OFFICIAL STATEMENT

**NEW ISSUE** **SERIAL BOND**

**STANDARD & POOR'S: "AA+/STABLE OUTLOOK"** **See "BOND RATING" herein**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*

*The Bonds will not be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*

# $37,730,000

# COUNTY OF DUTCHESS, NEW YORK

## GENERAL OBLIGATIONS

**CUSIP BASE #: 267040**

## $37,730,000 Public Improvement (Serial) Bonds, 2020

**(referred to herein as the "Bonds")**

**Dated: March 25, 2020** **Due: March 15, 2021-2040**

**MATURITIES****

| Year | Amount | Rate | Yield | CSP | Year | Amount | Rate | Yield | CSP | Year | Amount | Rate | Yield | CSP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | $ 2,415,000 | % | % | | 2028 | $ 2,195,000* | % | % | | 2035 | $1,485,000* | % | % | |
| 2022 | 2,415,000 | | | | 2029 | 2,060,000* | | | | 2036 | 1,050,000* | | | |
| 2023 | 2,415,000 | | | | 2030 | 2,070,000* | | | | 2037 | 1,045,000* | | | |
| 2024 | 2,415,000 | | | | 2031 | 2,035,000* | | | | 2038 | 1,045,000* | | | |
| 2025 | 2,415,000 | | | | 2032 | 2,035,000* | | | | 2039 | 1,045,000* | | | |
| 2026 | 2,250,000 | | | | 2033 | 2,035,000* | | | | 2040 | 1,045,000* | | | |
| 2027 | 2,225,000 | | | | 2034 | 2,035,000* | | | | | | | | |

* The Bonds maturing in the years 2028-2040 are subject to redemption prior to maturity as described herein under the heading "Optional Redemption."

** Subject to change pursuant to the accompanying Notice of Bond Sale in order to achieve substantially level or declining annual debt service.

The Bonds are general obligations of the County of Dutchess, New York (the "County"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limits imposed by Chapter 97 of the Laws of 2011 of the State of New York. See "TAX LEVY LIMITATION LAW" and "NATURE OF OBLIGATION" herein.

The Bonds maturing in the years 2028-2040 are subject to redemption prior to maturity as described herein under the heading "Optional Redemption."

The Bonds will be issued as registered bonds and may be registered, at the option of the purchaser, in the name of the purchaser or in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which, if so elected by the purchaser, will act as securities depository for the Bonds. If the Bonds are issued in book-entry form, individual purchases will be in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on March 15, 2021, September 15, 2021 and semi-annually thereafter on March 15 and September 15 in each year until maturity. Principal and interest will be paid by the County to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of $5,000 or any integral multiple thereof and the County will act as paying agent. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

Proposals for the Bonds shall be for not less than $37,730,000 and accrued interest, if any, on the total principal amount of the Bonds. Proposals must be accompanied by a good faith deposit in the form of a wire transfer or certified or cashier's check, payable to the order of the County of Dutchess, New York, in the amount of $754,600.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon on or about March 25, 2020.

**ELECTRONIC BIDS for the Bonds must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on March 4, 2020 until 11:00 A.M., Eastern Time, pursuant to the Notice of Bond Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the County, each bid will constitute an irrevocable offer to purchase the Bonds pursuant to the terms provided in the Notice of Bond Sale.**

February 21, 2020

THE COUNTY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 ("THE RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER, AS MORE FULLY DESCRIBED IN THE NOTICE OF BOND SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE "APPENDIX C – CONTINUING DISCLOSURE UNDERTAKING" HEREIN.

# COUNTY OF DUTCHESS, NEW YORK

## COUNTY OFFICIALS

### EXECUTIVE BRANCH

MARCUS J. MOLINARO
County Executive

HEIDI SEELBACH
Commissioner of Finance

JAMES FEDORCHAK, ESQ.
County Attorney

BRADFORD KENDALL
County Clerk

### COUNTY LEGISLATURE

A. GREGG PULVER
Chairperson

| | |
|---|---|
| Giancarlo Llaverias | Donna J. Bolner |
| Don Sagliano | Lisa Paoloni |
| Michael Polasek | Joseph D. Cavaccini |
| Hannah Black | Frits Zernike |
| Thomas L. Keith, Jr. | Doug McHoul |
| Rebecca Edwards | Nick Page |
| Will Truitt | Kristofer Munn |
| Craig P. Brendli | Stephen M. Caswell |
| Randy Johnson | Faye Garito |
| Barbara Jeter-Jackson | Edward P. Hauser |
| Brennan Kearney | Alan V. Surman |
| John D. Metzger | Deirdre Houston |

CAROLYN MORRIS
Clerk of the Legislature

**MUNICIPAL ADVISOR**

Fiscal Advisors & Marketing, Inc.
120 Walton Street, Suite 600
Syracuse, New York 13202
(315) 752-0051

**BOND COUNSEL**

Orrick, Herrington & Sutcliffe LLP
51 West 52nd Street
New York, New York 10019
(212) 506-5000

No person has been authorized by the County to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County.

## TABLE OF CONTENTS



**PREPARED WITH THE ASSISTANCE OF**


Fiscal Advisors & Marketing, Inc.
120 Walton Street, Suite 600
Syracuse, New York 13202
(315) 752-0051
http://www.fiscaladvisors.com

**OFFICIAL STATEMENT**
**of the**

# COUNTY OF DUTCHESS, NEW YORK

**Relating To**

## $37,730,000 Public Improvement (Serial) Bonds, 2020

This Official Statement, which includes the cover page and all appendices, has been prepared by the County of Dutchess, New York (the "County" and "State", respectively) in connection with the sale by the County of $37,730,000, Public Improvement (Serial) Bonds, 2020 (the “Bonds”).

The factors affecting the County’s financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the County’s tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York, and acts and proceedings of the County contained herein do not purport to be complete, and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and the proceedings of the County relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

### NATURE OF OBLIGATION

Each bond, when duly issued and paid for will constitute a contract between the County and the holder thereof.

Holders of any series of notes or bonds of the County may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds will be general obligations of the County and will contain a pledge of the faith and credit of the County for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the County has power and statutory authorization to levy ad valorem taxes on all real property within the County subject to such taxation by the County, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes. See “TAX LEVY LIMITATION LAW,” herein.

Under the Constitution of the State, the County is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the County’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

> “A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted...

While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

## THE BONDS

### Description of the Bonds

The Bonds are general obligations of the County, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the County is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limitations. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Bonds will be dated March 25, 2020 and will mature in the principal amounts and on the dates as set forth on the cover page. The Bonds are subject to redemption prior to maturity as described herein under the heading "Optional Redemption." The "Record Date" of the Bonds will be the last business day of the calendar month preceding each such interest payment date. Interest will be calculated on a 30-day month and 360-day year basis.

The Bonds will be issued as registered bonds and may be registered, at the option of the purchaser, in the name of the purchaser or in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which, if so elected by the purchaser, will act as securities depository for the Bonds. If the Bonds are issued in book-entry form, individual purchases will be in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on March 15, 2021, September 15, 2021 and semi-annually thereafter on March 15 and September 15 in each year until maturity. Principal and interest will be paid by the County to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of $5,000 or any integral multiple thereof, and the County will act as paying agent. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

**Optional Redemption**

The Bonds maturing on or before March 15, 2027 shall not be subject to redemption prior to maturity. The Bonds maturing on or after March 15, 2028 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the County on March 15, 2027 or on any date thereafter at par (100.0%), plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by the County by lot in any customary manner of selection as determined by the County Commissioner of Finance. Notice of such call for redemption shall be given by mailing such notice to the registered holders not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

**Purpose of Issue**

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the County Law and the Local Finance Law and bond resolutions adopted by the County Legislature for the following purposes:

| Purpose | Authorization Date | Authorized Unissued Amount | Total Bond Amount |
|---|---|---|---|
| DCC Airport Educational Facility | 12/8/16 & 11/13/18 & 8/12/19 | $ 4,399,945 | $ 4,000,000 |
| 2018 Auto Center Vehicle Bond | 06/11/18 | 135,240 | 70,000 |
| 2018 Building Repairs/Renovation | 12/06/18 | 6,797,300 | 20,000 |
| 2014 Open Space Acquisition | 12/15/14 | 250,000 | 225,000 |
| 2016 Building Repairs/Renovation | 07/11/16 | 1,233,000 | 600,000 |
| 2016 Open Space Acquisition | 12/08/16 | 1,000,000 | 950,000 |
| 2017 Emergency Generators | 11/13/17 | 1,614,811 | 1,000,000 |
| Open Space Acquisition | 12/07/17 | 1,000,000 | 980,000 |
| 2018 Emergency Response Training Cr. | 04/09/18 | 2,030,000 | 1,000,000 |
| 2018 Highway & Bridge Improvements | 05/14/18 | 898,224 | 750,000 |
| 2018 Capital Equipment | 06/11/18 | 1,372,869 | 1,000,000 |
| 2018 HVRT Construction | 11/13/18 | 2,388,350 | 1,500,000 |
| 2018 Federal Aid Highway Improvements | 12/06/18 | 4,952,770 | 4,500,000 |
| 2018 Building Repairs/Renovation | 12/06/18 | 6,797,300 | 3,000,000 |
| 2019 Bridge Reconstruction Project | 03/11/19 | 2,525,000 | 2,000,000 |
| 2019 Lake Walton Acquistion | 03/11/19 | 1,697,810 | 1,620,000 |
| 2019 Auto Center Vehicle Bond | 05/13/19 | 1,216,040 | 890,000 |
| 2019 Highway & Bridge Improvements | 05/13/19 | 6,019,600 | 4,500,000 |
| 2019 HVAC Instracture 10, 22 Market | 05/13/19 | 16,665,000 | 2,000,000 |
| 2019 Capital Equipment | 06/10/19 | 1,525,100 | 1,500,000 |
| 2019 Open Space Acquisition | 05/13/19 | 485,810 | 410,000 |
| Ballot Marking Device | 10/15/19 | 1,713,970 | 1,465,000 |
| 2019 Network Infrastructure | 09/09/19 | 353,500 | 350,000 |
| 2019 Disaster Recovery System | 09/09/19 | 353,500 | 350,000 |
| 2019 Auto Center Vehicle Bond - B | 11/12/19 | 833,250 | 825,000 |
| DCC 2017 Safety/Fire Alarm Updt. | 10/10/17 | 411,500 | 400,000 |
| DCC Roof Replacement Phase II | 11/13/18 | 913,400 | 900,000 |
| DCC 2017 Master Plan Update | 10/10/17 | 250,000 | 225,000 |
| DCC South Campus FF&E | 11/12/19 | 450,000 | 250,000 |
| DCC Campus IT Upgrades Phase 1 | 11/12/19 | 325,000 | 250,000 |
| DCC Campus Site Upgrades Phase 1 | 11/12/19 | 236,500 | 200,000 |
| | | **Total:** | $ 37,730,000 |

The proceeds of the Bonds will provide $37,730,000 new monies for the above-mentioned purposes.

## BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE COUNTY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE COUNTY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

**Certificated Bonds**

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the County and discharging its responsibilities with respect thereto under applicable law, or the County may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of $5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the County upon termination of the book-entry-only system. Interest on the Bonds will be payable on March 15, 2021, September 15, 2021, and semi-annually thereafter on March 15 and September 15 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the Commissioner of Finance authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

## THE COUNTY

### General Information

The County was established by an act of the Colonial Assembly of New York on November 1, 1683 as one of the ten original counties of New York. The County encompasses approximately 795.6 square miles and, according to the 2010 Census data, has a population density of approximately 374 residents for each square mile (297,488 individuals). The County is bounded by the Hudson River to the west, the State of Connecticut to the east and the counties of Columbia and Putnam to the north and south, respectively.

Population of the County has generally increased steadily since 1940 when IBM opened its first plant in the County. According to U.S. Census Bureau, the County's population grew from 120,542 in 1940 to 297,488 in 2010, a percentage increase of approximately 146.8%. However, according to interim data obtained from the US Census Bureau, the County's estimated population for 2018 showed a slight decline to 293,718 persons, which represents a decrease of 1.3% persons when compared to the 2010 US Census. In general, the population growth rates recorded at the State level has historically been less than the rate of growth for the County. See "Population Trends" herein.

Wealth levels for County residents are above State and national averages. According to the U.S. Census Bureau (American Community Survey – 5 Year Estimate), the per capita income of County residents in 2018 was estimated at $38,048, which was higher than both the State and National averages by 1.5% and 16.6%, respectively. State and U.S. income averages reported on this basis were $37,470 and $32,621 respectively. Median family income for 2018 in the County, State, and Nation were estimated to be $78,028, $65,323 and $60,293. See "Selected Wealth and Income Indicators" herein.

A majority of the County's labor force is employed in the service-related sector or in government jobs. According to preliminary information released by the New York State Labor Department (the Quarterly Census of Employment and Wages, developed through a cooperative program between the State of New York and the U. S. Bureau of Labor Statistics.), for 2017, service-related positions accounted for approximately 52.1% of the County's workforce. Other major industries of the County workforce for this same time frame included retail trade, construction and manufacturing, which, combined, were estimated to employ approximately 21.8% of the area workforce. Government related positions for 2017 were estimated to account for approximately 17.5% of the County's workforce. According to the New York State Labor Department (the Quarterly Census of Employment and Wages), for 2017, farm related positions (agriculture, forestry, fishing and hunting) accounted for approximately 0.6% of the County's workforce. See "Economic and Demographic Data," herein.

Demographically, the County may be characterized as an urban, suburban and rural mix. Communities situated in the southwest quadrant of the County are well developed and account for approximately 70% of the County's total population. Much of the County's commercial and industrial base is located in this area including International Business Machine Corporation (IBM), GlobalFoundries, and GAP Inc. Other sections of the County (predominantly in the northeastern portion of the County) are rural with large tracts of land devoted to agriculture. Dairy farms are located primarily in the northern part of the County while produce farms may be found throughout the County. Thoroughbred horse farms and several farms specializing in premium breeds of cattle are situated in the central areas of the County. Currently there is $4.8 billion in development in Dutchess, included residential projects like Silo Ridge, a community of multimillion-dollar homes and amenities in the Town of Amenia. See "Economic and Demographic Data," herein.

Previously the County's largest private employer, IBM Corporation transferred ownership of its East Fishkill site to GlobalFoundries during 2011. Employment at the site is currently estimated to be 2,500, and over the last 18 months, six new manufacturers have been attracted to Dutchess and moved into repurposed buildings previously occupied by IBM. IBM's Poughkeepsie plant, which produces the companies z Systems, and is one of IBM's strategic cloud centers employs approximately 4,100. In 2019, IBM announced that Poughkeepsie would be the location for IBM's first Quantum Computation Center—the site now has three Quantum computers. On November 1, 2011 a PILOT agreement between IBM and the County's Industrial Development Agency ("the County IDA") was signed. The agreement provides certain tax incentives to IBM for five parcels located within the Town of Poughkeepsie. Payments commenced during the 2013 fiscal year and the agreement will remain in effect until expiration on December 31, 2026. See "Matters Affecting Real Property Assessments and Taxes" herein.

GAP Inc., a national retailing company and major County employer, owns and operates a three million square foot logistics campus in the Town of Fishkill adjacent to Interstate 84. The campus serves as their Northeast distribution center for GAP Inc.'s brands including GAP, Old Navy, Banana Republic Athleta and Intermix. In 2014, GAP invested $96 million to turn one of three buildings into a direct fulfillment center, and last year GAP invested $125 million in new construction and equipment. County officials estimate employment to be at 1,300. See also, "Matters Affecting Real Property Assessments and Taxes" herein.

Source: County officials.

**Population Trends**

The County's population is as follows:

| | |
|---|---|
| U.S. Census 1960 .................... | 176,008 |
| U.S. Census 1970 .................... | 222,295 |
| U.S. Census 1980 .................... | 245,055 |
| U.S. Census 1990 .................... | 259,462 |
| U.S. Census 2000 .................... | 280,150 |
| U.S. Census 2010 .................... | 297,488 |
| U.S. Census 2018 (estimated) . | 293,718 |

Source: U.S. Census Bureau, Population Division.

## Larger Employers

| Name | Industry or Business | Number of Employees |
|---|---|---|
| Nuvance | Hospital | 5,600 |
| International Business Machine Corp. | Technology | 4,100 |
| GlobalFoundries/iPark | Manufacturing | 2,500 |
| Bard College | College | 1,800 |
| Mid-Hudson Regional Hospital | Hospital | 1,800 |
| Culinary Institute of America | College | 1,500 |
| Gap Inc. | Warehousing/Distribution | 1,300 |
| Marist College | College | 1,300 |
| Vassar College | College | 1,100 |
| Central Hudson Gas & Electric Corp. | Electric Services | 1,000 |

Source: County officials.

**Selected Wealth and Income Indicators**

Per capita income statistics are available for the County and State. Listed below are select figures from the 2000 Census Reports, 2006-2010 and 2014-2018 American Community Survey 5 Year Estimates.

| | Per Capita Income | | | Median Family Income | | |
|---|---|---|---|---|---|---|
| | 2000 | 2006-2010 | 2014-2018 | 2000 | 2006-2010 | 2014-2018 |
| County of: | | | | | | |
| Dutchess | $ 23,940 | $ 31,642 | $ 38,048 | $ 63,254 | $ 83,599 | $ 78,028 |
| State of: | | | | | | |
| New York | 23,389 | 30,948 | 37,470 | 51,691 | 67,405 | 65,323 |

Note: 2015-2019 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2014-2018 American Community Survey data.

**THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK**

**Unemployment Rate Statistics**

Unemployment statistics are available for the County as such. The information set forth below with respect to the County is included for informational purposes only.

**Annual Average**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| Dutchess County | 7.8% | 6.7% | 5.3% | 4.5% | 4.2% | 4.3% | 3.7% |
| New York State | 8.5% | 7.7% | 6.3% | 5.3% | 4.9% | 4.7% | 4.1% |

**2019-2020 Monthly Figures**

| | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dutchess County | 3.5% | 3.1% | 3.2% | 3.3% | 3.5% | 3.7% | 3.5% | 3.5% | 3.2% | 3.6% | N/A | N/A |
| New York State | 4.1% | 3.6% | 3.8% | 3.8% | 4.1% | 4.2% | 3.7% | 3.9% | 3.6% | 3.7% | N/A | N/A |

Note: Unemployment rates for January and February 2020 are unavailable as of the date of this Official Statement.

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

**Form of County Government**

Pursuant to the provisions of Local Law 1 – 1967, the County adopted a charter form of government in accordance with the provisions of the Municipal Home Rule Law of the State. The effect of the charter was to provide for separate and independent executive and legislative functions. A County executive was first elected in November, 1967 and took office on January 1, 1968 at which time the provisions of Local Law 1 - 1967 became effective.

**Elected Officials**. The County Executive is elected from the County at large for a term of four years with a three term limit. Such County Executive must be a qualified voter of the County at the time of his nomination, election and for his term of office. The County Executive is the Chief Executive Officer responsible for the administration of all County affairs and also acts as the County's Budget Officer which function is delegated to the County's Budget Director. The County Executive is required to approve, in writing, all acts of the County Legislature (except acts affecting the conduct of legislative affairs). If the County Executive fails to return such legislation to the Clerk of the Legislature (with a written explanation) within 10 days (30 days for local laws) after its submission to the County Executive, such legislation is deemed to be approved and duly enacted. A veto of the County Executive may be overridden by a 2/3 vote of the County Legislature if such vote takes place within 30 days of the return of such legislation by the County Executive.

The current County Executive, Marcus J. Molinaro, was elected to be Dutchess County's 5th County Executive in November of 2011 and began his first term on January 1, 2012. In November of 2019, the Executive was reelected and his third term, which commenced on January 1, 2020. County Executive Molinaro was first elected to public office at the age of 18 in 1994, serving as a member of the Village of Tivoli Board of Trustees. In 1995 he was elected Mayor, making him the youngest Mayor in the United States. He was re-elected by Village of Tivoli as Mayor five times. Executive Molinaro has also been elected four times to the Dutchess County Legislature, where he served as Chairman of the Budget, Finance and Personnel Committee and Co-Chairman of the Commission on Child Protection. In addition, Executive Molinaro has served in the New York State Assembly as the representative of the 103rd District.

The County Legislature is the legislative, appropriating and policy determining body of the County and consists of 25 members representing the various legislative districts within the County. Members are elected to serve an unlimited number of 2-year terms. The County Legislature is assisted in its duties by a part-time counsel.

Duties of the Legislature include: review and adoption of the County's annual budget, approval of budgetary modifications during the year and authorization by resolution the issuance of debt by the County. Legislative committees have been organized to oversee various functions of County government. These committees are advisory in nature and formal actions must be approved by a vote of the Legislature as a whole. The leadership of the County Legislature presently (for 2019) is as follows: Chairman of the Board of Legislators (A. Gregg Pulver); Majority Leader (Donna J. Bolner); and Minority Leader (Rebecca Edwards).

The County has an elected Comptroller (Robin L. Lois) who serves a 4-year term with a three term limit. Duties of the Comptroller include auditing the bills and claims presented to the County for payment and conducting audits of the various departments of the County.

Other elected officials include: County Clerk (Bradford Kendall), District Attorney (William V. Grady), and Sheriff (Adrian H. Anderson), who are also elected from the County at large for 4-year terms.

**Appointed Officials.** The Chief Fiscal Officer of the County is the Commissioner of Finance who is appointed by the County Executive and confirmed by the County Legislature. The Commissioner of Finance is responsible for the administration of the financial affairs of the County. Duties of this position include: collecting and disbursing County funds, investing such funds for temporary periods, issuing debt approved by the County Legislature, maintaining accounting records and preparing financial statements therefrom. Heidi Seelbach is the Commissioner of Finance for the County.

The County Attorney advises the County Executive and department heads on various legal matters and prepares contracts and legal papers for the County. In addition, the County Attorney represents the County before the courts. James M. Fedorchak is the present County Attorney.

