,232	478,012	28,103,823	-	33,228,067
Due to other governments	-	698,214	11,441	563	710,218
Due within one year	1,294,955	3,075,000	3,959,036	-	8,328,991
Due within more than one year	54,496,032	26,604,276	35,806,338	-	116,906,646
Total liabilities	<u>65,873,324</u>	<u>35,553,335</u>	<u>68,638,499</u>	<u>85,379</u>	<u>170,150,537</u>
<b>Net Assets (Deficit)</b>					
Invested in capital, net of related debt	32,989,631	3,210,199	(1,577,191)	1,975	34,624,614
Restricted	4,968,657	11,457,960	2,300,496	34,404	18,761,517
Unrestricted	(10,373,871)	(2,252,648)	(722,132)	2,652,082	(10,696,569)
Total net assets (deficit)	<u>\$ 27,584,417</u>	<u>\$ 12,415,511</u>	<u>\$ 1,173</u>	<u>\$ 2,688,461</u>	<u>\$ 42,689,562</u>

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

**CONDENSED STATEMENT OF ACTIVITIES**

	<b>Dutchess Community College</b>	<b>Resource Recovery Agency</b>	<b>Water and Wastewater Authority</b>	<b>Aggregated Non-Major Component Units</b>	<b>Total</b>
<b>Operating expenses</b>					
Disposal fees	\$ -	\$ 2,424,357	\$ -	\$ -	\$ 2,424,357
Service fees	-	11,152,987	-	-	11,152,987
Administrative expenses	5,576,024	1,456,522	1,385,096	-	8,417,642
Interest expense	1,594,667	1,457,216	1,687,720	-	4,739,603
Depreciation	2,224,185	2,143,993	980,761	915	5,349,854
Amortization	-	94,552	76,250	-	170,802
Instruction	29,919,726	-	-	-	29,919,726
Public service	439,253	-	-	-	439,253
Academic support	3,946,007	-	-	-	3,946,007
Libraries	1,299,447	-	-	-	1,299,447
Student services	6,280,053	-	-	-	6,280,053
General institution	7,334,527	-	-	-	7,334,527
Operation and maintenance of plant	8,816,648	-	3,227,325	-	12,043,973
Student aid	5,222,658	-	-	-	5,222,658
Auxiliary	-	-	-	-	-
Bookstore	-	-	-	-	-
Food service and other	-	-	-	-	-
Day care	-	-	-	-	-
Personal services	-	-	-	315,537	315,537
Employee benefits	-	-	-	123,406	123,406
Purchases and contracted services	-	-	40,234	364,483	404,717
Other	4,701,802	-	-	18,317	4,720,119
<b>Total operating expenses</b>	<b>77,354,997</b>	<b>18,729,627</b>	<b>7,397,386</b>	<b>822,658</b>	<b>104,304,668</b>
<b>Program revenues</b>					
Tipping fees	-	12,202,295	-	-	12,202,295
Energy sales	-	2,885,335	-	-	2,885,335
Other charges for services	2,477,019	-	4,534,209	480,577	7,491,805
Student tuition and fees	20,008,932	-	-	-	20,008,932
Grants and contracts	12,730,511	-	-	-	12,730,511
Auxiliary	-	-	-	-	-
Bookstore	-	-	-	-	-
Other	9,773,301	1,523	17,240	81,485	9,873,549
Operating grants and contributions	16,953,052	173,831	-	200,428	17,327,311
Capital grants and contributions	2,807,454	-	58,607	-	2,866,061
<b>Total program revenues</b>	<b>64,750,269</b>	<b>15,262,984</b>	<b>4,610,056</b>	<b>762,490</b>	<b>85,385,799</b>
<b>Net program expense</b>	<b>(12,604,728)</b>	<b>(3,466,643)</b>	<b>(2,787,330)</b>	<b>(60,168)</b>	<b>(18,918,869)</b>

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

	<b>Dutchess Community College</b>	<b>Resource Recovery Agency</b>	<b>Water and Wastewater Authority</b>	<b>Aggregated Non-Major Component Units</b>	<b>Total</b>
<b>General revenues</b>					
Payments from					
Dutchess County	10,837,899	4,012,233	2,965,185	270,905	18,086,222
Unrestricted interest earnings and other	<u>(802,491)</u>	<u>234,129</u>	<u>502,896</u>	<u>18,249</u>	<u>(47,217)</u>
Total general revenues	<u>10,035,408</u>	<u>4,246,362</u>	<u>3,468,081</u>	<u>289,154</u>	<u>18,039,005</u>
Change in net assets (deficit)	(2,569,320)	779,719	680,751	228,986	(879,864)
Beginning net assets	<u>30,153,737</u>	<u>11,635,792</u>	<u>(679,578)</u>	<u>2,459,475</u>	<u>43,569,426</u>
Ending net assets (deficit)	<u>\$ 27,584,417</u>	<u>\$ 12,415,511</u>	<u>\$ 1,173</u>	<u>\$ 2,688,461</u>	<u>\$ 42,689,562</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, 2010:

	<b>Component Unit</b>	<b>Nature of Transaction</b>
Community College	\$ 10,837,899	Operating and Capital Support
Resource Recovery Agency	4,012,233	Net Service Fees
Water and Wastewater Authority	2,965,185	Net Service Fee
Soil and Water Conservation District and IDA	<u>270,905</u>	Charges for Services
	<u>\$ 18,086,222</u>	

There was one related party receivable included in due from other governments in the County's financial statements for \$11,441 from the Water and Wastewater Authority. There was one related party payable that is included in due to other governments on the County's financial statements. This is due to the Resource Recovery Agency for \$817,509.