Subject to confirmation by the County Legislature, the County Executive appoints all department heads and appointive executive officers of the County. The following departments or offices are appointed by and report to the County Executive: Aging, Human Rights, Attorney, Finance, Health, Mental Hygiene, Personnel, Planning, Probation, Public Defender, Public Works, Risk Management, Social Services, Solid Waste Management, Veterans Affairs, Youth Bureau, Consumer Affairs, Emergency Response, Computer Information System and Real Property Tax Service Agency.

See the official website of the County for a further description of the responsibilities of key County officials.

**Services**

Residents of the County receive a full range of services from County government including: higher education (Dutchess Community College); social and health services; highway maintenance and improvements; police protection and law enforcement; parks and recreation; transportation including the County Airport and bus system; planning and development; emergency preparedness; consumer protection; corrections (County Jail); solid waste management (see below); and tax collection and enforcement. The County guarantees 100% of the taxes raised by the towns, villages and school districts in the County.

**Dutchess County Resource Recovery Agency**

THE INFORMATION FOR THIS SECTION HAS BEEN PROVIDED BY THE DUTCHESS COUNTY RESOURCE RECOVERY AGENCY. SUCH DATA HAS BEEN EXTRAPOLATED FROM THE ELECTRONIC MUNICIPAL MARKET ACCESS WEBSITE AND IS BASED ON DATA FROM THE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS DECEMBER 31, 2018 AND 2018 OPERATING DATA FILED IN CONNECTION WITH THE AGENCY'S CONTINUING DISCLOSURE PLEDGE. THE INFORMATION PROVIDED IN THIS SECTION SHOULD BE CONSIDERED UPDATED AS OF THE DATES INDICATED IN THESE FILINGS. ADDITIONAL INFORMATION RELATING TO THE DUTCHESS COUNTY RESOURCE RECOVERY AGENCY CAN BE PROVIDED BY REQUEST OF THE AGENCY, THE COUNTY OR THE COUNTY'S MUNICIPAL ADVISOR.

Dutchess County Resource Recovery Agency (the "Agency") is a body corporate and politic constituting a public benefit corporation, duly created and existing pursuant to Title 13-D of Article 8 of the New York Public Authorities Law and Chapter 43-A of the Consolidated Laws of the State of New York (as amended or supplemented from time to time, the "Act"). The Act authorizes the Agency to collect, receive, transport, process and dispose of solid waste; to design, construct and operate, or to have designed, constructed and operated solid waste management - resource recovery facilities; to sell, directly or indirectly, energy produced by the Facility and materials recovered from the System; to contract with the United States of America and the State with regard to grants and loans and with other municipalities, public corporations, or persons with regard to the collection, processing, or disposal of solid waste and the sale of energy products; to acquire property with the consent of the County Legislature and County Executive by eminent domain; to employ persons and contract with consultants; and to borrow funds to finance the design, construction and operation of solid waste management - resource recovery facilities.

The Agency was created by the New York State Legislature on July 22, 1982 by Chapter 675 of the Laws of 1982.

Since 2012 the County has been established as the local planning unit for solid waste management in the County under State law. As the local planning unit, the County has prepared, approved and published the Dutchess County Local Solid Waste Management Plan (dated December 2012 and covering the planning period 2012 - 2022), which (i) quantifies the solid waste stream in the County; (ii) describes the institutional framework for Solid Waste management; (iii) defines the County's Solid Waste Management System; and (iv) establishes goals for reduction, reuse, recycling and disposal of solid waste. The Solid Waste Management Plan has been approved by the State Department of Environmental Conservation ("NYSDEC"), and is in full force and effect. The Plan is being substantially implemented by the County, although the Agency continues to have a role in the implementation of some portions of the Plan, including the oversight of the Facility.

The Agency owns and through an independent contractor operates a municipal waste–to–energy type resource recovery facility (the "RRF" or the "Facility"); and has contractual arrangements and/or rights for the disposal of ash residue from incineration and materials that cannot be processed at the Facility.

*Agency Board and Staff*

**Agency Board**. Pursuant to the Act, the Agency's decision-making power is vested in its Board of Directors. The Board is composed of seven members, three are appointed by the Dutchess County Executive, three are appointed by the County Legislature and there is one joint appointment. The members of the Board are listed below:

| Name: | Title | Term Expires |
|---|---|---|
| Wayne Nussbickel | Chairman | December 31, 2018 |
| David Petrovits | Vice Chairman | December 31, 2019 |
| Steven Tinkelman | Treasurer | December 31, 2021 |
| Jeffrey Senft | Member | December 31, 2019 |
| Vincent DiMaso | Member | December 31, 2021 |
| Dean Michael | Member | December 31, 2020 |
| Vacant | | |

**Agency Staff.** The Agency's overall operations are managed by the Executive Director of the Agency who is appointed by the Agency Board. The position of Executive Director is currently held by Lindsay Carille, who has held that position since May 2016 and has been affiliated with the Agency since 2009. Ms. Carille holds a degree in Economics. Ms. Carille previously worked as an Economist for the U.S. Department of Labor and between 1999 and 2012, worked as a Planner for Dutchess County. In 2009, she worked with the Agency on a Flow Control Study and starting in 2012, has headed the Dutchess County Division of Solid Waste Management. Ms. Carille was the principal author of the Dutchess County Local Solid Waste Management Plan adopted in 2012. The Agency employs one full-time individual and three part-time individuals who are responsible for various administrative and operational duties. The Agency's finances are supervised by a contracted Certified Public Accountant who is assisted by the Deputy Executive Director.

*Management Discussion of Financial Operations*

Summarized below is a summary of key statistics, operational results and financial results for the years ending December 31, 2014 through December 31, 2018.

**FY 2014** – For the year ended December 31, 2014, the Agency's total revenues (excluding Net Service Fees from the County) increased by $951,707 to $15,654,579. The increase in total revenues is primarily due to a net increase in electrical revenue of $1,111,517 due to a rebate from Central Hudson for avoided costs of higher priced fuels, per the Power Sales Agreement. The portion of the increase in revenues attributed to energy sales were offset by a loss in interest income of $222,085 due to the payoff of the Series 1999A Bonds.

The net service fees received from the County increased by $287,339 to $999,439. The increase is primarily due to the use of trustee held funds in 2013 which were not available thereafter.

The Agency's net assets at December 31, 2014 were $10,691,649, down $1,346,286 from $12,037,935 on December 31, 2013.

**FY 2015 -** For the year ended December 31, 2015, the Agency's total revenues (excluding Net Service Fees from the County) decreased by $1,000,877 to $14,653,702. The decrease in total revenues can be primarily attributed to: i) a decrease in gross electrical revenues received by Central Hudson of $496,881; and ii) a decrease in recycled metals sales of $719,179 due to lower prices (offsetting an increase in tipping fee revenues of $334,826).

Operating expenses for 2015 decreased by $1,616,295 compared to 2014. The decrease in operating expenses is due to a reduction in service fees of $1,165,828 due to Wheelabrator (the current Contractor) under the Agency's new July 2014 Service Agreement.

Although the net service fees accrued from the County decreased by $308,787 to $690,652, the Agency applied unrestricted funds on hand and did not need to use any net service fee funds. The decrease in net service fees is primarily due to a reduction in operating expenses generated under the Agency's new Service Agreement.

The Agency's net assets at December 31, 2015 were $ 9,670,494, down $1,021,155 from $10,691,649 on December 31, 2014.

**FY 2016** - For the year ended December 31, 2016, the Agency's total revenues (excluding Net Service Fees from the County) decreased by $201,733 to $14,451,969. The decrease in total revenues is primarily due to decreases of $426,484 in gross electrical revenue from Central Hudson, $370,570 in tipping fees and $95,316 in metal recycling revenue, but was mitigated by receipt of non-performance damages, grants and other income of $695,672. Decreases can be attributed to a 59-day major turbine overhaul which resulted in no electrical generation and the need to divert 4,432 tons of waste during the extraction and installation of the turbine.

Operating Expenses for 2016 decreased by $784,673 primarily due to a decrease of $416,925 in Professional Services expenses, a decrease of $48,750 in debt service interest and a decrease of $56,246 in Personnel Expenses.

Although the net service fees due from the County decreased by $398,955 to $291,697, the Agency applied unrestricted funds on hand and did not need to use any net service fee funds.

The Agency's net position at December 31, 2016 were $8,814,822, down $855,672 from $9,670,494 on December 31, 2015.

**FY 2017** – For the year ended December 31, 2017, the Agency's total revenues decreased by $271,415 to $14,180,554. The decrease in total revenues is primarily due to decreases of $274,089 in Energy Sales and $114,623 in Other Revenue, but was mitigated by an increase in Recycled Material Sales of $133,841.

Operating Expenses for 2017 decreased by $977,077 primarily due to decreases of $472,853 in Operator Service Fees and $384,821 in Administrative Expenses.

Although the net service fees due from the County decreased by $398,955 to $291,697, the Agency applied unrestricted funds on hand and did not need to use any net service fee funds.

The Agency's net position at December 31, 2017 were $8,000,331, down $814,491 from 8,814,822 on December 31, 2016.

For the year ended December 31, 2017, the Agency's had a net loss of ($814,491). Total operating revenues increased by $105,589 due to increases in tipping fees of $34,659 and recycled materials sales of $133,841 and a decrease in energy sales of $274,089. Operating Expenses for 2017 decreased by $977,007 due to a decrease of 5,499 in residue disposal fees, $472,853 in operator service fees, $384,821 in administrative expense, $94,983 in interest expense and $18,851 in depreciation.

The Agency had Other Income of $157,130, a decrease of $830,239 when compared to 2016. The differences in Other Income versus 2016 included no County Net Service Fee or State Grants received for 2017 and decreases of $31,497 in nonperformance guarantee payments, and $114,623 in other income but an offsetting increase of $11,898 in interest income. The Agency also recognized $1,883,551 in Settlement of Host Community Benefit Accrual with offsetting expenses of $922,793 in Non Performance Expense and $1,333,474 in Net Service Fee Accrual.

**FY 2018** – For the year ended December 31, 2018, the Agency's total revenues decreased by $1,871,588 to $12,308,966. The decrease in total revenues is due to operating revenue decreases of $997,595 in Tipping Fees, $129,994 in Recycle Materials, and $544,794 in Energy Sales and $299,839 in Other Revenue.

Operating Expenses for 2018 decreased by $2,678,050 primarily due to a decrease in Service Fees of $2,743,060.

The Net Service Fee due from the County in 2018 was $351,124.

The Agency's net position at December 31, 2018 was $8,987,646, up $719,828 from $8,267,818 on December 31, 2017, as restated.

**THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK**

| Fiscal Years Ending December 31: | **2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|
| **Operating Results** | | | | | |
| RRF Average MSW Tip Fee ($/ton) | $ 73.55 | $ 73.55 | $ 73.51 | $ 74.28 | $ 77.30 |
| Tonnage Received at RRF (1) | 155,033 | 155,033 | 150,515 | 152,199 | 154,405 |
| **Financial Results** | | | | | |
| Revenue: | | | | | |
| Tipping Fee (1) | 11,092,208 | 11,427,034 | 11,056,120 | 11,090,779 | 10,093,184 |
| Energy Sales (1) | 3,173,765 | 2,676,884 | 2,250,400 | 1,976,311 | 1,431,517 |
| Recycled Materials Sales | 1,263,926 | 544,747 | 449,777 | 583,618 | 453,624 |
| Total Revenues | $ 15,529,899 | $ 14,648,665 | $ 13,756,297 | $ 13,650,708 | $ 11,978,325 |
| Expenses: | | | | | |
| Residue Disposal Fee | $ 2,173,728 | $ 2,131,108 | $ 2,138,643 | $ 2,133,144 | $ 2,623,861 |
| Operator Service Fees | 10,923,869 | 9,758,041 | 9,808,598 | 9,335,745 | 6,592,685 |
| Administrative Expenses | 1,970,130 | 1,858,652 | 1,154,678 | 769,857 | 477,423 |
| Interest Expense | 742,637 | 696,388 | 647,638 | 552,655 | 416,076 |
| Depreciation | 2,189,940 | 1,939,820 | 1,849,779 | 1,830,928 | 1,830,217 |
| Total Expenditures | $ 18,000,304 | $ 16,384,009 | $ 15,599,336 | $ 14,622,329 | $ 11,940,262 |
| Operational Income (Loss) | (2,470,405) | (1,735,344) | (1,843,039) | (971,621) | 38,063 |
| Other Income (Loss): | | | | | |
| County Net Service Fee | 999,439 | 690,652 | 291,697 | - | 351,124 |
| Non-Performance Guarantee Payments | - | - | 473,925 | 442,428 | - |
| State Grants | - | - | 56,654 | - | - |
| Interest Income | 5,330 | 5,037 | 3,914 | 15,812 | 50,317 |
| Other Income (Loss) | 119,350 | - | 161,179 | 46,556 | 280,324 |
| Sale of Fixed Assets | - | - | - | 25,050 | - |
| Settlement of Host Community Benefit Accrual | - | - | - | 1,883,551 | - |
| Non-Performance Expense | - | - | - | (922,793) | - |
| Net Service Fee Accrual (Over-Actual) | - | - | - | (1,333,474) | - |
| Total Other Financing | 1,124,119 | 695,689 | 987,369 | 157,130 | 681,765 |
| Net Income (Loss) | (1,346,286) | (1,039,655) | (855,670) | (814,491) | 719,828 |
| Reserve and Contingency Funds (1): | 248,110 | 241,974 | 192,655 | 398,560 | 153,255 |
| Reserve and Contingency Proceeds | - | - | - | 172,540 | 153,255 |
| Debt Service Reserve in Excess of Requiremen | - | - | - | 226,020 | - |
| Revenue Available for Debt Service (2) | 1,834,401 | 1,838,527 | 1,834,402 | 1,897,940 | 2,768,252 |
| Principal | 925,000 | 975,000 | 1,020,000 | 1,170,000 | 1,015,000 |
| Interest | 742,637 | 696,388 | 647,638 | 555,400 | 517,550 |
| Bond Debt Service | 1,667,637 | 1,671,388 | 1,667,638 | 1,725,400 | 1,532,550 |
| Debt Service Coverage | 1.10 | 1.10 | 1.10 | 1.10 | 1.81 |

Source: 2014-2018 audit reports

(1) Includes: i) Reserve and Contingency Fund proceeds; ii) Debt Service Reserve Fund Proceeds in excess of the Debt Service Reserve Fund Requirement; and iii) proceeds available in the Debt Service Fund.

(2) Revenue available for Debt Service is calculated as follows: total operating revenues plus total other income, Reserve and Contingency Funds and amounts in excess of the Debt Service Reserve Fund Requirement less disposal fees, service fees and adminitrative expenses.

*Management Discussion of 2019 Budget*

The Agency anticipates that it will end the 2019 fiscal year in a balanced budget position. The budget is predicated on receiving 154,000 tons of Municipal Solid Waste into the Facility, producing tip fee revenues of $11,858,000 and electric energy sales of $2,836,680. The 2019 operating budget does not include a Net Service Fee from Dutchess County. The 2019 Budget excludes depreciation and amortization of $1,939,820, as this is a non-cash item.

The table below sets forth a summary of the Agency's 2019 Budget.

| Fiscal Years Ending December 31: | **2019** |
|---|---|
| | Budget |
| REVENUES | |
| Tipping Fees | $ 11,858,000 |
| Electrical Energy Sale | 2,836,680 |
| Metal Recycling Revenue | 625,000 |
| Interest Earnings | 40,000 |
| Special Income | 24,000 |
| Net Service Fee | - |
| Total Revenues | $ 15,383,680 |
| EXPENSES | |
| Personal Services | $ 293,660 |
| Administration | 52,130 |
| Equipment | 21,350 |
| Vehicle Expense | - |
| Buildings/Grounds | - |
| Utilities | 119,590 |
| Travel/Conference | 400 |
| Insurance | 29,200 |
| Service Fees & Other Charges | 10,086,600 |
| Pass Throughs | - |
| Residue Disposal | 3,082,000 |
| Professional Services | 146,500 |
| Debt Service | 1,552,250 |
| Total Expenses | $ 15,383,680 |
| Excess of Revenues Over (Under) Expenditures | $ - |
| Depreciation | $ 1,709,579 |
| Total Expense, Excluding Depreciation | $ 15,383,680 |
| Budget Profit/(Loss) | $ - |

*Litigation and Claims*

In the opinion of Mackey Butts & Wise, LLP, counsel to the Agency, to the best of our knowledge there is no pending litigation or threatened claims which (i) questions the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices, (ii) seeks to restrain or enjoin the issuance or delivery of the bonds or notes or the collection of the revenues pledged to the payment of bonds or notes, (iii) contests or affects the validity of bonds or notes, (iv) in any way contests or affects the collection or the pledge of the revenues pledged to the payment of bonds or notes or contests the powers of the Agency or any agency for the issuance of bonds or notes, or (v) may result in any material adverse change to the Solid Waste System or the financial condition of the Agency.

This response is limited by, and in accordance with, the ABA Statement of Policy Regarding Lawyers' responses to Auditors' Requests for Information (December 1975). Without limiting the generality of the foregoing, the limitations set forth in such Statement on the scope of use of this response (Paragraphs 2 and 7) are specifically incorporated herein by reference: and this response also is qualified in its entirety by Paragraph 5 of the Statement and the accompanying Commentary (which is an integral part of the Statement).

**Dutchess County Water and Wastewater Authority**

THE INFORMATION FOR THIS SECTION HAS BEEN PROVIDED BY TH THE DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY. SUCH DATA HAS BEEN EXTRAPOLATED FROM THE ELECTRONIC MUNICIPAL MARKET ACCESS WEBSITE AND IS BASED ON DATA FROM THE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS DECEMBER 31, 2018 AND 2017 OPERATING DATA FILED IN CONNECTION WITH THE AUTHORITY'S CONTINUING DISCLOSURE PLEDGE. THE INFORMATION PROVIDED IN THIS SECTION SHOULD BE CONSIDERED UPDATED AS OF THE DATES INDICATED IN THESE FILINGS. ADDITIONAL INFORMATION RELATING TO THE DUTCHESS COUNTY RESOURCE RECOVERY AGENCY CAN BE PROVIDED BY REQUEST OF THE AUTHORITY, THE COUNTY OR THE COUNTY'S MUNICIPAL ADVISOR.

The Dutchess County Water and Wastewater Authority (the "Authority") was established in 1991 under the Dutchess County Water and Wastewater Authority Act, now codified as Title 6-C of Article V of the Public Authorities Law of the State (the "Act"), as a body corporate and politic constituting a public benefit corporation. The Act authorizes the Authority, among other things, to provide for the supply and sale of water for domestic, commercial and public purposes at retail to individual consumers within the County or wholesale to municipalities, water districts or district corporations within the County and for the collection, treatment and disposal of sewage within the County. The Authority has no taxing power.

*Trust Indenture*

As of June 1, 1995 the Authority executed a trust indenture authorizing the issuance of debt for the purpose of acquiring a sewage facility. This trust indenture was amended in 2007 to authorize debt issued for Part County Sewer District #1. One supplemental trust indenture was authorized under terms similar to those described in the General Bond Resolution described below for Part County Sewer District #2.

*Special Bond Resolution*

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

*General Bond Resolutions*

As of June 1, 1998 the Authority adopted a General Water 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 twenty supplemental resolutions pursuant to this general bond resolution, authorizing debt issues in the years 1998, 1999, 2000, 2001, two issues in 2002, one issue in 2004, two issues in 2008 and 2009, one issue in 2010, 2011, 2013, 2014, two issues in 2015, and one issue in 2016, 2017 and 2018.

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.

Subsequently, on March 21, 2007, the Authority adopted general bond resolutions pertaining to Part County Sewer Districts No.1 and No. 2, enabling it to issue bonds for upgrades to the Chelsea Cove and Valley Dale Sewer Systems. Prior to this, in 2005 the Authority refinanced bonds previously issued through the New York State Environmental Facilities Corporation for the Chelsea Cove Sewer System.

On December 16, 2015, the Authority adopted a general bond resolution pertaining to Part County Sewer District No. 7, which authorized up to $4,184,000 in notes through the New York State Environmental Facilities Corporation. On February 2 of 2017, $3,752,144 was issued as Bond Anticipation Notes for this District.

On October 18, 2017 the Authority adopted a general bond resolution pertaining to Part County Sewer District #10 authorizing the issuance of bonds through the New York State Environmental Facilities Corporation to replace bonds issued by the Town of Rhinebeck.

*Outstanding Debt and Debt Service Obligations*

Debt Service requirements to maturity as of December 31, 2018:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 2,734,360 | $ 571,305 | $ 3,305,665 |
| 2020 | 2,027,751 | 1,551,069 | 3,578,820 |
| 2021 | 1,972,436 | 1,542,644 | 3,515,080 |
| 2022 | 1,856,777 | 1,686,615 | 3,543,392 |
| 2023 | 1,858,826 | 1,676,891 | 3,535,717 |
| 2024-2028 | 7,184,605 | 8,251,242 | 15,435,847 |
| 2029-2033 | 3,921,340 | 4,813,140 | 8,734,480 |
| 2034-2038 | 3,251,870 | 3,930,531 | 7,182,401 |
| 2039-2043 | 2,517,377 | 1,353,748 | 3,871,125 |
| 2044-2047 | 1,178,559 | 21,656 | 1,200,215 |
| **Totals** | $ 28,503,901 | $ 25,398,841 | $ 53,902,742 |

*Additional Information*

There are no changes to report in regard to any public authorities and local entities whose financial status may have a material impact on the financial status of the Dutchess County Water and Wastewater Authority and Dutchess County (the "County").

Information regarding any public authorities and local entities that may affect the financial status of Dutchess County is provided in the County's annual disclosure (See "Information Regarding County" herein.)

**Other Entities**

Some of the services provided by the cities (2), towns (20) and villages (8) in the County include: highway maintenance, parks and recreation, planning and zoning and subdivision control, police protection, tax assessment and local courts. There are thirteen public school districts located wholly or partially within the County which provide primary and secondary education. The cities, towns, villages, fire districts and school districts have independent debt issuance and taxing powers.

**Employees**

The County provides services through approximately 1,800 full-time and part-time employees. County employees are represented by three collective bargaining units which were recognized by the County or certified by the State. The unions for County employees are the Dutchess County Local #814 of the Civil Service Employees Association, Inc., Dutchess County Sheriff's Employees Association, Dutchess County Deputy Sheriff's Police Benevolent Association, Inc. and Dutchess County Staff Association currently representing 1,531 employees.

The following chart provides information on union membership and contract expiration dates for the various represented County employees:

| Bargaining Unit | Number of Employees Represented | Contract Date Expiration |
|---|---|---|
| CSEA Employees: | | |
| CSEA, Inc., Local #1000 (A.F.S.C.M.E.) | | |
| AFL-CIO, Dutchess County Chapter 814 | 1,145 | December 31, 2020 |
| Dutchess County Sheriff's Employees Association | | |
| -Affiliated with Communication-Workers of | | |
| America, Local #1105 | 250 | December 31, 2021 |
| Dutchess County Deputy Sheriffs – PBA | 103 | December 31, 2023 |
| Dutchess County Staff Association | | |
| NYSUT, AFT, AFL-CIO | 35 | December 31, 2019 (1) |

(1) Currently under negotiations.

Source: County officials.

## Budgetary Procedures

**General Information.** The County budgets, maintains accounting records, and prepares financial statements on a calendar year basis. Dutchess Community College observes a fiscal year ending on August 31.

The County Executive appoints a full-time Budget Director who prepares and files the annual budget in accordance with the provisions of Charter and County Law. During the month of July, budget request forms are sent to the administrative heads of all County departments, and/or authorized agencies. Written estimates of expenses and revenues for the following year must be returned to the Budget Director by September 1. Requests are reviewed with each department head and revisions are made where necessary.

On or before November 1, the County Executive submits a proposed operating and capital budget for the ensuing year and a proposed capital program for the next five fiscal years together with his budget message to the Clerk of the Legislature. Upon their submission, the operating and capital budgets, hereinafter called the County budget, together with a budget message, become public records in the Clerk's office and are available for inspection and distribution.

The proposed County operating budget presents actual expenditures and revenues for the last two completed fiscal years, the adopted and amended budgeted expenditures and revenues of the current fiscal year and appropriations and estimated revenues for the ensuing fiscal year. The capital budget lists all existing projects, their source of funding, funds expended to date, project status and any changes requested. The capital budget also indicates cost estimates and the funding requirements for new projects.

The County Legislature, or various legislative committees designated by it, reviews and holds hearings on the proposed County budget. The attendance by the heads of units or their representatives at such hearings may be required as deemed appropriate by the Legislature.

Not later than December 5 of each year, the County Legislature holds public hearings on the proposed County budget to permit public expression and suggestion. After the conclusion of the public hearings, the Legislature may delete or reduce items of appropriation or anticipated revenue from the proposed County budget, except appropriations required by law for debt service. The Legislature may add items to or increase items in the County budget provided that such additions or increases are separately and distinctly stated.

The County budget with such modifications, if any, must be adopted by resolution of the Legislature not later than December 10 of each year. The budget as submitted by the County Executive is deemed to be the adopted budget if the Legislature takes no action by December 10 of each year.

If the County budget, as submitted by the County Executive, is adopted by resolution of the Legislature with no changes, it is deemed to have been adopted without any further action by the County Executive. If the County budget adopted by the County Legislature, contains modifications it must be returned to the County Executive for examination and reconsideration. The County Executive may approve all modifications made by the County Legislature, in which event the budget and the County Executive's approval are transmitted to the Clerk of the Legislature.

If the County budget, as modified, is not returned by the County Executive to the Clerk to the Legislature with his objections within five working days after presentation by the Clerk of the Legislature, then such budget, as modified, shall be deemed adopted. If the County Executive objects to any modification to the budget, he must return the budget and a statement setting forth his objections and reason therefore to the Clerk of the Legislature within five days after receiving the budget from the Legislature. The Legislature must reconsider and approve the budget no later than December 21 of each year. A two-thirds (66.6%) vote of the Legislature is needed to override the objections of the County Executive.

Budgetary control is the joint responsibility of the Budget Director and the County Comptroller who monitor appropriations. The County Legislature must approve any amendments to the budget as well as transfers between functional categories of expenditure. Appropriation transfers within a department or functional category may be made by the County Executive. The County operates on an encumbrance accounting system based on allocations wherein all purchase orders are encumbered. No expenditures may be made unless they are included as part of an allocation. The Commissioner of Finance may not disburse money unless there is an appropriation and sufficient allocation for the purpose of the disbursement. Appropriations in governmental funds lapse at the end of the fiscal year, however, outstanding encumbrances are re-appropriated in the succeeding year.

**Overview of the 2019 Adopted General Fund Budget.** The 2019 County budget was adopted on December 6, 2018 by the Dutchess County Legislature. The budget provided for total General Fund spending of $469,124,405 which is approximately 4.7% higher than the County's 2018 adopted (original) General Fund budget. Under this budget, the real property tax levy was decreased by $27,894 compared to 2018. The tax rate was decreased by $0.09 to $3.45 compared to the 2018 tax rate of $3.54. The General Fund budget for 2019 was balanced with an appropriation of approximately $18.5 million in fund balance and reserves. In addition, the 2019 budget operates within the parameters of the State imposed tax cap. See "The Tax Levy Law," herein.

Highlights of the County's 2019 budget included the following points:

- The 2019 budget included a reduction in the property tax levy of $27,894, which marks the fifth consecutive reduction. In addition, the tax rate for 2019 was reduced by $0.09 to $3.45.
- The State's property tax cap of 2% or the rate of inflation, whichever is lower, was established by Chapter 97 of the Laws of 2011, and applies to all local governments in New York State. Exceeding this cap would require approval from two-thirds of the County Legislature. For 2019, the County's tax levy was below the cap. See "tax Levy Limitation Law," herein.
- For 2019, sales tax is projected to increase by $9.3 million, or by 4.9%, compared to the 2018 adopted budget.
- Workforce costs for 2019, including salaries and fringe benefits for all county employees, are 3.3% higher compared to the 2018 modified budget.
- Approximately 70% of the County's annual costs are mandated for certain programs and services. For 2019, some of the mandated costs included $41.3 million for Medicaid, $13.3 million for children's services, $4.3 million for Safety Net, $11.4 million for the Preschool Special Education and Early Intervention Programs, and over $38.5 million relating to the County jail. The remaining 30% of costs are considered discretional, and includes several government functions the are critical, such as health and mental health services, sheriff road patrols, road repair, snow removal, public transportation, 911 dispatch, and senior services
- The 2019 adopted budget was balanced with a total appropriation of $19.5 million in fund balance and reserves. Of this amount, approximately $14.5 million correlated to the General Fund, $0.8 million correlated to the Road Fund, $0.2 million correlated to the Machinery Fund, and $4.0 million through the use of debt reserves.

**Overview of the 2020 Adopted General Fund Budget.** The 2020 County budget was adopted on December 5, 2019 by the Dutchess County Legislature. The budget provided for total General Fund spending of $480,131,552 which is approximately 2.35% higher than the County's 2019 adopted (original) General Fund budget. Under this budget, the real property tax levy for all funds was decreased by $1,003,489 compared to 2019. The tax rate was decreased by $0.18 to $3.27 compared to the 2019 tax rate of $3.45. The General Fund budget for 2020 was balanced with an appropriation of approximately $18.3 million in fund balance and reserves. In addition, the 2020 budget operates within the parameters of the State imposed tax cap. See "The Tax Levy Law," herein.

Highlights of the County's 2020 budget included the following points:

- The 2020 budget included a reduction in the property tax levy of $1,003,489, which marks the sixth consecutive reduction. In addition, the tax rate for 2020 was reduced by $0.18 to $3.27.
- The State's property tax cap of 2% or the rate of inflation, whichever is lower, was established by Chapter 97 of the Laws of 2011, and applies to all local governments in New York State. Exceeding this cap would require approval from two-thirds of the County Legislature. For 2020, the County's tax levy was below the cap. See "tax Levy Limitation Law," herein.
- For 2020, sales tax is projected to increase by $11.5 million, or by 5.8%, compared to the 2019 adopted budget.
- Workforce costs for 2020, including salaries and fringe benefits for all county employees, are 0.2% higher compared to the 2019 adopted budget.
- Approximately 70% of the County's annual costs are mandated for certain programs and services. For 2020, some of the mandated costs included $40.6 million for Medicaid, $9.6 million for children's services, $5.2 million for Safety Net, $12.7 million for the Preschool Special Education and Early Intervention Programs, and $33.5 million relating to the County jail. The remaining 30% of costs are considered discretional, and includes several government functions the are critical, such as health and mental health services, sheriff road patrols, road repair, snow removal, public transportation, 911 dispatch, and senior services
- The 2020 adopted budget was balanced with a total appropriation of $18.3 million in fund balance and reserves. Of this amount, approximately $13.8 correlated to the General Fund and $4.5 million through the use of debt reserves.

## Investment Policy

The County's policy applicable to the investment of all moneys and financial resources is based upon various provisions of the County Charter and the Administrative Code of the County as well as the requirements set forth in the General Municipal Law. Pursuant to the County Charter, the County Executive by special order annually designates the authorized depositories of the County. The Commissioner of Finance is responsible for the County's investment program and has established operating procedures consistent with guidelines contained in the laws of the County and State. All investments must conform to the applicable requirements of law and provide for: the safety of the principal; sufficient liquidity; and a reasonable rate of return. The County reviews its investment policy annually.

**Authorized Investments**. The County Executive has designated seven banks or trust companies, which are located and authorized to conduct business in the State, and one investment cooperative to receive deposits of money, including special time deposits and certificates of deposit. A maximum deposit limits has been specified for each bank or trust company. For 2019 the specified limits ranged from $5 million up to $150 million.

In addition to bank deposits, the County is permitted to invest moneys in any investment or obligation authorized by Section 11 of the General Municipal Law. The County's Commissioner of Finance, however restricts County investments to: bank time deposits and certificate of deposit, direct obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America or repurchase agreements. Repurchase agreements are subject to the following restrictions, among others: all repurchase agreements are subject to a master repurchase agreement; trading partners are limited to authorized depository banks and one primary reporting dealer as designated by the Federal Reserve Bank of New York, securities may not be substituted; and the custodian for a repurchase security must be a party other than the trading partner. All purchased obligations, unless registered or inscribed in the name of the County, must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to conduct business in the State. Reverse repurchase agreements are not allowed under State law.

**Collateral Requirements**. All County deposits in excess of the applicable insurance coverage provided by the Federal Deposit Insurance Act must be secured in accordance with the provisions of and subject to the limitations of Section 4.06 of the County Charter. Such collateral must consist only of "eligible securities" (as defined in the General Municipal Law) which the County limits to the following classes of obligations:

1) Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.
2) Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market Value of the obligation that represents the amount of the insurance or guaranty.
3) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of such State or obligation of any public benefit corporation which, under a specific State statute may be accepted as security for deposit of public moneys.
4) In lieu of or in addition to the deposit of eligible securities, the officers making a deposit may, in the case of an irrevocable letter of credit issued in favor of the local government by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, accept such letter of credit payable to such local government as security for the payment of one hundred percent of the aggregate amount of public deposits from such officers and the agreed upon interest, if any.

Eligible securities pledged to secure deposits must be held by the depository or third-party bank or trust company pursuant to written security and custodial agreements. The County's security agreements provide that the aggregate market value of pledged securities must equal at least 102% the principal amount of deposit, the agreed upon interest, if any, and any costs or expenses arising from the collection of such deposits in the event of a default. Securities not registered or inscribed in the name of the County must be delivered, in a form suitable for transfer or with an assignment in blank, to the County or its designated custodial bank. The custodial agreements used by the County provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not, under any circumstances, be commingled with or become part of the backing for any other deposit or liability. The custodial agreement must also provide that the custodian shall confirm the receipt, substitution or release of the collateral, the frequency of revaluation of eligible securities and the substitution of collateral when a change in the rating of a security may cause ineligibility.

## Revenues

The County derives its revenues primarily from sales and use taxes, real property taxes, State aid, Federal aid and departmental fees and charges. A summary of such revenues for the years 2014 through 2018 is presented in Appendix A, hereto. Information for said fiscal years has been excerpted from the County's audited financial reports, however, such presentation has not been audited.

**Property Taxes.** The following table sets forth the percentage of General Fund revenue of the County comprised of real property taxes and real property tax items for each of the years 2014 through 2018, and the amount included in the 2019 and 2020 adopted budgets.

| Fiscal Year | Total Revenues [1] | Total Real Property Taxes & Tax Items | Percentage of Total Revenues Consisting of Real Property Tax & Tax Items |
|---|---|---|---|
| 2014 | $430,266,839 | $107,102,979 | 24.89% |
| 2015 | 437,900,669 | 107,242,325 | 24.49 |
| 2016 | 433,425,639 | 107,312,291 | 24.76 |
| 2017 | 437,530,872 | 105,596,222 | 24.13 |
| 2018 | 455,626,559 | 107,314,510 | 23.55 |
| 2019 (Budgeted) | 455,998,168 | 100,722,355 | 22.09 |
| 2020 (Budgeted) | 467,932,100 | 99,664,476 | 21.30 |

(1) Excludes other financing sources.

Source: Audited financial statements for the 2014 fiscal year through and including the 2018 fiscal year, and budgets of the County for the 2019 and 2020 fiscal years. This table is not audited.

**Tobacco Revenue.** Pursuant to the Master Settlement Agreement entered into by various states, including the State, and participating tobacco companies and the Consent Decree and Final Judgment in the matter of New York State et al. v. Philip Morris et al., the County is entitled to receive annual payments from said tobacco companies.

The County elected to securitize its tobacco revenue by selling its right, title and interest in such revenue to the Dutchess Tobacco Asset Securitization Corporation (the "Corporation"), a not-for-profit corporation formed under the laws of the State to effect this transaction. In connection with the securitization of the County's tobacco revenue, the New York Counties Tobacco Trust ("NYCTT") III and V were formed to facilitate the securitization process. Pursuant to the New York Counties Tobacco Trust Indentures III and V, the Corporation sold its Tobacco Settlement Asset-Backed Bonds, in the approximate amount of $74.0 million. The Corporation pledged and assigned its right to the tobacco revenue acquired from the County as security for its bonds.

On October 20, 2015, the New York State Attorney General announced a settlement with various participating and non-participating tobacco companies regarding disputed payments. The terms of the agreement resulted in a cash payment to the State, New York City and Counties totaling approximately $550 million, which was paid earlier this year. Since this payment was pledged to the Corporation's bond holders the estimated payout to the Corporation (not the County) was approximately $2.75 million which benefited holders of certain Corporation bonds. Additional information regarding the details of the settlement may be obtained by contacting the Corporation or the County's Financial Advisor.

NYCTT VI was formed in 2016 to facilitate the exchange and refunding of certain outstanding bonds including the bonds issued by the Corporation as part of NYCTT III and V. NYCTT VI bonds issued by the Corporation replace the NYCTT III bonds and remove the call feature. In addition, a portion of the Corporation's NYCTT V bonds have been defeased as part of NYCIT VI. A portion of the NYCTT V bonds remain outstanding and are subordinate to the NYCTT VI bonds.

The County received $1 million as part of NYCIT VI which was used to pay for capital improvements.

See "Notes to the Financial Statements – Note 13 (DTASC Debt)" starting on page 74 of the Audited Financial Statements for the year ended December 31, 2018.

At December 31, 2018, the audited ending fund balance of the Corporation was $3,413,255. See "Statement of Revenues, Expenditures, and Changes in Fund Balances" on page 18 of the audited financial statements for the year ended December 31, 2018.

**Grants, State and Federal Aid.** The County receives revenue from various grants in addition to the State and Federal governments for general and various other purposes. A significant portion of this revenue relates to reimbursements for social service and mental health expenditures.

The State is not constitutionally obliged to maintain or continue State aid to the County. No assurance can be given that present State aid levels will be maintained in the future. In view of the State's continuing budget problems, future State aid reductions may occur. In addition, historic changes in Federal entitlement programs could eventually lead to increased local contributions from the County. State or Federal budgetary restrictions which eliminate or substantially reduce aid payments could have a material adverse effect upon the County requiring either a counterbalancing increase in revenues from other sources to the extent available (primarily property taxes); or a curtailment of expenditures to extent permissible.

The following table presents the unaudited amount of Federal and State aid received by the County in the five most recent completed fiscal years and the amount included in the County's adopted budget for 2020.

| Fiscal Year | Federal Aid | State Aid | Total Federal and State Aid | Percentage of General Fund Revenues |
|---|---|---|---|---|
| 2014 (Unaudited) | $ 34,170,440 | $ 71,527,832 | $ 105,698,272 | 24.6% |
| 2015 (Unaudited) | 37,494,130 | 75,988,399 | 113,482,529 | 25.9 |
| 2016 (Unaudited) | 33,927,036 | 73,620,080 | 107,547,116 | 25.1 |
| 2017 (Unaudited) | 37,698,946 | 74,561,647 | 112,260,593 | 25.7 |
| 2018 (Unaudited) | 38,208,101 | 75,647,703 | 113,855,804 | 25.4 |
| 2019 (Budgeted) | 38,003,244 | 78,959,467 | 116,962,711 | 25.6 |
| 2020 (Budgeted) | 37,838,930 | 81,077,938 | 118,916,868 | 25.4 |

**Sales Tax.** Section 1210 of the New York Tax Law authorizes the County to impose a sales tax of up to 3.75%, in addition to the 4.25% tax imposed by the State. Such taxes are collected and administered by the State Tax Commission and the proceeds are paid monthly to the County.

The current 3.75% sales tax is a result of a 0.75% tax rate increase which became effective on June 1, 2003. Pursuant to Chapter 528 of the Laws of 2007, the State Legislature authorized a two-year extension of the 0.75% increase in the County's sales tax rate. The County Legislature amended the 1975 resolution enacting the County's sales tax by resolution 207259 which was signed by the County Executive on September 20, 2007. The additional 0.75% sales tax rate continues.

The County's 2013 budget capped the amount of sales tax that distributed to municipalities in the County to $25 million for the 2013 and future fiscal years. This cap resulted in municipalities receiving approximately 85% of the sales tax previously received. To offset the impact to local municipalities, Dutchess County Government absorbed half of the 2011 and 2012 election costs due to be paid to the County and assumed full cost of elections starting in 2013. In connection with the distribution cap, the County implemented various grants to locally spur shared services. The distribution cap remains in effect for the 2020 fiscal year.

The following table sets forth the percentage of General Fund revenue of the County comprised of sales and use tax for each of the years 2014 through 2018 and the amount of such revenue included in the 2019 and 2020 adopted budgets:

| Fiscal Year | Total Revenues [(1)] | Gross Sales and Use Tax Revenue [(1)] | Percentage of Total Revenues Consisting of Real Property Tax & Tax Items |
|---|---|---|---|
| 2014 | $430,266,839 | $175,811,195 | 40.86% |
| 2015 | 437,900,669 | 176,781,835 | 40.37 |
| 2016 | 433,425,639 | 179,795,180 | 41.48 |
| 2017 | 437,530,872 | 184,155,859 | 42.09 |
| 2018 | 455,626,559 | 199,614,941 | 43.81 |
| 2019 (Budgeted) | 455,998,168 | 199,511,000 | 43.75 |
| 2020 (Budgeted) | 467,932,100 | 211,137,076 | 45.12 |

[(1)] Excludes other financing sources.

### Pension Payments

Substantially all employees of the County are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS is generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems.

The ERS is non- contributory with respect to members hired prior to July 27, 1976 (Tier 1 & 2); members hired from July 27, 1976 through December 31, 2009 (Tier 3 & 4) contribute 3% for the first 10 years of service and then become non-contributory; members hired from January 1, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

The PFRS is non- contributory with respect to members hired prior to January 8, 2010 (Tier 1, 2 & 3); members hired from January 9, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

For both ERS & PFRS, Tier 5 provides for:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw pension form 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at $15,000 per year, and for police & firefighters at 15% of non-overtime wages.

For both ERS & PFRS, Tier 6 provides for:

- Increase contribution rates of between 3% and 6% base on annual wage
- Increase in the retirement age from 62 years to 63 years
- A readjustment of the pension multiplier
- A change in the period for final average salary calculation from 3 years to 5 years

The County's payments since the 2014 fiscal year have been as follows:

| Calendar Year Payment Made: | NYS Fiscal Year Ending: | Total Payment (Invoice Amount) | College Portion | County Portion |
|---|---|---|---|---|
| 2019 | 3/31/2020 | $20,025,887 | $1,755,028 | $18,270,859 |
| 2018 | 3/31/2019 | 19,174,100 | 1,636,470 | 17,537,630 |
| 2017 | 3/31/2018 | 19,547,828 | 1,635,664 | 17,912,164 |
| 2016 | 3/31/2017 | 19,172,554 | 1,521,558 | 17,650,996 |
| 2015 | 3/31/2016 | 19,796,768 | 1,711,698 | 18,085,070 |
| 2014 | 3/31/2015 | 22,241,748 | 1,882,029 | 20,359,719 |

Source: County officials. Table itself is not audited.

The New York State Retirement System allows municipalities to make employer contribution payments in December of each year, at a discount, or the following February, as required. The County generally opts to make its pension payments in December in order to take advantage of the discount. The most recent payment was made in December 2019

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The County does not have any early retirement incentives outstanding.

*Historical Trends and Contribution Rates:* Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and PFRS rates (2016 to 2020) is shown below:

| Year | ERS | PFRS |
|---|---|---|
| 2016 | 18.2% | 24.7% |
| 2017 | 15.5 | 24.3 |
| 2018 | 15.3 | 24.4 |
| 2019 | 14.9 | 23.5 |
| 2020 | 14.6 | 23.5 |

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

Stable Rate Pension Contribution Option: The 2013-14 Adopted State Budget included a provision that authorized local governments, including the County, with the option to "lock-in" long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. For 2014 and 2015 the rate is 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years.