**Component Units:**

**Resource Recovery Agency:**

Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$4,012,233 in 2010. At December 31, 2010, \$817,509 was due from Dutchess County and included in Due from other governments.

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.

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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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.

**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, 2010, the Authority recorded revenues of \$11,441 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, 2010 for which the estimate of possible exposure is a range between \$1,000,000 and \$3,000,000.

**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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**Commitments**

The County had the following outstanding construction projects in progress as of December 31, 2010, as evidenced by contractual commitments.

<b>Project</b>	<b>Commitment Remaining</b>
Transportation	\$ 468,842
Airport	1,042,067
FMS system	6,067
Building and Building improvement	465,826
Criminal justice system	184,375
Emergency response training room	40,619
Highway equipment	296,594
Digital contour and mapping	6,455
County road	4,139,969
County bridges	366,928
Parks and recreation	3,596,729
	<u>\$ 10,614,471</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 \$274,571 in 2010.

**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, 2010**

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#### **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.

#### **Risk Management**

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

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

#### **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 2010 the Agency caused to have delivered 149,695 acceptable tons.

# **Dutchess County, New York**

## **Notes to Financial Statements**

### **December 31, 2010**

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#### **Power Sales Agreement**

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

#### **Transportation of Ash Residue and Nonprocessable Waste**

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

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

#### **Landfill Agreement**

As of January 2008, the Agency entered into contracts with four different landfills to deliver ash residue and by-pass waste. Three of the contracts with the landfills are five year agreements which will expire on December 31, 2012. The fourth contract 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 \$300,000 for the year ending December 31, 2010.

#### **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, 2010, the Agency recorded net service revenue of \$4,012,233.



**Dutchess County, New York**  
**Notes to Financial Statements**  
**December 31, 2010**

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**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.

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 \$3,000,000, property of \$32,863,374 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, 2010, the Authority recorded revenue of \$2,965,185 and at December 31, 2010, \$11,441 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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Budgetary fund balance, January 1	\$ 51,844,318	\$ 51,844,318	\$ 56,835,570	\$ 4,991,252
Resources (inflows)				
Real property taxes	91,833,758	91,833,758	95,283,341	3,449,583
Sale and use taxes	128,512,157	156,961,218	154,170,385	(2,790,833)
Other taxes	6,352,700	6,352,700	3,681,940	(2,670,760)
Departmental	30,718,528	30,806,028	29,875,006	(931,022)
Interest and rentals	2,327,168	2,327,168	1,107,371	(1,219,797)
Grants and aid	103,761,461	106,829,576	115,903,348	9,073,772
Miscellaneous	3,559,652	3,749,261	11,221,047	7,471,786
Transfers in	-	-	698,909	698,909
Proceeds of obligations	-	-	-	-
Self insurance (added to departmental, misc. interest, transfer)	2,184,372	2,184,372	-	(2,184,372)
Appropriated reserve	-	148,870	-	(148,870)
Appropriated fund balance	17,723,651	20,724,530	-	(20,724,530)
Total revenues and appropriation of prior year's fund balance	<u>386,973,447</u>	<u>421,917,481</u>	<u>411,941,347</u>	<u>(9,976,134)</u>
Expenditures				
General government	36,223,546	64,232,899	64,099,497	133,402
Education	1,954,310	1,954,310	1,952,830	1,480
Public safety	55,364,302	57,650,953	54,355,405	3,295,548
Health	66,337,107	66,213,904	59,569,469	6,644,435
Transportation	3,022,074	2,888,779	2,864,510	24,269
Economic assistance and opportunity	134,108,616	137,773,439	141,553,184	(3,779,745)
Culture and recreation	2,969,380	2,968,553	2,688,979	279,574
Home and community services	7,651,573	9,457,249	10,884,579	(1,427,330)
Employee benefits	49,346,719	48,755,936	46,021,322	2,734,614
Debt service				
Principal retirement	10,542,183	10,542,183	10,542,183	-
Interest	4,061,191	4,061,191	4,061,188	3
Self insurance	2,184,372	2,184,372	(162,959)	2,347,331
Transfer out	13,208,074	13,233,713	13,783,713	(550,000)
Total expenditures	<u>386,973,447</u>	<u>421,917,481</u>	<u>412,213,900</u>	<u>\$ 9,703,581</u>
Fund balance, December 31	<u>\$ 51,844,318</u>	<u>\$ 51,844,318</u>	<u>\$ 56,563,017</u>	

**Dutchess County, New York**  
**Notes to Required Supplementary Information – General Fund**  
**Year Ended December 31, 2010**

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

	<b>General Fund</b>
<b>Sources/inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 411,941,347
Differences—budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes.	<u>(698,909)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 411,242,438</u></u>
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 412,213,900
Differences—budget to GAAP:	
Transfer to other funds are outflows of budgetary resources but are not expenses for financial reporting purposes	<u>(13,783,713)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 398,430,187</u></u>