The County is not amortizing or smoothing any pension payments nor does it intend to do so in the foreseeable future.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the County's employees is not subject to the direction of the County. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the County which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

**Other Post-Employment Benefits**

*Healthcare Benefits*. It should also be noted that the County provides post-retirement healthcare benefits to various categories of former employees. These costs may rise substantially in the future. Accounting rule, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires governmental entities, such as the County, to account for post-retirement healthcare benefits with respect to vested pension benefits. GASB 75 replaced GASB 45 as described below.

*OPEB*. Other Post-Employment Benefits ("OPEB") refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

*GASB 75*. In 2015, the GASB released new accounting standards for public other postemployment benefits (OPEB) plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. For the fiscal year ended December 31, 2018, the County implemented GASB 75. The implementation of this statement requires municipalities to report Other Post-Employment Benefits ("OPEB") liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required municipalities to calculate and report a net other postemployment benefit obligation. However, under GASB 45 municipalities could amortize the OPEB liability over a period of years, whereas GASB 75 requires municipalities to report the entire OPEB liability on the statement of net position.

*Summary of Changes from the Last Valuation.* The County contracted with Armory Associates, LLC to calculate its first actuarial valuation under GASB 75 for the fiscal year ended December 31, 2018. Prior valuations performed under GASB 45 guidelines have not been restated and are not reflected in historic exhibits.

The following outlines the changes to the County's governmental activities total OPEB Liability during the fiscal year, by source.

| | |
|---|---|
| Balance at December 31, 2017: | $ 367,611,394 |
| Changes for the year: | |
| Service cost | 12,937,349 |
| Interest | 14,242,764 |
| Differences between expected and actual experience | - |
| Changes of benefit terms | - |
| Changes in assumptions | 23,150,690 |
| Benefit payments (including implicit subsidy) | (7,512,046) |
| Net Changes | 42,818,757 |
| Balance at December 31, 2018: | $ 410,430,151 |

Source: Audited Financial Statements for fiscal year ended December 31, 2018. Table itself is not audited.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

The County's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the County's finances and could force the County to reduce services, raise taxes or both.

GASB 45. Prior to GASB 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" ("GASB 45"), required municipalities and school districts to account for OPEB liabilities much like they already accounted for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts do not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 did not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") was required to be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributed an amount less than the ARC, a net OPEB obligation would result, which was required to be recorded as a liability on its financial statements.

GASB 45 did not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. Beginning with audited fiscal year 2007, the County was in compliance with the requirements of GASB 45 when it was in place.

For prior valuations, the County has contracted with an actuarial firm to prepare its post-retirement benefits valuation in accordance with GASB 45. Based on the most recent actuarial evaluation, the following tables shows the components of the County's annual OPEB cost, the amount actuarially contributed to the plan, changes in the County's net OPEB obligation and funding status for the fiscal years ending December 31, 2016 and 2017:

| ***Actuarial Accrued Liability and Annual OPEB Cost*** | ***2016*** | ***2017*** |
|---|---|---|
| Annual required contribution (ARC) | $ 23,026,034 | $ 29,739,155 |
| Interest on net OPEB obligation | 1,691,080 | 6,524,619 |
| Adjustment to ARC | (6,655,890) | (6,660,085) |
| Annual OPEB cost (expense) | 18,061,224 | 29,603,689 |
| Contributions made | (5,824,738) | (8,577,106) |
| Increase in net OPEB obligation | 12,236,486 | 21,026,583 |
| Net OPEB obligation - beginning of year | 174,181,204 | 186,417,690 |
| Net OPEB obligation - end of year | $ 186,417,690 | $ 207,444,273 |
| Percentage of annual OPEB cost contributed | 32.25% | 28.97% |

| *Funding Status:* | ***2016*** | ***2017*** |
|---|---|---|
| Actuarial Accrued Liability (AAL) | $ 280,466,321 | $ 380,372,020 |
| Actuarial Value of Assets | 0 | 0 |
| Unfunded Actuarial Accrued Liability (UAAL) | $ 280,466,321 | $ 380,372,020 |
| Funded Ratio (Assets as a Percentage of (AAL) | 0.0% | 0.0% |

Source: 2016 and 2017 Annual Financial Reports. The above table is not audited.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The County has reserved $0 towards its OPEB liability. The County funds this liability on a pay-as-you-go basis.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there were no restrictions on the amount a government can deposit into the trust. The proposal for an optional investment pool for OPEB liability was not adopted in prior State legislative sessions. It is not known if the legislation will be reintroduced and enacted into law in a future session.

## Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Bonds are to be issued, is the County Law and the Local Finance Law.

The County is in compliance with the procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of this County is past due.

The fiscal year of the County is January 1 through December 31.

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the County.

## Financial Statements

The County retains an independent certified public accountant firm for a continuous independent audit of all financial transactions of the County. The financial affairs of the County are also subject to annual audits by the State Comptroller. The last independent audit covers the fiscal year ending December 31, 2018, and is attached hereto as "APPENDIX – D".

The County complies with the Uniform System of Accounts as prescribed for counties in New York State by the State Comptroller. This System differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending December 31, 2003, the County is required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis. The County hired an outside consultant to assist in implementation of GASB 34, inclusive of a physical review and documentation of all assets owned by the County. The County is currently in full compliance with GASB 34.

**New York State Comptroller Report of Examination**

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the County has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

There are no recent State Comptrollers audits of the County nor any that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

**The State Comptroller's Fiscal Stress Monitoring System**

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past three years for the County are as follows:

| Fiscal Year Ending In | Stress Designation | Fiscal Score |
|---|---|---|
| 2018 | No Designation | 12.9% |
| 2017 | No Designation | 3.3% |
| 2016 | No Designation | 0.0% |

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein, nor inclusion herein by reference.

## TAX INFORMATION

**Taxable Assessed Valuations**

| Fiscal Year Ending December 31: | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Taxable Assessed Valuations | $ 27,840,172,374 | $ 27,994,077,537 | $ 28,598,948,610 | $ 29,160,811,061 | $ 30,351,765,395 |
| State Equalization Rates | 94.59% | 94.09% | 95.20% | 94.61% | 94.12% |
| Taxable Full Valuations | $ 29,432,468,944 | $ 29,752,447,164 | $ 30,040,912,405 | $ 30,822,123,519 | $ 32,247,944,534 |

**Real Property Taxes, Assessments and Rates**

| Fiscal Year Ending December 31: | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Tax Levy: | | | | | |
| County | $ 107,577,694 | $ 106,070,429 | $ 106,383,899 | $ 106,254,847 | $ 105,273,975 |
| Town | 149,889,790 | 154,288,859 | 155,404,895 | 163,572,082 | 165,415,949 |
| School | 24,332,462 | 25,782,474 | 23,675,953 | 23,058,180 | 23,687,790 |
| Other Relevies & Charges | 5,885,352 | 6,345,214 | 5,446,455 | 5,943,484 | 4,260,028 |
| Total | $ 287,685,298 | $ 292,486,976 | $ 290,911,202 | $ 298,828,593 | $ 298,637,742 |
| Tax Rate | $ 3.68 | $ 3.60 | $ 3.54 | $ 3.45 | $ 3.27 |
| Taxes Collected: | | | | | |
| Current Year | $ 275,382,304 | $ 281,166,837 | $ 281,827,103 | $ 290,246,397 | $ 291,653,054 |
| Prior Years | 14,785,652 | 14,292,016 | 12,800,043 | 10,410,724 | 9,504,267 |
| Total | $ 290,167,956 | $ 295,458,853 | $ 294,627,146 | $ 300,657,121 | $ 301,157,321 |
| Percent Collected: | | | | | |
| Current Levy | 95.72% | 96.13% | 96.88% | 97.13% | 97.66% |
| Total Taxes to Levy | 100.86% | 101.02% | 101.28% | 100.61% | 100.84% |
| Taxes Uncollected End of Year: | $ 49,487,427 | $ 44,594,427 | $ 40,383,380 | $ 40,997,324 | $ 39,126,639 |

**Tax Collection Procedure**

**General Information.** The procedures and methods for levying, collecting and enforcing real property taxes are governed by the Real Property Tax Law. Accordingly, real property taxes for county, town or city purposes are levied and become a lien on January 1. The County real property tax is billed and initially collected by the respective towns and cities in the County. The towns satisfy the full amount of their tax levies from the first moneys collected and remit all amounts received thereafter to the County. At the end of the collection period, the towns transmit a listing of unpaid taxes to the County for collection and enforcement. Cities, on the other hand, must pay the County the full amount of the County taxes levied in the city by the end of their collection period. County taxes remaining unpaid on this date are enforced by the cities in the same manner as unpaid city taxes.

**Tax Collection Procedures.** Except as thereafter noted, the following procedures apply to the collection of real property taxes in the towns of the County. Real property taxes are due in a single payment which may be made during the months of January and February without penalty. A penalty of 1% for each month or fraction thereof, computed from February 1, is added to all tax payments received on or after March 1. The collection period for real property taxes ends May 31. A listing of unpaid taxes is transmitted to the County for collection and enforcement. The County adds a 5% penalty to the amount of unpaid taxes. Interest accrues at a minimum rate of 12% per annum.

The Towns of Hyde Park, Poughkeepsie and Wappinger have authorized the installment method of paying real property taxes. As a result, different penalty rules and collection periods apply in these towns. A 2% penalty is assessed on late payments made between March 1 and May 31 and 4% penalty applies from June 1 until August 31 the last day that tax payments are accepted by the three aforementioned towns. The listing of unpaid taxes is transmitted to the County on or about September 1. A 5% penalty is added to unpaid taxes. Interest accrues at a minimum rate of 12% per annum.

Real property taxes in the City of Poughkeepsie may be paid in quarterly installments subject to a 2% collection fee commencing on February 15. A 5% penalty is added to any quarterly payment made more than 30 days after its scheduled due date.

The City of Beacon collects real property taxes in a single payment due on February 1. Payments may be made between February 1 and March 2 without penalty. A 1% penalty applies to payments received from March 3 until March 31. The penalty increases by 1/2% for each month or fraction thereof through December 31.

**Tax Enforcement Procedures.** In accordance with the provisions of the Real Property Tax Law, the County enforces the collection of taxes for all taxing jurisdictions with the exception of the cities of Beacon and Poughkeepsie. The County also guarantees the payment of all taxes it enforces. According to statute, the County must enforce and guarantee town taxes and non-city school taxes. The County has extended these services to the villages in the County for village taxes levied in 1997 and thereafter.

The City of Beacon and the City of Poughkeepsie enforce all taxes levied within their borders and must also guarantee the payment of County taxes. Accordingly, the County receives 100% of the County taxes levied in such cities by December 31 of each year.

Unpaid school taxes for non-city school districts are transmitted to County on or about November 15, or each year. Such taxes are relevied by County on January 1 of the next calendar year. Amounts so relevied are collected and enforced as County taxes. The County must pay the school districts the full amount of their unpaid taxes returned to the County for collection and enforcement by April 1. The villages send a listing of their unpaid taxes to the County on or about November 15. The County re-levies these items the following January 1, and remits the full amount of the unpaid taxes to villages by April 1. For the fiscal year ended December 31, 2018, the County collected approximately $300,657,122 in property taxes (including $10,410,274 from prior years). A balance of approximately $40,997,324 in real property taxes remained uncollected (including interest, penalties and liens). For 2018 the County paid $31,532,925, including installments to various school districts, villages and fire districts in settlement of unpaid taxes. Although the County also guarantees the payment of town taxes, no payment to these jurisdictions is required because the towns retain the first moneys collected from a joint County and town tax bill. Amounts collected by the towns in excess of their levies are paid to County through the date on which the tax warrant expires.

A "List of Delinquent Taxes" must be filed in the office of the County Clerk 10 months after the lien date (January 1) and accordingly, such a list is filed on or about November 1. The filing of the list creates a Notice of Pendency against the parcels included on the list and serves as public notice of a tax lien on the applicable properties. Property owner may redeem the tax lien by paying the County the amount of taxes with interest at 12% per annum to the redemption date. In addition, the property owner generally must reimburse the County for expenses, including statutory interest thereon, incurred in connection with the enforcement proceedings. Such payments may be made prior to the expiration of the statutory redemption period.

The County forecloses tax liens pursuant to the in-rem procedures set forth in Article II, Title 3 of the Real Property Tax Law. Changes to foregoing section of law in 1995 eliminated tax sale proceedings and reduced the period for redeeming tax liens to two years from the lien date. The County elected to implement the new procedures on a phased-in basis, and began to fully apply these procedures in 1998.

The County commences foreclosure proceeding by filing a "Petition of Foreclosure" in the State Supreme Court three months prior to the expiration of the redemption period. The petition must also be filed with the County Clerk after which a "Notice of Foreclosure" is published in the newspaper over a two-month period. At the end of the redemption period, the court will award title on the various properties to the County. Property acquired through foreclosure is auctioned to highest bidder and title transferred by quit claim deed.

## Constitutional Tax Margin

The amount that may be raised by the County-wide tax levy on real estate in any year for purposes other than for debt service on County indebtedness, is limited to one and one-half per centum (subject to increase up to two per centum by the State Legislature) of the average full valuation of taxable real estate in the County.

See also "Tax Levy Limitation Law" for applicable statutory limitation on the County tax levy.

The table on the following page sets forth such real estate taxing limit of the County for the years December 31, 2016 through 2020:

| Fiscal Year Ending December 31: | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Five Year Average Full Valuation………… | $ 30,156,360,330 | $ 29,727,697,915 | $ 29,605,131,972 | $ 29,854,496,258 | $ 30,459,179,313 |
| Tax Limit - (1.5%)………………………… | 452,345,405 | 445,915,469 | 444,076,980 | 447,817,444 | 456,887,690 |
| From Limit: | | | | | |
| Total Tax Levy……………………………… | 106,995,103 | 106,790,185 | 106,594,333 | 106,522,372 | 105,734,330 |
| Less: Exclusions from Tax Limit………… | 19,932,980 | 18,477,793 | 16,471,975 | 19,207,415 | 19,871,107 |
| Tax Levy Subject to Tax Limit………………… | 87,062,123 | 88,312,392 | 90,122,358 | 87,314,957 | 85,863,223 |
| Constitutional Tax Margin………………… | $ 365,283,282 | $ 357,603,077 | $ 353,954,622 | $ 360,502,487 | $ 371,024,467 |
| Percent Taxing Power Exhausted………… | 19.25% | 19.80% | 20.29% | 19.50% | 18.79% |

## Underlying Tax Rate Per $1,000

| Municipality | County | Town | City or Village | School District Range | Total Overall Range | Equalization Rate |
|---|---|---|---|---|---|---|
| Beacon C | $ 3.26 | $ - | $ 7.64 | $ 15.42 | $ 26.32 | 100.00% |
| Poughkeepsie C | 3.26 | - | N/A | 15.77 | 19.03 | 100.00% |
| Amenia T | 3.26 | 1.97 | - | 11.18-21.57 | 16.41-26.80 | 100.00% |
| Beekman T | 3.30 | 1.96 | - | 24.24-32.30 | 29.50-37.56 | 99.00% |
| Clinton T | 3.26 | 2.17 | - | 13.30-22.99 | 18.73-28.42 | 100.00% |
| Dover T | 6.16 | 4.90 | - | 21.09-46.79 | 32.15-57.85 | 53.00% |
| East Fishkill T | 3.26 | 3.20 | - | 16.34-30.34 | 22.80-36.80 | 100.00% |
| Fishkill T | 3.26 | 2.70 | - | 15.30-22.41 | 21.26-28.37 | 100.00% |
| Fishkill V | 3.26 | 1.24 | 3.31 | 16.31 | 24.12 | 100.00% |
| Hyde Park T | 5.94 | 7.10 | - | 27.81-55.16 | 40.85-68.20 | 55.00% |
| LaGrange T | 3.26 | 3.22 | - | 14.76-30.48 | 21.24-36.96 | 100.00% |
| Milan T | 3.26 | 2.39 | - | 13.30-21.87 | 18.95-27.52 | 100.00% |
| Northeast T | 3.26 | 3.94 | - | 11.04-13.30 | 18.24-20.50 | 100.00% |
| Millerton V | 3.26 | 1.99 | 4.52 | 11.18 | 20.95 | 100.00% |
| Pawling T | 6.66 | 8.04 | - | 47.35-61.91 | 62.05-76.61 | 49.00% |
| Pawling V | 5.59 | 8.04 | 15.16 | 61.91 | 90.70 | 49.00% |
| Pine Plains T | 3.26 | 3.54 | - | 13.30 | 20.10 | 100.00% |
| Pleasant Valley T | 3.26 | 2.37 | - | 14.76-30.62 | 20.39-36.25 | 100.00% |
| Poughkeepsie T | 3.26 | 4.83 | - | 16.33-58.00 | 24.42-66.09 | 100.00% |
| Red Hook T | 3.26 | 2.30 | - | 15.30-21.87 | 20.86-27.43 | 100.00% |
| Red Hook V | 3.26 | 1.06 | 6.28 | 21.87 | 32.47 | 100.00% |
| Tivoli V | 3.26 | 1.06 | 3.99 | 21.87 | 30.18 | 100.00% |
| Rhinebeck T | 3.75 | 1.81 | - | 17.58-26.42 | 23.14-31.98 | 87.00% |
| Rhinebeck V | 3.75 | 0.93 | 4.16 | 26.42 | 35.26 | 87.00% |
| Stanford T | 3.26 | 0.55 | - | 11.18-15.30 | 14.99-19.11 | 100.00% |
| Union Vale T | 3.26 | 3.06 | - | 14.76-24.68 | 21.08-31.00 | 100.00% |
| Wappinger T | 3.26 | 1.86 | - | 15.60-23.95 | 20.72-29.07 | 100.00% |
| Wappingers Falls V | 3.26 | 0.77 | 7.26 | 16.37 | 27.66 | 100.00% |
| Washington T | 3.47 | 1.91 | - | 11.89-15.70 | 17.27-21.08 | 94.02% |
| Millbrook V | 3.47 | 0.87 | 4.42 | 15.70 | 24.46 | 94.02% |

## Matters Affecting Real Property Assessments and Taxes

**Empire State Development Corporation PILOT.** In July of 2015 IBM transferred its semiconductor manufacturing business to GlobalFoundries. The property located in East Fishkill was included as a part of this transfer and GlobalFoundries will not be assuming the lease/PILOT agreement with the County. As such, the property was placed go back on the tax rolls during 2016.

**County IDA PILOT.** On November 1, 2011, a PILOT agreement between IBM and the IDA was signed for property located in the Town of Poughkeepsie. Under the agreement IBM will make certain PILOT payments for the benefit of the Town of Poughkeepsie, the County, the Spackenkill Union Free School District, and certain special taxing districts (including the Arlington Fire District and the Greater Poughkeepsie Library District). As long as the agreement is in effect, IBM has agreed to make payments in lieu of all real estate taxes and assessments (in addition to paying the full amount of all special ad valorem levies, special assessments and service charges against real property located in the Town of Poughkeepsie which are or may be imposed for special improvements or special district improvements) which would be levied upon the facilities if the facilities were not a part of this agreement. The agreement will expire on December 31, 2026. For 2018 and 2019 the County received $357,098 in connection with the agreement. For 2020, the County again expects to receive $357,098 in connection with the agreement.

The County Industrial Development Agency (the "County IDA") and GPSDC (New York), Inc. (the "Company") entered into a sale-leaseback agreement on December 1, 1999. Pursuant to the agreement, the County IDA acquired 200 acres of land owned by the Company in the Town of Fishkill (the "Premises"). The County IDA also acquired title to a 2.571 million square foot warehouse and distribution facility (the "Facility") constructed on the Premises by the Company for its Old Navy Division. The County IDA agreed to lease the Facility to the Company for a period of 20 years. Title to the Facility will remain with the County IDA throughout the lease term.

The facility was built in three phases each one consisting of a separate building. This project is complete and there is approximately 2.3 million square feet of predominantly warehouse space. The Facility is exempt from taxation (except for certain special assessments and charges) as of March 1, 2000, the first taxable status date following the transfer of the Facility to the County IDA.

Pursuant to an agreement dated December 1, 1999, the Company has agreed to make PILOTS as long as the lease agreement remains in effect. The PILOTS will be paid to the County IDA for the benefit of various taxing jurisdictions including the County. Payments will be apportioned among the beneficiaries based on the ratio that individual tax rates bear to the aggregate tax rate of all such beneficiaries for the year immediately preceding the year of payment. The amount of the annual PILOT will be determined by multiplying the PILOT rate applicable to each phase of the Facility for the year by the total square footage completed on the relevant taxable status date. The PILOT rate for each phase of the Facility will be $0.35 per square foot for the first three years following completion. Periodic adjustments will increase the PILOT rate to $0.75 for years eleven through twenty. The County received $206,054, $201,469, $195,449,$191,331and $188,553 from the GAP PILOT in for the fiscal years December 31, 2015 through 2019, respectively. For 2020, the County expects to receive $185,133 in connection with the GAP PILOT.

**Cricket Valley Energy Center LLC.** The County IDA and Cricket Valley Energy Center LLC entered into a PILOT agreement on January 1, 2017. As result, in 2018 County received approximately $117,000 and approximately $148,000 during 2019. Construction is expected to be completed in 2020, at which point the PILOT payment to the County will be in the range of $350,000 to $400,000.

**Largest Taxpayers: 2018 Tax Roll For 2019**

| Name | Type | Total Full Valuation |
|---|---|---|
| Central Hudson Gas & Elec. | Utility | $ 554,849,508 |
| GlobalFoundries US 2 LLC | Industrial | 258,042,500 |
| Galleria | Shopping Mall | 139,108,500 |
| Con Edison | Utility | 108,228,667 |
| IBM [1] | Industrial | 2,265,000 |
| Iroquois Gas | Utility | 87,228,692 |
| Verizon | Utility | 62,412,406 |
| Chelsea Ridge NY LLC | Apartments | 62,404,300 |
| GAP [1] | Distribution Center | Exempt |
| Merritt Park Holdings LLC | Apartments | 49,400,000 |
| | Total | $ 1,323,939,573 |

[1] Taxes paid as payment in lieu of taxes.

Source: County officials.

There are numerous tax certiorari claims currently pending against the County. Several of the County's other large taxpayers also have unsettled claims affecting one or more years. The plaintiffs in these matters have asserted that their properties are over assessed and are seeking assessment reductions. A refund of excess taxes previously paid is also generally requested. Tax certiorari claims are administered by the cities and towns in the County which assess property in the County. The County, however, is responsible for the County portion of any tax.

It is not possible to provide an estimate of the County's potential liability for all open tax certiorari claims. Many cases are settled by prospectively reducing the property assessment but do not provide for the refund of taxes. The amount of taxes refunded by the County in recent years has not been material. For the fiscal years ended December 31, 2018 and 2019 the County paid $167,158 and $92,848 in tax refunds, respectively. Pursuant to the Local Finance Law, the County may issue debt to finance judgments and settled claims including those based on tax certiorari claims.

## TAX LEVY LIMITATION LAW

Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limitation Law") applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It was set to expire on June 15, 2020, however, recent legislation has made it permanent. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

## STATUS OF INDEBTEDNESS

### Constitutional Requirements

The New York State Constitution limits the power of the County (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the County and the Bonds include the following:

*Purpose and Pledge*. Subject to certain enumerated exceptions, the County shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The County may contract indebtedness only for a County purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

*Payment and Maturity*. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute or in the alternative, the weighted average period of possible usefulness of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the County Legislature authorizes and utilizes the issuance of bonds with substantially level or declining annual debt service. The County is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

*Debt Limit.* The County has the power to contract indebtedness for any County purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the County and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the County is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

### Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the County to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the County Law and the General Municipal Law.

Pursuant to the Local Finance Law, the County authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the County Legislature, the finance board of the County. Customarily, the County Legislature has delegated to the County Comptroller, as chief fiscal officer of the County, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

(1) Such obligations are authorized for a purpose for which the County is not authorized to expend money, or

(2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication, or,

(3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the County complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The County Legislature, as the finance board of the County, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may, and generally does, delegate the power to sell the obligations to the County Comptroller, the chief fiscal officer of the County, pursuant to the Local Finance Law.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the County with power to issue certain other short-term general obligation indebtedness including revenue tax, deficiency and bond anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

**Debt Outstanding End of Fiscal Year**

| Fiscal Years Ending December 31st: | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Bonds | $ 118,868,760 | $ 101,785,000 | $ 91,900,000 | $ 133,374,536 | $ 153,040,000 |
| Bond Anticipation Notes | 0 | 0 | 0 | 0 | 0 |
| Total Debt Outstanding | $ 118,868,760 | $ 101,785,000 | $ 91,900,000 | $ 133,374,536 | $ 153,040,000 |

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the County evidenced by bonds and notes as of February 21, 2020.

| Type of Indebtedness | Maturity | | Amount |
|---|---|---|---|
| Bonds | 2020-2048 | | $ 152,860,000 |
| Bond Anticipation Notes | - | | 0 |
| | | Total Indebtedness | $ 152,860,000 |

**Debt Statement Summary**

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of February 21, 2020:

| | | | |
|---|---|---|---|
| Five-Year Average Full Valuation of Taxable Real Property | | | $ 30,459,179,313 |
| Debt Limit - 7% thereof | | | 2,132,142,552 |
| Inclusions: | | | |
| Bonds | $ 152,860,000 | | |
| Bond Anticipation Notes | 0 | | |
| Total Inclusions | | $ 152,860,000 | |
| Exclusions: | | | |
| Appropriations | $ 13,780,000 | | |
| Sewer Debt [1] | 0 | | |
| Water Debt [2] | 0 | | |
| Total Exclusions | | $ 13,780,000 | |
| Total Net Indebtedness Subject to Debt Limit | | | $ 139,080,000 |
| Net Debt-Contracting Margin | | | $ 1,993,062,552 |
| Percent of Debt Contracting Power Exhausted | | | 6.52% |

(1) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law.
(2) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

Note: The proceeds of the Bonds will increase the net indebtedness of the County by $37,730,000.

**Bonded Debt Service**

A schedule of bonded debt service, including the principal of the Bonds, may be found in "APPENDIX – B" to this Official Statement.

**THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK**

**Authorized But Unissued Debt**

The County's authorized but unissued debt is approximately $203.9 million including a remaining balance of $132.2 million for the new County justice and transition facility. Debt authorizations also include funding for highways, bridges, vehicles and equipment and various other County projects, as described in the table below.

| Description | Authorized | Issued | Unissued |
|---|---|---|---|
| DCC Airport Educational Facility | 5,599,945.00 | 1,200,000.00 | 4,399,945.00 |
| 2018 Capital Equipment | 7,878.00 | 0.00 | 7,878.00 |
| On-Airport Water Line | 808,000.00 | 600,000.00 | 208,000.00 |
| 2018 Auto Center Vehicle Bond | 73,730.00 | 0.00 | 73,730.00 |
| 2018 Building Repairs/Renovation | 25,250.00 | 0.00 | 25,250.00 |
| 2014 Parks Improvements | 166,650.00 | 165,000.00 | 1,650.00 |
| 2014 Partner/Manageable Growth | 1,000,000.00 | 750,000.00 | 250,000.00 |
| 230 North Rd. Renov/Crisis Stabil | 4,848,000.00 | 4,330,000.00 | 518,000.00 |
| DC Justice & Transition Center | 192,150,000.00 | 60,000,000.00 | 132,150,000.00 |
| 2016 Highway & Bridge Improvements | 4,044,040.00 | 2,500,000.00 | 1,544,040.00 |
| 2016 Park Improvements | 45,450.00 | 0.00 | 45,450.00 |
| 2016 Building Repairs/Renovation | 3,333,000.00 | 2,100,000.00 | 1,233,000.00 |
| 2016 Acq/Renov 45 Market St. | 4,595,000.00 | 4,000,000.00 | 595,000.00 |
| 2016 - Partner/Manageable Growth | 1,000,000.00 | 0.00 | 1,000,000.00 |
| 2017 Highway & Bridge Improvements | 2,878,500.00 | 1,700,000.00 | 1,178,500.00 |
| 2017 Emergency Generators | 2,614,811.00 | 1,000,000.00 | 1,614,811.00 |
| Partner/Manageable Growth | 1,000,000.00 | 0.00 | 1,000,000.00 |
| 2018 Emergency Response Training Cr. | 3,030,000.00 | 1,000,000.00 | 2,030,000.00 |
| 2018 Highway & Bridge Improvements | 2,898,224.00 | 2,000,000.00 | 898,224.00 |
| 2018 Capital Equipment | 1,372,869.00 | 0.00 | 1,372,869.00 |
| 2018 Auto Center Vehicle Bond | 1,132,210.00 | 1,000,000.00 | 132,210.00 |
| 2018 HVRT Construction | 5,388,350.00 | 3,000,000.00 | 2,388,350.00 |
| 2018 Dutchess Stadium Improv/Repair | 2,424,000.00 | 1,500,000.00 | 924,000.00 |
| 2018 Federal Aid Highway Improvements | 5,632,770.00 | 680,000.00 | 4,952,770.00 |
| 2018 Building Repairs/Renovation | 6,772,050.00 | 0.00 | 6,772,050.00 |
| 2019 Bridge Reconstruction Proj. | 2,525,000.00 | 0.00 | 2,525,000.00 |
| 2019 Lake Walton Acquisition | 1,652,360.00 | 0.00 | 1,652,360.00 |
| 2019 Auto Center Vehicle Bond | 1,216,040.00 | 0.00 | 1,216,040.00 |
| 2019 Highway & Bridge Improvements | 6,019,600.00 | 0.00 | 6,019,600.00 |
| 2019 HVAC Infrast. 10, 22 Market | 16,665,000.00 | 0.00 | 16,665,000.00 |
| 2019 Capital Equipment | 1,525,100.00 | 0.00 | 1,525,100.00 |
| 2019 Partner/Manageable Growth | 485,810.00 | 0.00 | 485,810.00 |
| Ballot Marking Devices | 1,713,970.00 | 0.00 | 1,713,970.00 |
| Network Infrastructure | 353,500.00 | 0.00 | 353,500.00 |
| Disaster Recovery System | 353,500.00 | 0.00 | 353,500.00 |
| 2019 Auto Center Vehicle Bond | 833,250.00 | 0.00 | 833,250.00 |
| 2020 Partner/Manageable Growth | 2,525,000.00 | 0.00 | 2,525,000.00 |
| DCC Infrastructure Phase III Roof | 313,125.00 | 200,000.00 | 113,125.00 |
| DCC 2017 Safety/Fire Alarm Updt. | 411,500.00 | 0.00 | 411,500.00 |
| DCC 2017 Master Plan Update | 250,000.00 | 0.00 | 250,000.00 |
| DCC Roof Replacement Phase II | 913,400.00 | 0.00 | 913,400.00 |
| DCC Suth Campus FF&E | 450,000.00 | 0.00 | 450,000.00 |
| DCC Campus IT Upgrades Phase I | 325,000.00 | 0.00 | 325,000.00 |
| DCC Campus Site Upgrades Phase I | 236,500.00 | 0.00 | 236,500.00 |
| | 291,608,382.00 | 87,725,000.00 | 203,883,382.00 |

Note: Does not include the Bonds.

In an effort to combat overcrowding of the local jail system the County is proceeding with the construction of a new detention facility. It is believed that a more modern facility may, in addition to addressing overcrowding, improve staffing ratios and provide the capability of addressing special needs of the population. In March of 2016 the County authorized a bond resolution in the amount of $192.2 million for this purpose. In 2018 and 2019 the County issued $40.0 and $20.0 million in serial bonds in connection with this project, respectively. The County anticipates future issuances of debt in accordance to the cash flow needs of the project. However, an exact amount and timeframe for the future debt issuances has not yet been determined.

**Capital Budgeting**

The County's Charter provides that a 5-year capital budget be prepared each year and submitted to the County Legislature concurrently with the annual operating budget. The capital budget is a flexible plan to meet the County's physical improvement needs based on current priorities and available resources. Such budgets are revised annually at which time existing projects are modified or eliminated while new projects are added. Copies may be obtained from the County's official website or by request to the County's Financial Advisor.

The Budget Director is responsible for preparing the capital budget and is assisted in this duty by a capital program committee created by the County Charter. In addition to the County Executive who serves as the Chairman of the committee, members of this committee include the Chairman of the Legislature, the Chairman of the planning and capital projects committee of the Legislature as well as various department heads. The County Planning Department, whose head is a member of the capital program committee, coordinates the capital planning process for the County. Each department head submits a list of capital projects which they propose for the following 5 years. Each individual project must be assigned a priority rating by the department head. The capital program committee reviews and evaluates the departmental requests by interviewing department heads and examining various analyses and reports. After making such necessary changes the capital program committee adopts the capital budget for the ensuing 5-year period. The capital budget document is then forwarded to the County Legislature for consideration and approval. (Bond resolutions for the capital program are subsequently sent to the Legislature.) The capital program for the College is approved by the College's Board of Trustees and also subject to the approval of the County Legislature. Capital improvements for the College are funded through combination of State money (50%) and revenue derived from assessments on non-resident students attending the College.

**Estimated Overlapping Indebtedness**

In addition to the County, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the County. Bonded indebtedness, including bond anticipation notes, is estimated as of the close of the fiscal year of the respective municipalities, not adjusted to include subsequent bond issues, if any.

| Units | Indebtedness [1] | Exclusions [2] | | Net Indebtedness |
|---|---|---|---|---|
| Towns (20) | $170,399,213 | $ 0 [3] | | $ 170,399,213 |
| Villages (8) | 41,949,894 | 0 [3] | | 41,949,894 |
| Cities (2) | 116,676,562 | 36,019,368 [3] | | 80,657,194 |
| Fire Districts (24) | 5,376,442 | 0 [3] | | 5,376,442 |
| School Districts (13) | 329,771,344 | 183,956,366 [4] | | 145,814,978 |
| | | | Total | $ 444,197,721 |

[1] Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond or note sales, if any.
[2] Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.
[3] Sewer and water debt, appropriations and cash on hand for debts.
[4] Estimated State Building aid.

Source: State Comptroller's reports.

**Debt Ratios**

The following table sets forth certain ratios relating to the County's net indebtedness as of February 21, 2020.

| | Amount | Per Capita [(a)] | Percentage of Full Value [(b)] |
|---|---|---|---|
| Net Indebtedness [(c)] | $139,080,000 | $ 473.52 | 0.46% |
| Net Indebtedness Plus Net Overlapping Indebtedness [(d)] | 583,277,721 | 1,985.84 | 1.91 |

(a) The current estimated population of the County is 293,718. (See “THE COUNTY – Population” herein.)
(b) The County five-year average full value of taxable real estate is $30,459,179,313. (See “TAX INFORMATION” herein.)
(c) See "Calculation of Net Direct Indebtedness" herein.
(d) Estimated net overlapping indebtedness is $444,197,721. (See "Estimated Overlapping Indebtedness" herein.)

## SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

**General Municipal Law Contract Creditors’ Provision.** Each Bond when duly issued and paid for will constitute a contract between the County and the holder thereof. Under current law, provision is made for contract creditors of the County to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the County upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

**Execution/Attachment of Municipal Property.** As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the County may not be enforced by levy and execution against property owned by the County.

**Authority to File For Municipal Bankruptcy.** The Federal Bankruptcy Code allows public bodies, such as the County, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds should the County be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds to receive interest and principal from the County could be adversely affected by the restructuring of the County’s debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the County (including the Bonds) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the County under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors’ rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality’s debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

**State Debt Moratorium Law.** There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature, described below, authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the County.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in the county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a "material change in circumstances" the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict , subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to $5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The County has not requested FRB assistance nor does it reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

**Constitutional Non-Appropriation Provision.** There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

**Default Litigation.** In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events

**No Past Due Debt.** No principal of or interest on County indebtedness is past due. The County has never defaulted in the payment of the principal of and interest on any indebtedness.

## MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

The financial and economic condition of the County as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the County's control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the County to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds could be adversely affected.

The County is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the County, in any year, the County may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the County. In some years, the County has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations.

There are a number of general factors which could have a detrimental effect on the ability of the County to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the County. Unforeseen developments could also result in substantial increases in County expenditures, thus placing strain on the County's financial condition. These factors may have an effect on the market price of the Bonds.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the County. Any such future legislation would have an adverse effect on the market value of the Bonds (See "TAX MATTERS" herein).

*Cybersecurity*: The County, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the County own faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. No assurances can be given that such security and operational control measures implemented would be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage County digital networks and systems and the costs of remedying any such damage could be substantial.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX – E".

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The County has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any other matters coming to the attention of Bond Counsel after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to and may not be relied upon in connection with any such actions, events or matters.

Certain requirements and procedures contained or referred to the in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been made in recent years that would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

## LEGAL MATTERS

The legality of the authorization and issuance of the Bonds is covered by the approving legal opinion of Bond Counsel. The proposed form of Bond Counsel's opinion is attached hereto at "APPENDIX – E".

## LITIGATION

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the County, threatened against or affecting the County to restrain or enjoin the issuance, sale or delivery of the Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the County taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the County.

The County receives numerous notices of claims generally based on allegations relating to false arrest and imprisonment, malicious prosecution, personal injury or breach of civil rights. The filing of the notice of claim begins the statutory period for instituting judicial action. Most claims filed against the County assert money damages, however, in certain instances that plaintiff is seeking injunctive relief as the remedy. In the opinion of the County Attorney, the settlement of claims presently pending against the County will not have a material adverse effect on the County's financial position, cash flow or results of operations.

**Claims and Insurance.** The County protects itself against most forms of risk such as general liability or property and casualty risk by purchasing insurance. Generally, the County's policy provides $1 million of coverage for each insured occurrence and $2 million aggregate, however, the County has elected to self-insure for the first $250,000 paid to claimants. In addition to the basic coverage, the County has a municipal excess catastrophe liability policy which pays up to an additional $10 million per occurrence and $20 million aggregate.

There are pending approximately 73 open insurance claims with a potential aggregate liability to the County estimated to be approximately $400,000. The open claims total includes claims counsel deems abandoned and claims counsel is actively trying to get dismissed.

The County has reserved a portion of its General Fund balance to pay for claims not covered by insurance. In addition, the County also includes an appropriation in the operating budget to pay claims not covered by insurance. For 2018 and 2019, the County paid $25,675 and $173,216 to satisfy these claims, respectively. As of December 31, 2019, the balance in the County's insurance reserve was $1,909,417.

## CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the County will enter into a Continuing Disclosure Undertaking Certificate, a description of which is attached hereto as "APPENDIX – C".

### Historical Compliance

The County is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

## BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its rating of "AA+" with a stable outlook to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. A rating reflects only the view of the rating agency assigning such rating and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 553-0038, Fax: (212) 553-1390.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the Bonds may have an adverse effect on the market price of the Bonds.

## MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the " Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the County on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the County and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the County or the information set forth in this Official Statement or any other information available to the County with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates in good faith, no assurance can be given that the facts will materialize as so opined or estimated. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the County management's beliefs as well as assumptions made by, and information currently available to, the County's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the County's files with the repositories. When used in County documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the County, expressed no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the County for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds, the County will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the County.

The Official Statement is submitted only in connection with the sale of the Bonds by the County and may not be reproduced or used in whole or in part for any other purpose.

The County hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

The Municipal Advisor may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. The Municipal Advisor has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the County nor the Municipal Advisor assumes any liability or responsibility for errors or omissions on such website. Further, the Municipal Advisor and the County disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. The Municipal Advisor and the County also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

The County contact information is as follows: Ms. Heidi Seelbach, Commissioner of Finance, Department of Finance, 22 Market Street, Poughkeepsie, New York 12601 telephone (845) 486-2035, fax (845) 486-2198, email hseelbach@dutchessny.gov.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com

**COUNTY OF DUTCHESS**

**Dated: February 21, 2020**

**HEIDI SEELBACH**
**COMMISSIONER OF FINANCE**

## GENERAL FUND

### Balance Sheets

| Fiscal Years Ending December 31: | **2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | $ 52,426,157 | $ 58,258,830 | $ 54,355,289 | $ 22,701,215 | $ 34,353,319 |
| Restricted Cash and Cash Equivalents | 10,749,133 | 15,414,931 | 29,155,011 | 25,971,384 | 27,321,525 |
| Investments | - | 5,000,000 | 15,025,025 | 34,916,889 | 34,584,253 |
| Receivables: | | | | | |
| Taxes | 49,261,379 | 49,318,753 | 44,594,430 | 41,662,854 | 40,883,672 |
| Accounts receivable | 5,954,671 | 2,768,450 | 4,271,864 | 4,939,884 | 8,067,767 |
| Due from other funds | 4,430,948 | 4,919,613 | 9,644,374 | 14,932,838 | 8,120,190 |
| Intergovernmental receivables | 54,376,788 | 59,421,175 | 52,024,794 | 38,522,679 | 36,890,269 |
| Prepaid Items | 4,854,079 | 4,645,391 | 4,317,212 | 4,395,860 | 4,287,146 |
| Inventories | 117,342 | 109,440 | 110,380 | 100,081 | 91,775 |
| TOTAL ASSETS | $ 182,170,497 | $ 199,856,583 | $ 213,498,379 | $ 188,143,684 | $ 194,599,916 |
| LIABILITIES | | | | | |
| Accounts Payable | $ 37,519,006 | $ 32,911,867 | $ 40,861,687 | $ 40,176,992 | $ 50,358,023 |
| Accrued Liabilities | 8,934,936 | 2,183,123 | 2,381,905 | 2,566,335 | 3,084,172 |
| Due to Other Funds | 98 | - | - | - | 13,250 |
| Intergovernmental payables | 33,263,114 | 35,564,466 | 33,946,337 | 31,826,369 | 28,821,549 |
| Unearned Revenue | 3,130,720 | 3,262,739 | 4,903,268 | 4,035,679 | 2,078,284 |
| Other liabilities | 1,003,317 | 1,009,385 | - | - | - |
| TOTAL LIABILITIES | $ 83,851,191 | $ 74,931,580 | $ 82,093,197 | $ 78,605,375 | $ 84,355,278 |
| DEFERRED REVENUES | $ 27,116,333 | $ 33,031,197 | $ 33,032,065 | $ 15,348,490 | $ 14,639,298 |
| FUND BALANCES | | | | | |
| Nonspendable | $ 4,971,421 | $ 4,754,831 | $ 4,427,592 | $ 4,495,941 | $ 4,378,921 |
| Restricted | 7,618,413 | 12,152,192 | 17,925,025 | 17,934,893 | 20,500,295 |
| Assigned | 19,101,092 | 18,139,500 | 16,069,777 | 16,371,446 | 18,278,292 |
| Unassigned | 39,512,047 | 56,847,283 | 59,950,723 | 55,387,539 | 52,447,832 |
| TOTAL FUND BALANCES | $ 71,202,973 | $ 91,893,806 | $ 98,373,117 | $ 94,189,819 | $ 95,605,340 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES | $ 182,170,497 | $ 199,856,583 | $ 213,498,379 | $ 188,143,684 | $ 194,599,916 |

Source: 2014-2018 Audited financial statements of the County.
This Appendix is not itself audited.

## GENERAL FUND

### Revenues, Expenditures and Changes in Fund Balance

| Fiscal Years Ending December 31: | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Real Property Taxes & Tax Items | $ 106,135,068 | $ 107,102,979 | $ 107,242,325 | $ 107,312,291 | $ 105,596,222 |
| Sales and use Taxes | 166,428,125 | 175,811,195 | 176,781,835 | 179,795,180 | 184,155,859 |
| Other taxes | 3,541,416 | 3,686,606 | 3,895,381 | 3,950,971 | 4,163,782 |
| Departmental Income | 22,147,828 | 21,723,919 | 25,473,941 | 26,069,275 | 23,086,093 |
| Use of Money and Property | 1,854,963 | 2,414,289 | 4,509,749 | 1,249,694 | 1,783,022 |
| Miscellaneous Local Sources | 8,600,133 | 9,288,905 | 6,556,072 | 3,943,542 | 3,476,537 |
| Grants and aid | 103,218,680 | 110,238,946 | 113,441,366 | 111,104,686 | 115,269,357 |
| Total Revenues | $ 411,926,213 | $ 430,266,839 | $ 437,900,669 | $ 433,425,639 | $ 437,530,872 |
| EXPENDITURES | | | | | |
| General Government Support | $ 58,776,243 | $ 62,050,720 | $ 71,734,291 | $ 65,671,921 | $ 67,724,418 |
| Education | 13,420,767 | 13,261,525 | 13,322,914 | 14,895,858 | 16,447,819 |
| Public Safety | 56,794,885 | 58,887,229 | 58,498,589 | 59,292,683 | 60,522,521 |
| Health | 49,715,268 | 50,053,510 | 53,366,230 | 52,726,139 | 56,779,391 |
| Transportation | 2,756,061 | 2,784,221 | 2,775,767 | 2,791,854 | 2,807,813 |
| Economic Assistance & Opportunity | 140,306,867 | 138,460,119 | 136,855,100 | 137,622,703 | 141,443,220 |
| Culture & Recreation | 1,757,274 | 1,871,937 | 1,971,815 | 1,915,471 | 1,979,961 |
| Home & Community Services | 7,753,948 | 8,477,032 | 8,735,855 | 11,627,394 | 10,082,525 |
| Employee Benefits | 55,078,360 | 55,791,200 | 54,884,212 | 57,041,309 | 60,670,306 |
| Debt Service | 17,600,526 | 17,584,033 | 18,929,673 | 19,901,682 | 17,921,270 |
| Total Expenditures | $ 403,960,199 | $ 409,221,526 | $ 421,074,446 | $ 423,487,014 | $ 436,379,244 |
| Excess of Revenues Over (Under) Expenditures | 7,966,014 | 21,045,313 | 16,826,223 | 9,938,625 | 1,151,628 |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | 2,239,577 | 95,070 | 1,117,639 | 2,792,498 | 545,082 |
| Operating Transfers Out | (4,205,633) | (3,421,202) | (3,576,054) | (6,353,328) | (5,923,147) |
| Proceeds of advanced refunding bonds | - | - | 13,856,683 | 10,960,000 | - |
| Premium on refunding bonds | - | - | - | 1,529,259 | - |
| Payment to escrow agent | - | - | (15,108,658) | (12,387,743) | - |
| Proceeds of serial bonds | - | - | 7,575,000 | - | - |
| Premium on serial bonds | - | - | - | - | 43,139 |
| Total Other Financing | (1,966,056) | (3,326,132) | 3,864,610 | (3,459,314) | (5,334,926) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 5,999,958 | 17,719,181 | 20,690,833 | 6,479,311 | (4,183,298) |
| FUND BALANCE | | | | | |
| Fund Balance - Beginning of Year | $ 47,483,834 | $ 53,483,792 | $ 71,202,973 | $ 91,893,806 | $ 98,373,117 |
| Fund Balance - End of Year | $ 53,483,792 | $ 71,202,973 | $ 91,893,806 | $ 98,373,117 | $ 94,189,819 |

Source: Audited Financial Statements of the County. This Appendix is not itself audited.

## GENERAL FUND

### Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

| Fiscal Years Ending December 31: | 2018 Adopted Budget | 2018 Actual | 2019 Adopted Budget | 2020 Adopted Budget |
|---|---|---|---|---|
| REVENUES | | | | |
| Real Property Taxes & Tax Items | $ 103,353,890 | $ 107,314,510 | $ 100,722,355 | $ 99,664,476 |
| Sales and use Taxes | 190,210,428 | 199,614,941 | 199,511,000 | 211,137,076 |
| Other taxes | 4,317,000 | 4,414,447 | 4,632,000 | 4,732,000 |
| Departmental Income | 24,329,483 | 23,554,421 | 22,973,236 | 22,905,279 |
| Use of Money and Property | 1,193,124 | 2,588,712 | 1,752,200 | 1,675,060 |
| Miscellaneous Local Sources | 2,904,059 | 4,702,167 | 9,444,666 | 8,901,341 |
| Grants and aid | 110,738,991 | 113,437,361 | 116,962,711 | 118,916,868 |
| Total Revenues | $ 437,046,975 | $ 455,626,559 | $ 455,998,168 | $ 467,932,100 |
| EXPENDITURES | | | | |
| General Government Support | $ 70,748,553 | $ 71,395,749 | $ 77,150,715 | $ 83,474,910 |
| Education | 18,060,398 | 17,723,132 | 19,665,398 | 20,189,398 |
| Public Safety | 63,395,705 | 61,966,609 | 63,694,129 | 61,859,710 |
| Health | 59,930,498 | 60,261,450 | 62,995,392 | 66,553,229 |
| Transportation | 2,876,633 | 2,898,392 | 2,986,037 | 3,003,643 |
| Economic Assistance & Opportunity | 145,497,844 | 144,807,374 | 147,561,403 | 148,044,298 |
| Culture & Recreation | 2,294,745 | 2,232,062 | 2,417,259 | 2,879,131 |
| Home & Community Services | 6,946,211 | 10,731,157 | 6,274,286 | 8,660,812 |
| Employee Benefits | 64,922,853 | 62,909,387 | 70,045,926 | 68,049,687 |
| Debt Service | 16,299,026 | 16,058,272 | 18,601,879 | 19,319,919 |
| Total Expenditures | $ 450,972,466 | $ 450,983,584 | $ 471,392,424 | $ 482,034,737 |
| Excess of Revenues Over (Under) Expenditures | (13,925,491) | 4,642,975 | (15,394,256) | (14,102,637) |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 592,240 | 1,542,931 | 622,633 | 396,123 |
| Operating Transfers Out | (3,038,195) | (4,770,385) | (3,731,981) | (3,596,815) |
| Proceeds of advanced refunding bonds | - | - | - | - |
| Premium on refunding bonds | - | - | - | - |
| Payment to escrow agent | - | - | - | - |
| Proceeds of serial bonds | - | - | - | - |
| Premium on serial bonds | - | - | - | - |
| Total Other Financing | (2,445,955) | (3,227,454) | (3,109,348) | (3,200,692) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (16,371,446) | 1,415,521 | (18,503,604) | (17,303,329) |
| FUND BALANCE | | | | |
| Fund Balance - Beginning of Year | $ - | $ 94,189,819 | $ - | $ - |
| Appropriated Fund Balance | 16,371,446 | - | 18,503,604 | 17,303,329 |
| Prior Period Adjustments (net) | - | - | - | - |
| Fund Balance - End of Year | $ - | $ 95,605,340 | $ - | $ - |

Source: 2018 Audited Financial Statement and 2019 and 2020 budgets (unaudited) of the County. This Appendix is not itself audited.

## BONDED DEBT SERVICE

| Fiscal Year Ending December 31st | Principal | Excluding the Bonds Interest | Total | Principal of the Bonds | Total Principal All Bonds |
|---|---|---|---|---|---|
| 2020 | $ 13,960,000 | $ 5,958,461.28 | $ 19,918,461.28 | $ - | $ 13,960,000 |
| 2021 | 12,130,000 | 4,732,106.29 | 16,862,106.29 | 2,415,000 | 14,545,000 |
| 2022 | 10,595,000 | 4,228,537.54 | 14,823,537.54 | 2,415,000 | 13,010,000 |
| 2023 | 9,230,000 | 3,807,125.04 | 13,037,125.04 | 2,415,000 | 11,645,000 |
| 2024 | 8,820,000 | 3,478,412.54 | 12,298,412.54 | 2,415,000 | 11,235,000 |
| 2025 | 8,450,000 | 3,178,300.04 | 11,628,300.04 | 2,415,000 | 10,865,000 |
| 2026 | 7,660,000 | 2,886,246.92 | 10,546,246.92 | 2,250,000 | 9,910,000 |
| 2027 | 6,990,000 | 2,647,012.55 | 9,637,012.55 | 2,225,000 | 9,215,000 |
| 2028 | 6,240,000 | 2,417,206.30 | 8,657,206.30 | 2,195,000 | 8,435,000 |
| 2029 | 5,415,000 | 2,215,378.17 | 7,630,378.17 | 2,060,000 | 7,475,000 |
| 2030 | 5,390,000 | 2,041,165.66 | 7,431,165.66 | 2,070,000 | 7,460,000 |
| 2031 | 4,655,000 | 1,875,456.28 | 6,530,456.28 | 2,035,000 | 6,690,000 |
| 2032 | 4,350,000 | 1,719,487.53 | 6,069,487.53 | 2,035,000 | 6,385,000 |
| 2033 | 4,365,000 | 1,574,346.90 | 5,939,346.90 | 2,035,000 | 6,400,000 |
| 2034 | 4,190,000 | 1,438,162.52 | 5,628,162.52 | 2,035,000 | 6,225,000 |
| 2035 | 3,345,000 | 1,320,846.89 | 4,665,846.89 | 1,485,000 | 4,830,000 |
| 2036 | 3,135,000 | 1,219,362.51 | 4,354,362.51 | 1,050,000 | 4,185,000 |
| 2037 | 3,190,000 | 1,119,140.63 | 4,309,140.63 | 1,045,000 | 4,235,000 |
| 2038 | 3,060,000 | 1,019,191.25 | 4,079,191.25 | 1,045,000 | 4,105,000 |
| 2039 | 2,725,000 | 925,851.25 | 3,650,851.25 | 1,045,000 | 3,770,000 |
| 2040 | 2,435,000 | 841,793.75 | 3,276,793.75 | 1,045,000 | 3,480,000 |
| 2041 | 2,520,000 | 759,600.00 | 3,279,600.00 | - | 2,520,000 |
| 2042 | 2,605,000 | 673,223.13 | 3,278,223.13 | - | 2,605,000 |
| 2043 | 2,690,000 | 582,763.76 | 3,272,763.76 | - | 2,690,000 |
| 2044 | 2,785,000 | 488,003.76 | 3,273,003.76 | - | 2,785,000 |
| 2045 | 2,875,000 | 389,923.76 | 3,264,923.76 | - | 2,875,000 |
| 2046 | 2,975,000 | 287,074.38 | 3,262,074.38 | - | 2,975,000 |
| 2047 | 3,080,000 | 177,885.00 | 3,257,885.00 | - | 3,080,000 |
| 2048 | 3,180,000 | 60,862.50 | 3,240,862.50 | - | 3,180,000 |
| TOTALS | $ 153,040,000 | $ 54,062,928 | $ 207,102,928 | $ 37,730,000 | $ 190,770,000 |

## CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the County has agreed to provide, or cause to be provided,

(i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the Final Official Statement dated March 4, 2020 of the County relating to the Bonds under the headings "The County", "Tax Information", "County Indebtedness", "Litigation" and all Appendices (other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2020, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2020; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the County of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the County of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(ii) within 10 business days after the occurrence of such event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:

(a) principal and interest payment delinquencies

(b) non-payment related defaults; if material

(c) unscheduled draws on debt service reserves reflecting financial difficulties

(d) unscheduled draws on credit enhancements reflecting financial difficulties

(e) substitution of credit or liquidity providers, or their failure to perform

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of Bondholders; if material

(h) bond calls, if material, and tender offers

(i) defeasances

(j) release, substitution, or sale of property securing repayment of the Bonds; if material

(k) rating changes

(l) bankruptcy, insolvency, receivership or similar event of the County;

(m) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(o) incurrence of a “financial obligation” (as defined in the Rule) of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect Bondholders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (d) the County does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

For the purposes of the event identified in (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The County may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, if the County determines that any such other event is material with respect to the Bonds; but the County does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

(iii) in a timely manner, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforedescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The County reserves the right to terminate its obligations to provide the aforedescribed annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The County acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the County's obligations under its continuing disclosure undertaking and any failure by the County to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The County reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County, provided that, the County agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

# COUNTY OF DUTCHESS, NEW YORK

## GENERAL PURPOSE FINANCIAL STATEMENTS

## AND SUPPLEMENTARY SCHEDULES

**December 31, 2018**

**Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.**

## COUNTY OF DUTCHESS, NEW YORK
## Table of Contents
## Year Ended December 31, 2018

Page



(continued)

(concluded)

Page

**Required Supplementary Information:**



**Federal Awards Information:**

**Drescher & Malecki LLP**
*3083 William Street, Suite 5*
*Buffalo, New York 14227*
*Telephone: 716.565.2299*
*Fax: 716.565.2201*

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Honorable County Executive and County Legislature
County of Dutchess, New York:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major discretely presented component units, the aggregate nonmajor discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Dutchess, New York (the "County"), as of and for the year ended December 31, 2018 (with the Dutchess Community College for the fiscal year ended August 31, 2018), and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dutchess County Local Development Corporation (the "Corporation"), which represents 8.6 percent of the assets and 9.4 percent of the revenues of the business-type activities. We did not audit the financial statements of the Dutchess Community College (the "College"), the Dutchess County Resource Recovery Agency (the "Agency"), or the Dutchess County Water and Wastewater Authority (the "Authority"), which represent 54.5 percent, 10.6 percent, and 34.9 percent, respectively, of the assets, and 78.9 percent, 11.9 percent, and 9.2 percent, respectively, of the revenues of the major discretely presented component units. We did not audit the financial statements of the Dutchess County Industrial Development Agency (the "IDA") or the Dutchess County Soil and Water Conservation District (the "SWCD"), which are aggregated and presented as nonmajor component units, and represent 92.3 percent and 7.7 percent, respectively, of the assets, and 50.3 percent and 49.7 percent, respectively, of the revenues of the aggregate nonmajor 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 Corporation, College, Agency, Authority, IDA and SWCD, is based solely on the reports of such other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major discretely presented component units, the aggregate nonmajor discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Drescher & Malecki LLP

September 25, 2019

As management of the County of Dutchess, New York (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2018. The information provided here should be read in conjunction with additional information that we have furnished in the County's financial statements and notes to the financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

## Financial Highlights

- The liabilities and deferred inflows of resources of the County's primary government exceeded its assets and deferred outflows of resources at December 31, 2018 by $214,411,985. This consists of $85,307,470 net investment in capital assets, $26,966,561 restricted for specific purposes, offset by an unrestricted net position of $(326,686,016).
- The County's primary government net position decreased $15,438,983 during the year ended December 31, 2018. Governmental activities decreased the County's net position by $13,121,439, and the net position of business-type activities decreased by $2,317,544.
- As of December 31, 2018, the County's governmental funds reported combined ending fund balances of $119,482,634, an increase of $12,619,189 in comparison with the prior year. This increase was primarily due to the issuance of serial bonds to finance capital projects. This increase was partially offset by additional capital outlay during the year.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was $52,447,832, or 11.5 percent of total General Fund expenditures and transfers out. This total amount is available for spending at the County's discretion and constitutes approximately 54.9 percent of the General Fund's total fund balance of $95,605,340 at December 31, 2018.
- The County's governmental activities' serial bonds, excluding it's blended component unit's serial bonds, increased by $40,534,055 during the current year as a result of two serial bond issuances of $13,517,400 and $40,000,000, respectively and scheduled principal payments of $12,983,345. The newly issued serial bonds mature in 2038 and 2048, respectively, and carry interest rates ranging from 3.0 percent to 4.0 percent.

## Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

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

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

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

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Dutchess Tobacco Asset Securitization Corporation ("DTASC"), which are considered to be major funds. Data from the other three governmental funds, which include the County Road Fund, Road Machinery Fund and Community Development Fund, are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

***Proprietary funds***—The County maintains two enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its Airport operations, as well as its Transportation operations. Additionally, the Dutchess County Local Development Corporation, a blended component unit, is reported as an enterprise fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport and Transportation, both of which are considered to be major funds, and the Dutchess County Local Development Corporation.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

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

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

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

***Major discretely presented component units***—The combining statements of major discretely presented component units present the major component units in separate columns.

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

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-92 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's net pension liability, changes in the County's total other postemployment benefits ("OPEB") obligation, and the County's budgetary comparison for the General Fund. Required Supplementary Information and the related notes to the Required Supplementary Information can be found on pages 93-104 of this report.

The Federal Awards Information section presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 105-116 of this report.

## Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $(214,411,985) at the close of the most recent fiscal year, as compared to a net position of $(198,973,002), as restated, at the close of the fiscal year ended December 31, 2017.

**Table 1—Condensed Statements of Net Position—Primary Government**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | December 31, | | December 31, | | December 31, | |
| | 2018 | 2017 (as restated) | 2018 | 2017 (as restated) | 2018 | 2017 (as restated) |
| Current assets | $ 259,450,239 | $ 232,786,011 | $ 11,344,968 | $ 8,649,230 | $ 270,795,207 | $ 241,435,241 |
| Noncurrent assets | 238,828,708 | 212,964,091 | 24,762,929 | 28,263,169 | 263,591,637 | 241,227,260 |
| Total assets | 498,278,947 | 445,750,102 | 36,107,897 | 36,912,399 | 534,386,844 | 482,662,501 |
| Deferred outflows of resources | 79,645,986 | 40,499,993 | 296,565 | 181,338 | 79,942,551 | 40,681,331 |
| Current liabilities | 102,350,415 | 89,966,702 | 1,292,876 | 765,440 | 103,643,291 | 90,732,142 |
| Noncurrent liabilities | 659,628,839 | 606,622,990 | 4,898,654 | 4,016,915 | 664,527,493 | 610,639,905 |
| Total liabilities | 761,979,254 | 696,589,692 | 6,191,530 | 4,782,355 | 768,170,784 | 701,372,047 |
| Deferred inflows of resources | 60,395,615 | 20,988,900 | 174,981 | 36,043 | 60,570,596 | 21,024,943 |
| Net position: | | | | | | |
| Net investment in capital assets | 63,738,872 | 71,721,676 | 21,568,598 | 26,031,387 | 85,307,470 | 97,753,063 |
| Restricted | 26,966,561 | 24,556,841 | - | - | 26,966,561 | 24,556,841 |
| Unrestricted | (335,155,369) | (327,607,014) | 8,469,353 | 6,243,952 | (326,686,016) | (321,363,062) |
| Total net position | $(244,449,936) | $(231,328,497) | $ 30,037,951 | $ 32,275,339 | $(214,411,985) | $ (199,053,158) |

The largest portion of the County's primary government net position, $85,307,470, reflects its net investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt that was used to acquire these assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, $26,966,561, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the County's net position, $(326,686,016), is considered to be an unrestricted deficit. This deficit does not mean that the County does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the County's capital assets and are not expected to be repaid from current resources. These long-term liabilities including compensated absences, environmental clean up, other postemployment benefits ("OPEB") obligations, claims payable, and net pension liability are funded annually within the funds.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2018 and December 31, 2017.

**Table 2—Condensed Statement of Changes in Net Position—Primary Government**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | Year Ended December 31, | | Year Ended December 31, | | Year Ended December 31, | |
| | 2018 | 2017 (as restated) | 2018 | 2017 (as restated) | 2018 | 2017 (as restated) |
| Revenues: | | | | | | |
| Program revenues | $ 160,263,172 | $ 155,938,567 | $ 11,434,780 | $ 12,782,990 | $ 171,697,952 | $ 168,721,557 |
| General revenues | 326,124,033 | 310,101,377 | 330,686 | 411,649 | 326,454,719 | 310,513,026 |
| Total revenues | 486,387,205 | 466,039,944 | 11,765,466 | 13,194,639 | 498,152,671 | 479,234,583 |
| Total program expenses | 495,771,338 | 488,761,544 | 17,820,316 | 15,150,837 | 513,591,654 | 503,912,381 |
| Transfers | (3,737,306) | (1,415,647) | 3,737,306 | 1,415,647 | - | - |
| Change in net position | (13,121,439) | (24,137,247) | (2,317,544) | (540,551) | (15,438,983) | (24,677,798) |
| Net position—beginning, as restated | (231,328,497) | (47,024,129) | 32,355,495 | 32,855,968 | (198,973,002) | (14,168,161) |
| Restatement | - | (160,167,121) | - | 40,078 | - | (160,127,043) |
| Net position—ending | $ (244,449,936) | $ (231,328,497) | $ 30,037,951 | $ 32,355,495 | $ (214,411,985) | $ (198,973,002) |

**Governmental activities**—Governmental activities decreased the County's net position by $13,121,439, primarily due to the increase in the County's other postemployment benefits obligation.

A summary of sources of revenues for governmental activities for the years ended December 31, 2018 and 2017 is presented below.

**Table 3—Summary of Sources of Revenues—Governmental Activities**

| | Year Ended December 31, | | Increase/(Decrease) | |
|---|---|---|---|---|
| | 2018 | 2017 | Dollars | Percent (%) |
| Charges for services | $ 24,971,724 | $ 27,086,471 | $ (2,114,747) | (7.8) |
| Operating grants and contributions | 127,735,826 | 119,896,780 | 7,839,046 | 6.5 |
| Capital grants and contributions | 7,555,622 | 8,955,316 | (1,399,694) | (15.6) |
| Property taxes and tax items | 116,473,091 | 117,564,117 | (1,091,026) | (0.9) |
| Non-property taxes | 204,029,388 | 188,319,641 | 15,709,747 | 8.3 |
| Tobacco settlement revenues | 3,072,797 | 2,950,058 | 122,739 | 4.2 |
| Other | 2,548,757 | 1,267,561 | 1,281,196 | 101.1 |
| Total revenues | $ 486,387,205 | $ 466,039,944 | $ 20,347,261 | 4.4 |

The most significant source of revenues is non-property taxes, which accounts for $204,029,388, or 41.9 percent of total governmental activities revenues for the year ended December 31, 2018, and $188,319,641, or 40.4 percent of total governmental activities revenues for the year ended December 31, 2017. The next largest source of revenues is operating grants and contributions, which comprises $127,735,826, or 26.3 percent, and $119,896,780, or 25.7 percent of total governmental activities revenues for the years ended December 31, 2018 and 2017, respectively. The third largest source of revenues is property taxes and tax items, which comprises $116,473,091, or 23.9 percent, and

$117,564,117, or 25.2 percent of total governmental activities revenues for the years ended December 31, 2018 and 2017, respectively.

During the year ended December 31, 2018, non-property taxes increased $15,709,747 due to better sales tax collections, while operating grants and contributions increased $7,839,046 due to an increase in reimbursable costs related to state and federal aid.

A summary of program expenses of governmental activities for the years ended December 31, 2018 and 2017 is presented below in Table 4.

**Table 4—Summary of Program Expenses—Governmental Activities**

| | Year Ended December 31, | | Increase/(Decrease) | |
|---|---|---|---|---|
| | 2018 | 2017 | Dollars | Percent (%) |
| General government support | $ 103,400,017 | $ 95,009,158 | $ 8,390,859 | 8.8 |
| Education | 19,539,408 | 16,460,944 | 3,078,464 | 18.7 |
| Public safety | 91,410,893 | 96,843,674 | (5,432,781) | (5.6) |
| Health | 69,000,362 | 67,282,956 | 1,717,406 | 2.6 |
| Transportation | 27,624,140 | 25,620,076 | 2,004,064 | 7.8 |
| Economic assistance and opportunity | 157,970,061 | 162,163,516 | (4,193,455) | (2.6) |
| Culture and recreation | 5,560,046 | 5,011,892 | 548,154 | 10.9 |
| Home and community services | 14,767,386 | 13,958,504 | 808,882 | 5.8 |
| Interest and other fiscal charges | 6,499,025 | 6,410,824 | 88,201 | 1.4 |
| Total program expenses | $ 495,771,338 | $ 488,761,544 | $ 7,009,794 | 1.4 |

The County's most significant expense items for governmental activities were economic assistance and opportunity of $157,970,061, or 31.9 percent of total governmental activities expenses, general government support of $103,400,017, or 20.9 percent of total governmental activities expenses, and public safety of $91,410,893, or 18.4 percent of total governmental activities expenses for the year ended December 31, 2018. For the year ended December 31, 2017 significant expense items were economic assistance and opportunity of $162,163,516, or 33.2 percent of total governmental activities expenses, public safety of $96,843,674, or 19.8 percent of total governmental activities expenses, and general government support of $95,009,158, or 19.4 percent of total governmental activities expenses.

During the year ended December 31, 2018, expenses increased mainly due to increased allocable employee benefits expenses attributable to the County's other postemployment benefits obligation and workers' compensation liabilities, coupled with an increase distribution of sales tax owed to local governments.

**Business-type activities**—Business-type activities decreased the County's net position by $2,317,544. The County's airport and transportation operations decreased the business-type activities net position by $109,105 and $2,352,628, respectively, while the Local Development Corporation activities increased the business-type activities net position by $144,189. For the year ended December 31, 2018, operating revenues increased 22.3 percent, while expenses increased 17.6 percent.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2018 and 2017 is presented on the following page.

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

| | Year Ended December 31, | | Increase/(Decrease) | |
|---|---|---|---|---|
| | 2018 | 2017 | Dollar | Percent (%) |
| Operating revenues: | | | | |
| Charges for services | $ 3,430,878 | $ 3,304,745 | $ 126,133 | 3.8 |
| Operating grants and revenues | 7,166,313 | 5,220,946 | 1,945,367 | 37.3 |
| Other revenue | 108,868 | 231,047 | (122,179) | (52.9) |
| Total operating revenues | $ 10,706,059 | $ 8,756,738 | $ 1,949,321 | 22.3 |
| Operating expenses: | | | | |
| Personal services and employee benefits | $ 1,171,792 | $ 1,378,932 | $ (207,140) | (15.0) |
| Depreciation | 5,056,118 | 4,500,246 | 555,872 | 12.4 |
| Contracted services | 11,481,212 | 9,177,421 | 2,303,791 | 25.1 |
| Total operating expenses | $ 17,709,122 | $ 15,056,599 | $ 2,652,523 | 17.6 |

The County's business-type activities operating revenues for the year ended December 31, 2018 increased 22.3 percent from the previous year, resulting primarily from an increased operating grants from state and federal transportation grants.

Additionally, the most significant expense items for the year ended December 31, 2018 were contracted services, which accounted for $11,481,212, or 64.8 percent of total expenses, and depreciation expense of $5,056,118, or 28.6 percent of total expenses. Similarly, for the year ended December 31, 2017, the most significant expense items were contracted services, which accounted for $9,177,421, or 61.0 percent of total expenses, and depreciation expense of $4,500,246, or 29.9 percent of total expenses. Operating expenses increased 17.1% from the year ended December 31, 2017, due primarily to increases in transportation expenses related to matching grant activity.

**Financial Analysis of the Governmental Funds**

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

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

At December 31, 2018, the County's governmental funds reported combined ending fund balances of $119,482,634, an increase of $12,619,189 in comparison with the prior year. The County had *unassigned fund balance* in the General Fund and *assigned to specific use* in special revenue funds of $54,644,743, which is available for spending at the County's discretion or amounts within special revenue funds that are not restricted or committed. The remainder of fund balance is either *nonspendable, restricted,* or *assigned* to indicate that it is: (1) not in spendable form, $4,597,992; (2) restricted for particular purposes, $40,907,633; or (3) assigned for particular purposes, $19,332,266.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was $52,447,832, while total fund balance was $95,605,340. The General Fund fund balance increased $1,415,521 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures and transfers out. Unassigned fund balance represents 11.5 percent of General Fund expenditures and transfers out, while total fund balance represents 21.0 percent of that same amount.

The fund balance in the Capital Projects Fund increased $12,623,560 from the prior year, resulting in fund balance of $17,056,474 as of December 31, 2018. The increase in the Capital Projects Fund is primarily due to the County's serial bond issuance in the amount of $53,417,400, which was partially offset by capital outlay costs of $48,246,806.

At December 31, 2018, the DTASC Fund reported restricted fund balance of $3,350,864 to be used for upcoming payments of principal and interest; and the remaining fund balance, $62,391, constitutes assigned fund balance which is available for spending towards DTASC activities.

**Proprietary funds**—The County's proprietary funds provide the same type of information found in business-type activities of the governmental-wide financial statements, but in more detail.

Net position of the Airport Fund at December 31, 2018 totaled $14,382,054, which included $12,321,782 net investment in capital assets and an unrestricted net position of $2,060,272. The Airport Fund net position decreased $109,105 during the year ended December 31, 2018 as a result of increased depreciation costs.

Net position of the Transportation Fund at December 31, 2018 totaled $12,608,019, which included $9,189,992 net investment in capital assets and unrestricted net position of $3,418,027. The Transportation Fund net position decreased $2,352,628 as a result of decreased County contributions.

Net position of the Dutchess County Local Development Corporation at December 31, 2018 totaled $3,047,878, which included $56,824 net investment in capital assets and unrestricted net position of $2,991,054. The Dutchess County Local Development Corporation net position increased $144,189 as a result of revenues exceeding costs of operation.

### General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2018 is presented in Table 6 below.

**Table 6—General Fund Budget**

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| Revenues and other financing sources | $ 437,639,215 | $ 445,969,915 | $ 457,169,490 | $ 11,199,575 |
| Expenditures and other financing uses | 454,010,661 | 466,411,753 | 455,753,969 | 10,657,784 |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | $ (16,371,446) | $ (20,441,838) | $ 1,415,521 | $ 21,857,359 |

**Original budget compared to final budget**—During the year the budget is modified, primarily to reflect the acceptance of new state and federal grants. These grants explain the majority of increases in revenues and expenditures from the original adopted budget to the final budget. Additionally, significant transfers and amendments to the budget included $4,070,392 supplemental appropriations, mainly within home and community services to provide funding for ongoing activities.

**Final budget compared to actual results**—The General Fund had a favorable variance from the final budget of $21,857,359. The primary positive variances were realized from unanticipated sales tax, as well as lower than expected costs within economic assistance and opportunity related to the administration of social services programs. There was also a significant positive variance related to employee benefits throughout various County departments.

### Capital Assets and Debt Administration

**Capital assets**—The County's investment in capital assets for its governmental activities and business-type activities as of December 31, 2018 amounted to $231,330,951 and $24,762,929, respectively (net of accumulated depreciation). This investment in capital assets includes land, right of way easements, construction in progress, infrastructure, buildings and building improvements and machinery and equipment. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County's capital asset policy.

Capital assets, net of depreciation, for the governmental activities and business-type activities at the years ended December 31, 2018 and 2017 are presented in Table 7 below.

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | $ 12,564,155 | $ 12,440,941 | $ 3,385,364 | $ 3,385,364 | $ 15,949,519 | $ 15,826,305 |
| Right of way and easements | 14,872,417 | 14,326,702 | - | - | 14,872,417 | 14,326,702 |
| Construction in progress | 42,205,753 | 16,816,391 | 1,968,822 | 745,117 | 44,174,575 | 17,561,508 |
| Infrastructure | 92,610,979 | 93,519,587 | 9,484,099 | 11,056,148 | 102,095,078 | 104,575,735 |
| Buildings and improvements | 46,374,282 | 49,972,222 | 3,020,023 | 3,397,005 | 49,394,305 | 53,369,227 |
| Improvements other than buildings | 6,851,077 | 3,768,595 | - | - | 6,851,077 | 3,768,595 |
| Machinery and equipment | 15,852,288 | 14,339,022 | 6,904,621 | 9,676,200 | 22,756,909 | 24,015,222 |
| Total | $ 231,330,951 | $ 205,183,460 | $ 24,762,929 | $ 28,259,834 | $ 256,093,880 | $ 233,443,294 |

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

**Long-term debt**—The New York State Local Finance Law limits the County's power to contract indebtedness to 7% of the five-year average full valuation of taxable real estate. At the end of 2018, the County's governmental activities outstanding bonded debt totaled $130,205,609 (excluding DTASC) and represents approximately 6.2% of the County's debt limit.

A summary of the County's long-term liabilities at December 31, 2018 and December 31, 2017 is presented below in Table 8:

**Table 8—Summary of Long-Term Liabilities**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | December 31, | | December 31, | | December 31, | |
| | 2018 | 2017 (as restated) | 2018 | 2017 (as restated) | 2018 | 2017 (as restated) |
| Bonds payable | $ 195,599,818 | $ 155,746,521 | $ 3,194,331 | $ 2,228,447 | $ 198,794,149 | $ 157,974,968 |
| Compensated absences | 9,544,888 | 9,437,501 | 33,781 | 39,265 | 9,578,669 | 9,476,766 |
| Environmental clean up | 8,000 | 124,000 | - | - | 8,000 | 124,000 |
| Workers' compensation and general claims | 29,358,305 | 30,454,247 | - | - | 29,358,305 | 30,454,247 |
| Other postemployment benefits | 410,430,151 | 367,611,394 | 1,616,701 | 1,448,036 | 412,046,852 | 369,059,430 |
| Net pension liability | 14,687,677 | 43,249,327 | 53,841 | 196,573 | 14,741,518 | 43,445,900 |
| Total | $ 659,628,839 | $ 606,622,990 | $ 4,898,654 | $ 3,912,321 | $ 664,527,493 | $ 610,535,311 |

Total outstanding long-term liabilities increased by $53,992,182 from prior year. Major factors that contributed to this increase include:

- Bonds payable increased in the governmental and business-type activities by $39,853,297 and $965,884, respectively. During the year ended December 31, 2018, the County's primary government issued general improvement serial bonds in the amount of $54,949,536, offset by scheduled principal payments of $13,475,001.

- The net pension liability decreased in the governmental and business-type activities by $28,561,650 and $142,732, respectively. The liability is based on actuarial results related to the New York State retirement contribution programs.

- Obligations for other postemployment benefits ("OPEB") increased in the governmental and business-type activities by $42,818,757 and $168,665, respectively. This obligation is a commitment the County has made to its employees pursuant to contract negotiations. As health costs have risen dramatically over the past several years, County management has attempted to address these costs as new contracts have been negotiated. Newer contracts require greater employee contributions and increased length of employment to qualify for retiree health benefits.

Additional information on the County's long-term liabilities can be found in Note 13 to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

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

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

| Year Ended December 31, | |
|---|---|
| 2019 (budgeted) | $ 41,327,545 |
| 2018 | 40,745,757 |
| 2017 | 41,285,244 |

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

| Year Ended December 31, | |
|---|---|
| 2019 (budgeted) | $ 18,608,771 |
| 2018 | 17,634,363 |
| 2017 | 17,855,418 |

The County has appropriated $14.50 million in fund balance to finance the 2019 budget within the General Fund. The unassigned fund balance is $52.45 million in the General Fund as of December 31, 2018.

The total tax levy for the 2019 budget is $106.4 million, resulting in a property tax rate of $3.45 per thousand of assessed value, which is 2.54% lower than $3.54 in 2018. The true value assessment for the County has increased from $30.04 billion for the 2018 budget to $30.83 billion for the 2019 budget; an increase of 2.63%.

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

There is currently $4.7 billion in rolling development in Dutchess County, including the establishment of the recently announced new medical college in Poughkeepsie. Dutchess County has experienced twenty-three consecutive months of private sector job growth, with many months besting the regional, state and national rates.

A significant portion of the County's labor force is employed in the healthcare and education industry clusters, and Dutchess County has recently seen growth in manufacturing jobs. According to the U.S. Department of Labor's latest Quarterly Census of Employment and Wages (QCEW) report, Dutchess County employment grew by more than 1,600 between Q1 2018 (March) and Q1 2019 (March), and the Average Weekly Wage (AWW) grew by $24 for the same period—the County's AWW is second only to Westchester County in the Mid-Hudson Region.

Wealth levels for Dutchess County residents are above State and National averages. According to the U.S. Census Bureau (American Community Survey – 5 Year Estimate), the per capita income of County residents in 2017 was $36,704—up $1,603 from 2016, which was higher than the State and National averages in 2016 by 2.6% and 17.8%, respectively. State and National income averages reported on this basis were $34,212 and $29,829, respectively. Median household income for 2017 in the County, State and Nation were estimated to be $75,585, $62,765 and $57,652, respectively.

**Request for Information**

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

# BASIC FINANCIAL STATEMENTS

# COUNTY OF DUTCHESS, NEW YORK
## Statement of Net Position
## December 31, 2018

| | Primary Government | | | Total Major Discretely Presented Component Units | Aggregate Nonmajor Discretely Presented Component Units |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | | |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 38,245,211 | $ 7,831,816 | $ 46,077,027 | $ 27,087,931 | $4,611,171 |
| Restricted cash and cash equivalents | 58,959,788 | - | 58,959,788 | 20,078,976 | - |
| Investments | 34,584,253 | - | 34,584,253 | - | - |
| Receivables (net of allowances): | | | | | |
| Taxes | 40,883,672 | - | 40,883,672 | - | - |
| Accounts receivable | 8,070,531 | 474,964 | 8,545,495 | 7,627,486 | 102,424 |
| Intergovernmental receivables | 70,262,535 | 4,935,924 | 75,198,459 | - | - |
| Internal balances | 1,938,032 | (1,938,032) | - | - | - |
| Due from Agency Fund | 2,000,000 | - | 2,000,000 | - | - |
| Prepaid items | 4,506,217 | 40,296 | 4,546,513 | 1,227,361 | 27,997 |
| Inventories | 91,775 | - | 91,775 | - | - |
| Other noncurrent assets | 7,405,982 | - | 7,405,982 | 2,311,979 | - |
| Capital assets, not being depreciated | 69,642,325 | 5,354,186 | 74,996,511 | 9,566,056 | - |
| Capital assets, net of accumulated depreciation | 161,688,626 | 19,408,743 | 181,097,369 | 146,428,920 | 40,268 |
| Total assets | 498,278,947 | 36,107,897 | 534,386,844 | 214,328,709 | 4,781,860 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred outflows—relating to pensions | 50,203,902 | 185,744 | 50,389,646 | 7,997,252 | 144,793 |
| Deferred outflows—relating to OPEB | 28,134,006 | 110,821 | 28,244,827 | 2,397,410 | - |
| Deferred outflows—relating to capital | - | - | - | 235,417 | - |
| Deferred charge on refunding | 1,308,078 | - | 1,308,078 | 697,357 | - |
| Total deferred outflows of resources | 79,645,986 | 296,565 | 79,942,551 | 11,327,436 | 144,793 |
| **LIABILITIES** | | | | | |
| Accounts payable | 64,551,483 | 1,230,314 | 65,781,797 | 7,513,058 | 15,128 |
| Retainages payable | 1,622,288 | - | 1,622,288 | - | - |
| Accrued liabilities | 5,276,811 | 58,632 | 5,335,443 | 3,753,401 | 9,952 |
| Bond anticipation notes payable | - | - | - | 1,250,000 | - |
| Intergovernmental payables | 28,821,549 | - | 28,821,549 | - | - |
| Unearned revenue | 2,078,284 | 3,930 | 2,082,214 | 2,272,421 | - |
| Noncurrent liabilities: | | | | | |
| Due within one year | 22,640,137 | 541,011 | 23,181,148 | 5,208,306 | - |
| Due in more than one year | 636,988,702 | 4,357,643 | 641,346,345 | 167,565,561 | 47,451 |
| Total liabilities | 761,979,254 | 6,191,530 | 768,170,784 | 187,562,747 | 72,531 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred inflows—relating to pensions | 47,735,477 | 174,981 | 47,910,458 | 6,214,784 | 213,480 |
| Deferred inflows—relating to OPEB | - | - | - | 8,153,942 | - |
| Deferred inflows—relating to NYS TAP payments | - | - | - | 974,165 | - |
| Deferred gain on refunding | 12,660,138 | - | 12,660,138 | 301,652 | 84 |
| Deferred inflows related to capital | - | - | - | 24,705,921 | - |
| Total deferred inflows of resources | 60,395,615 | 174,981 | 60,570,596 | 40,350,464 | 213,564 |
| **NET POSITION** | | | | | |
| Net investment in capital assets | 63,738,872 | 21,568,598 | 85,307,470 | 64,310,658 | 40,268 |
| Restricted for: | | | | | |
| Debt service | 14,346,296 | - | 14,346,296 | - | - |
| Workers' compensation | 6,606,717 | - | 6,606,717 | - | - |
| Other | 6,013,548 | - | 6,013,548 | 20,377,167 | - |
| Unrestricted | (335,155,369) | 8,469,353 | (326,686,016) | (86,944,891) | 4,600,290 |
| Total net position | $(244,449,936) | $ 30,037,951 | $(214,411,985) | $ (2,257,066) | $4,640,558 |

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

# COUNTY OF DUTCHESS, NEW YORK
## Statement of Activities
## Year Ended December 31, 2018

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | Total Major Discretely Presented Component Units | Aggregate Nonmajor Discretely Presented Component Units |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | | |
| **Primary government:** | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government support | $ 103,400,017 | $ 8,509,024 | $ 3,481,890 | $ 693,376 | $ (90,715,727) | $ - | $ (90,715,727) | $ - | $ - |
| Education | 19,539,408 | - | - | 874,624 | (18,664,784) | - | (18,664,784) | - | - |
| Public safety | 91,410,893 | 3,905,661 | 3,822,211 | 12,645 | (83,670,376) | - | (83,670,376) | - | - |
| Health | 69,000,362 | 2,154,303 | 36,808,641 | - | (30,037,418) | - | (30,037,418) | - | - |
| Transportation | 27,624,140 | 2,158,801 | 2,668,426 | 5,931,833 | (16,865,080) | - | (16,865,080) | - | - |
| Economic assistance and opportunity | 157,970,061 | 7,095,123 | 77,094,001 | - | (73,780,937) | - | (73,780,937) | - | - |
| Culture and recreation | 5,560,046 | 536,720 | 607,592 | 43,144 | (4,372,590) | - | (4,372,590) | - | - |
| Home and community services | 14,767,386 | 612,092 | 3,253,065 | - | (10,902,229) | - | (10,902,229) | - | - |
| Interest and other fiscal charges | 6,499,025 | - | - | - | (6,499,025) | - | (6,499,025) | - | - |
| Total governmental activities | 495,771,338 | 24,971,724 | 127,735,826 | 7,555,622 | (335,508,166) | - | (335,508,166) | - | - |
| Business-type activities: | | | | | | | | | |
| Airport | 2,663,180 | 968,026 | - | 658,844 | - | (1,036,310) | (1,036,310) | - | - |
| Transportation | 14,193,021 | 1,389,147 | 7,166,313 | 178,745 | - | (5,458,816) | (5,458,816) | - | - |
| Local Development Corporation | 964,115 | 1,073,705 | - | - | - | 109,590 | 109,590 | - | - |
| Total business-type activities | 17,820,316 | 3,430,878 | 7,166,313 | 837,589 | - | (6,385,536) | (6,385,536) | - | - |
| Total primary government | $ 513,591,654 | $ 28,402,602 | $ 134,902,139 | $ 8,393,211 | (335,508,166) | (6,385,536) | (341,893,702) | - | - |
| **Component units:** | | | | | | | | | |
| Dutchess Community College | $ 85,971,511 | $ 49,973,653 | $ 18,384,255 | $ - | | | | (17,613,603) | - |
| Resource Recovery Agency | 11,940,262 | 12,258,649 | - | - | | | | 318,387 | - |
| Water and Wastewater Authority | 8,744,309 | 6,310,875 | - | - | | | | (2,433,434) | - |
| Nonmajor component units | 1,199,193 | 533,684 | 222,419 | - | | | | - | (443,090) |
| Total component units | $ 107,855,275 | $ 69,076,861 | $ 18,606,674 | $ - | | | | (19,728,650) | (443,090) |
| General revenues: | | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 103,489,746 | - | 103,489,746 | - | - |
| Property taxes, levied for debt service | | | | | 12,983,345 | - | 12,983,345 | - | - |
| Sales and use taxes | | | | | 199,614,941 | - | 199,614,941 | - | - |
| Other taxes | | | | | 4,414,447 | - | 4,414,447 | - | - |
| Use of money and property | | | | | 2,548,757 | 221,818 | 2,770,575 | 1,358,870 | 75,035 |
| Tobacco settlement revenues | | | | | 3,072,797 | - | 3,072,797 | - | 41,364 |
| Miscellaneous | | | | | - | 108,868 | 108,868 | - | - |
| Payments from primary government | | | | | - | - | - | 18,206,020 | 295,800 |
| Transfers | | | | | (3,737,306) | 3,737,306 | - | - | - |
| Total general revenues and transfers | | | | | 322,386,727 | 4,067,992 | 326,454,719 | 19,564,890 | 412,199 |
| Change in net position | | | | | (13,121,439) | (2,317,544) | (15,438,983) | (163,760) | (30,891) |
| Net position—beginning, as restated | | | | | (231,328,497) | 32,355,495 | (198,973,002) | (2,093,306) | 4,671,449 |
| Net position—ending | | | | | $ (244,449,936) | $ 30,037,951 | $ (214,411,985) | $ (2,257,066) | $ 4,640,558 |

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

# COUNTY OF DUTCHESS, NEW YORK
## Balance Sheet—Governmental Funds
## December 31, 2018

| | General | Capital Projects | DTASC | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 34,353,319 | $ - | $ 62,391 | $ 3,829,501 | $ 38,245,211 |
| Restricted cash and cash equivalents | 27,321,525 | 28,287,399 | 3,350,864 | - | 58,959,788 |
| Investments | 34,584,253 | - | - | - | 34,584,253 |
| Receivables (net of allowances): | | | | | |
| Taxes | 40,883,672 | - | - | - | 40,883,672 |
| Accounts receivable | 8,067,767 | - | - | 2,764 | 8,070,531 |
| Due from other funds | 8,120,190 | 13,250 | - | - | 8,133,440 |
| Intergovernmental receivables | 36,890,269 | 4,626,422 | - | 2,018,864 | 43,535,555 |
| Prepaid items | 4,287,146 | - | - | 219,071 | 4,506,217 |
| Inventories | 91,775 | - | - | - | 91,775 |
| Total assets | $ 194,599,916 | $ 32,927,071 | $ 3,413,255 | $ 6,070,200 | $ 237,010,442 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 50,358,023 | $ 11,691,744 | $ - | $ 2,501,716 | $ 64,551,483 |
| Accrued liabilities | 3,084,172 | - | - | 157,614 | 3,241,786 |
| Due to other funds | 13,250 | 4,178,853 | - | 3,305 | 4,195,408 |
| Intergovernmental payables | 28,821,549 | - | - | - | 28,821,549 |
| Unearned revenue | 2,078,284 | - | - | - | 2,078,284 |
| Total liabilities | 84,355,278 | 15,870,597 | - | 2,662,635 | 102,888,510 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenue—property taxes | 14,639,298 | - | - | - | 14,639,298 |
| Total deferred inflows of resources | 14,639,298 | - | - | - | 14,639,298 |
| **FUND BALANCES** | | | | | |
| Nonspendable | 4,378,921 | - | - | 219,071 | 4,597,992 |
| Restricted | 20,500,295 | 17,056,474 | 3,350,864 | - | 40,907,633 |
| Assigned | 18,278,292 | - | 62,391 | 3,188,494 | 21,529,177 |
| Unassigned | 52,447,832 | - | - | - | 52,447,832 |
| Total fund balances | 95,605,340 | 17,056,474 | 3,413,255 | 3,407,565 | 119,482,634 |
| Total liabilities, deferred inflows of resources and fund balances | $ 194,599,916 | $ 32,927,071 | $ 3,413,255 | $ 6,070,200 | $ 237,010,442 |

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

# COUNTY OF DUTCHESS, NEW YORK

## Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position

## December 31, 2018

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of net position (page 16) are different because: | | |
| Total fund balances—governmental funds (page 18) | | $ 119,482,634 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is $566,144,539 and the accumulated depreciation is $334,813,588. | | 231,330,951 |
| Other noncurrent assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 7,405,982 |
| Real property taxes not collected within 60 days of year end are reported as deferred inflows of resrouces in the fund statements, but are recognized on the accural basis for government-wide statements. | | 14,639,298 |
| Certain accrued revenues for grants, aid and tobacco settlement revenue reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds. | | 26,726,980 |
| Deferred outflows and inflows of resources associated with refunding bond issuances are not reported in the governmental funds. The charge is reported as a deferred outflow of resources, while the gain is reported as a deferred inflow of resources on the statement of net position, and the net amounts are recognized as a component of interest expense over the life of the related debt. | | |
| Deferred charge on refunding—County | $ 1,308,078 | |
| Deferred gain on refunding—County | (214,864) | |
| Deferred gain on refunding—DTASC | (12,445,274) | (11,352,060) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements. | | |
| Deferred outflows related to employer contributions | $ 13,103,483 | |
| Deferred outflows related to experience, changes in assumptions, and investment earnings | 37,100,419 | |
| Deferred inflows related to pension plans | (47,735,477) | 2,468,425 |
| Deferred outflows of resources related to changes of assumptions and employer contributions for other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements. | | 28,134,006 |
| Net accrued interest expense for general obligation bonds of $1,813,838 and DTASC bonds of $221,187 are not reported in the funds. | | (2,035,025) |
| To recognize retainages payable on outstanding capital projects not recorded in the fund statements. | | (1,622,288) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are: | | |
| Serial bonds—County | $ (130,205,609) | |
| Unamortized bond premiums—County | (6,775,216) | |
| DTASC bonds | (48,725,000) | |
| Unamortized bond premiums—DTASC | (3,603,834) | |
| DTASC subordinate turbo CABs | (6,290,159) | |
| Compensated absences | (9,544,888) | |
| Environmental clean up | (8,000) | |
| Workers' compensation and general claims | (29,358,305) | |
| Other postemployment benefits obligation | (410,430,151) | |
| Net pension liability | (14,687,677) | (659,628,839) |
| Net position of governmental activities | | $ (244,449,936) |

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

# COUNTY OF DUTCHESS, NEW YORK

## Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds

### Year Ended December 31, 2018

| | General | Capital Projects | DTASC | Total Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Real property taxes | $ 107,314,510 | $ - | $ - | $ 9,867,773 | $ 117,182,283 |
| Sales and use taxes | 199,614,941 | - | - | - | 199,614,941 |
| Other taxes | 4,414,447 | - | - | - | 4,414,447 |
| Departmental income | 23,554,421 | - | - | 2,015,437 | 25,569,858 |
| Use of money and property | 2,588,712 | 598,028 | 83,385 | 7,974 | 3,278,099 |
| Miscellaneous | 4,702,167 | 14,062 | 3,251,538 | 185,604 | 8,153,371 |
| Grants and aid | 113,437,361 | 7,541,562 | - | 3,871,932 | 124,850,855 |
| Total revenues | 455,626,559 | 8,153,652 | 3,334,923 | 15,948,720 | 483,063,854 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government support | 71,395,749 | - | 59,430 | - | 71,455,179 |
| Education | 17,723,132 | - | - | - | 17,723,132 |
| Public safety | 61,966,609 | - | - | 271,272 | 62,237,881 |
| Health | 60,261,450 | - | - | - | 60,261,450 |
| Transportation | 2,898,392 | - | - | 9,535,542 | 12,433,934 |
| Economic assistance and opportunity | 144,807,374 | - | - | 1,367,569 | 146,174,943 |
| Culture and recreation | 2,232,062 | - | - | - | 2,232,062 |
| Home and community services | 10,731,157 | - | - | 2,669,611 | 13,400,768 |
| Employee benefits | 62,909,387 | - | - | 4,134,211 | 67,043,598 |
| Debt service: | | | | | |
| Principal | 12,983,345 | - | 620,000 | - | 13,603,345 |
| Interest and other fiscal charges | 3,074,927 | - | 2,622,900 | - | 5,697,827 |
| Capital outlay | - | 48,246,806 | - | - | 48,246,806 |
| Total expenditures | 450,983,584 | 48,246,806 | 3,302,330 | 17,978,205 | 520,510,925 |
| Excess (deficiency) of revenues over expenditures | 4,642,975 | (40,093,154) | 32,593 | (2,029,485) | (37,447,071) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in | 1,542,931 | 456,079 | - | 577,000 | 2,576,010 |
| Transfers out | (4,770,385) | (1,542,931) | - | - | (6,313,316) |
| Proceeds from issuance of serial bonds | - | 53,517,400 | - | - | 53,517,400 |
| Premium on serial bonds | - | 286,166 | - | - | 286,166 |
| Total other financing sources (uses) | (3,227,454) | 52,716,714 | - | 577,000 | 50,066,260 |
| Net change in fund balances | 1,415,521 | 12,623,560 | 32,593 | (1,452,485) | 12,619,189 |
| Fund balances—beginning | 94,189,819 | 4,432,914 | 3,380,662 | 4,860,050 | 106,863,445 |
| Fund balances—ending | $ 95,605,340 | $ 17,056,474 | $ 3,413,255 | $ 3,407,565 | $ 119,482,634 |

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

# COUNTY OF DUTCHESS, NEW YORK
## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities
## Year Ended December 31, 2018

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities (page 17) are different because: | | |
| Net change in fund balances—total governmental funds (page 20) | | $ 12,619,189 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded loss on disposals and depreciation expense in the current period. | | |
| Capital asset additions | $ 47,402,983 | |
| Depreciation expense | (21,254,833) | |
| Loss on disposals | (659) | 26,147,491 |
| In the statement of activities, the cost of other noncurrent assets is allocated and amortized over their estimated useful lives. | | (274,568) |
| Certain tax and other revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year-end to pay for the current period's expenditures in the governmental funds when it is due. However, on the statement of activities, this is recognized as revenue regardless of when it is collected. | | |
| Change in deferred inflows of resources—property taxes | $ (709,192) | |
| Change in long-term receivable—grants and aid | 4,985,616 | |
| Change in long-term receivable—DTASC | (178,741) | 4,097,683 |
| For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge/gain on the government-wide statements and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. | | 124,204 |
| Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows: | | |
| Direct pension contributions | $ 17,559,786 | |
| Cost of benefits earned net of employee contributions | (17,517,068) | 42,718 |
| Deferred outflows of resources relating to OPEB result from changes in assumptions and other inputs. These amounts are shown net of current year amortization. | | 28,134,006 |
| In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid. | | (2,444,663) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows: | | |
| Issuance of serial bonds—County | $ (53,517,400) | |
| Repayment of serial bonds—County | 12,983,345 | |
| Premium on serial bonds issued—County | (286,166) | |
| Amortization of bond premiums—County | 712,052 | |
| Repayment of serial bonds—DTASC | 620,000 | |
| Amortization of bond premiums—DTASC | 45,857 | |
| Accreted interest on DTASC bonds | (410,985) | |
| Change in compensated absences | (107,387) | |
| Change in environmental clean up | 116,000 | |
| Change in workers' compensation and general claims | 1,095,942 | |
| Change in other postemployment benefits obligation | (42,818,757) | (81,567,499) |
| Change in net position of governmental activities | | $ (13,121,439) |

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

## COUNTY OF DUTCHESS, NEW YORK
**Statement of Net Position—Proprietary Funds**
**December 31, 2018**

| | Business-type Activities | | | |
|---|---|---|---|---|
| | Airport | Transportation | Dutchess County LDC | Total Enterprise Funds |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 4,086,201 | $ 835,189 | $ 2,910,426 | $ 7,831,816 |
| Receivables | 342,063 | 15,358 | 117,543 | 474,964 |
| Intergovernmental receivables | 435,471 | 4,500,453 | - | 4,935,924 |
| Prepaid items | 15,173 | 1,407 | 23,716 | 40,296 |
| Total current assets | 4,878,908 | 5,352,407 | 3,051,685 | 13,283,000 |
| Noncurrent assets: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 3,136,399 | 248,965 | - | 3,385,364 |
| Construction in progress | 1,945,551 | 23,271 | - | 1,968,822 |
| Capital assets, net of accumulated depreciation: | | | | |
| Infrastructure | 7,619,816 | 1,864,284 | - | 9,484,100 |
| Buildings and building improvements | 910,992 | 2,109,031 | - | 3,020,023 |
| Machinery and equipment | 638,338 | 6,209,458 | 56,824 | 6,904,620 |
| Total noncurrent assets | 14,251,096 | 10,455,009 | 56,824 | 24,762,929 |
| Total assets | 19,130,004 | 15,807,416 | 3,108,509 | 38,045,929 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows—relating to pensions | 166,916 | 18,828 | - | 185,744 |
| Deferred outflows—relating to OPEB | 110,821 | - | - | 110,821 |
| Total deferred outflows of resources | 277,737 | 18,828 | - | 296,565 |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable | 429,334 | 740,349 | 60,631 | 1,230,314 |
| Accrued liabilities | 46,724 | 11,908 | - | 58,632 |
| Due to other funds | 761,649 | 1,176,383 | - | 1,938,032 |
| Unearned revenue | 3,930 | - | - | 3,930 |
| Current portion of long-term debt | 238,323 | 302,688 | - | 541,011 |
| Total current liabilities | 1,479,960 | 2,231,328 | 60,631 | 3,771,919 |
| Noncurrent liabilities: | | | | |
| Bonds payable | 1,668,546 | 962,329 | - | 2,630,875 |
| Premium on bonds | 24,134 | - | - | 24,134 |
| Compensated absences | 32,092 | - | - | 32,092 |
| Other postemployment benefits obligation | 1,616,701 | - | - | 1,616,701 |
| Net pension liability | 48,060 | 5,781 | - | 53,841 |
| Total noncurrent liabilities | 3,389,533 | 968,110 | - | 4,357,643 |
| Total liabilities | 4,869,493 | 3,199,438 | 60,631 | 8,129,562 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows—relating to pensions | 156,194 | 18,787 | - | 174,981 |
| Total deferred inflows of resources | 156,194 | 18,787 | - | 174,981 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 12,321,782 | 9,189,992 | 56,824 | 21,568,598 |
| Unrestricted | 2,060,272 | 3,418,027 | 2,991,054 | 8,469,353 |
| Total net position | $ 14,382,054 | $ 12,608,019 | $ 3,047,878 | $ 30,037,951 |

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

# COUNTY OF DUTCHESS, NEW YORK

**Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds**
**Year Ended December 31, 2018**

| | Business-type Activities | | | |
|---|---|---|---|---|
| | Airport | Transportation | Dutchess County LDC | Total Enterprise Funds |
| Operating revenues: | | | | |
| Charges for services | $ 968,026 | $ 1,389,147 | $ 1,073,705 | $ 3,430,878 |
| Operating grants and revenues | - | 7,166,313 | - | 7,166,313 |
| Other | 9,137 | 99,731 | - | 108,868 |
| Total operating revenues | 977,163 | 8,655,191 | 1,073,705 | 10,706,059 |
| Operating expenses: | | | | |
| Personal services | 400,206 | 48,790 | 357,658 | 806,654 |
| Employee benefits | 278,701 | 11,067 | 75,370 | 365,138 |
| Depreciation | 1,559,107 | 3,483,419 | 13,592 | 5,056,118 |
| Contracted services | 360,828 | 10,602,889 | 517,495 | 11,481,212 |
| Total operating expenses | 2,598,842 | 14,146,165 | 964,115 | 17,709,122 |
| Operating (loss) income | (1,621,679) | (5,490,974) | 109,590 | (7,003,063) |
| Nonoperating revenues (expenses): | | | | |
| Interest income | 180,955 | 1,350 | 34,599 | 216,904 |
| Interest expense | (64,338) | (46,856) | - | (111,194) |
| Other | - | 4,914 | - | 4,914 |
| Total nonoperating revenues (expenses) | 116,617 | (40,592) | 34,599 | 110,624 |
| (Loss) income before capital contributions and transfers | (1,505,062) | (5,531,566) | 144,189 | (6,892,439) |
| Capital contributions | 658,844 | 178,745 | - | 837,589 |
| Transfers in | 737,113 | 3,000,193 | - | 3,737,306 |
| Change in net position | (109,105) | (2,352,628) | 144,189 | (2,317,544) |
| Net position—beginning, as restated | 14,491,159 | 14,960,647 | 2,903,689 | 32,355,495 |
| Net position—ending | $14,382,054 | $ 12,608,019 | $ 3,047,878 | $ 30,037,951 |

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

## COUNTY OF DUTCHESS, NEW YORK
**Statement of Cash Flows—Proprietary Funds**
**Year Ended December 31, 2018**

| | Business-type Activities | | | |
|---|---|---|---|---|
| | Airport | Transportation | Dutchess County LDC | Total Enterprise Funds |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Receipts from services provided | $ 870,954 | $ 1,370,889 | $ 1,073,775 | $ 3,315,618 |
| Receipts from operating grants and revenue | - | 5,706,344 | - | 5,706,344 |
| Receipts from other operating revenue | 9,137 | 99,731 | - | 108,868 |
| Payments to employees | (627,935) | (89,745) | (430,880) | (1,148,560) |
| Payments to suppliers of contracted services | (94,194) | (10,343,852) | (505,382) | (10,943,428) |
| Net cash provided by (used for) operating activities | 157,962 | (3,256,633) | 137,513 | (2,961,158) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | |
| Transfers and loans to and from other funds | 436,052 | 3,299,398 | - | 3,735,450 |
| Net cash provided by noncapital financing activities | 436,052 | 3,299,398 | - | 3,735,450 |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | | | |
| Capital contributions to noncurrent assets | 1,319,811 | 51,999 | - | 1,371,810 |
| (Acquisition)/disposal of capital assets, net | (1,313,962) | (242,382) | (2,869) | (1,559,213) |
| Proceeds from issuance of debt | 1,200,000 | 232,136 | - | 1,432,136 |
| Premium from issuance of debt | 25,404 | - | - | 25,404 |
| Principal payments on bonds | (265,653) | (226,003) | - | (491,656) |
| Interest payments | (37,846) | (32,287) | - | (70,133) |
| Net cash provided by (used for) capital and related financing activities | 927,754 | (216,537) | (2,869) | 708,348 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest income earned | 180,955 | 1,350 | 34,599 | 216,904 |
| Net cash provided by investing activities | 180,955 | 1,350 | 34,599 | 216,904 |
| Increase (decrease) in cash and cash equivalents | 1,702,723 | (172,422) | 169,243 | 1,699,544 |
| Cash and cash equivalents—beginning | 2,383,478 | 1,007,611 | 2,741,183 | 6,132,272 |
| Cash and cash equivalents—ending | $ 4,086,201 | $ 835,189 | $ 2,910,426 | $ 7,831,816 |

(continued)

# COUNTY OF DUTCHESS, NEW YORK
**Statement of Cash Flows—Proprietary Funds**
**Year Ended December 31, 2018**

(concluded)

| | Business-type Activities | | | |
|---|---|---|---|---|
| | **Airport** | **Transportation** | **Dutchess County LDC** | **Total Enterprise Funds** |
| **Reconciliation of operating (loss) income to net cash provided by (used for) operating activities:** | | | | |
| Operating (loss) income | $ (1,621,679) | $ (5,490,974) | $ 109,590 | $ (7,003,063) |
| Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities: | | | | |
| Depreciation expense | 1,559,107 | 3,483,419 | 13,592 | 5,056,118 |
| (Increase) decrease in receivables | (92,450) | (1,478,228) | 42,096 | (1,528,582) |
| Decrease in inventories | 3,335 | - | - | 3,335 |
| Decrease (increase) in other assets | 6,247 | 2,246 | (5,136) | 3,357 |
| (Increase) decrease in deferred outflows of resources | (129,848) | 14,621 | - | (115,227) |
| Increase in accounts payable | 261,132 | 262,302 | 16,371 | 539,805 |
| (Decrease) in accrued liabilities | (5,196) | (5,099) | - | (10,295) |
| (Decrease) in unearned revenue | (2,555) | - | (39,000) | (41,555) |
| (Decrease) in compensated absences | (5,484) | - | - | (5,484) |
| (Decrease) in net pension liability | (110,443) | (32,289) | - | (142,732) |
| Increase (decrease) in other postemployment benefits | 168,665 | (24,438) | - | 144,227 |
| Increase in deferred inflows of resources | 127,131 | 11,807 | - | 138,938 |
| Total adjustments | 1,779,641 | 2,234,341 | 27,923 | 4,041,905 |
| Net cash provided by (used for) operating activities | $ 157,962 | $ (3,256,633) | $ 137,513 | $ (2,961,158) |

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

## COUNTY OF DUTCHESS, NEW YORK
**Statement of Net Position—Fiduciary Funds**
**December 31, 2018**

| | Private Purpose Trust | Agency |
|---|---|---|
| **ASSETS** | | |
| Restricted cash and cash equivalents | $ 5,852 | $5,341,465 |
| Accounts receivable | - | 3,159,938 |
| Total assets | 5,852 | $8,501,403 |
| **LIABILITIES** | | |
| Agency liabilities | - | $6,501,403 |
| Due to other funds | - | 2,000,000 |
| Total liabilities | - | $8,501,403 |
| **NET POSITION** | | |
| Restricted for cemetery plots | $ 5,852 | |

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

# COUNTY OF DUTCHESS, NEW YORK
**Statement of Changes in Net Position—Fiduciary Funds**
**Year Ended December 31, 2018**

| | Private Purpose Trust |
|---|---|
| **ADDITIONS** | |
| Total additions | $ - |
| **DEDUCTIONS** | |
| Economic assistance and opportunity | - |
| Change in net position | - |
| Net position—beginning | 5,852 |
| Net position—ending | $ 5,852 |

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

# COUNTY OF DUTCHESS, NEW YORK

## Combining Statement of Net Position—Major Component Units

### December 31, 2018

| | Dutchess Community College (August 31, 2018) | Dutchess County Resource Recovery Agency | Dutchess County Water and Wastewater Authority | Total Major Discretely Presented Component Units |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 22,780,474 | $ 1,592,378 | $ 2,715,079 | $ 27,087,931 |
| Restricted cash and investments | 12,522,579 | 3,860,730 | 3,695,667 | 20,078,976 |
| Receivables (net of allowances) | 4,433,207 | 864,363 | 2,329,916 | 7,627,486 |
| Prepaid items | 1,122,267 | 27,590 | 77,504 | 1,227,361 |
| Other assets | 2,311,979 | - | - | 2,311,979 |
| Capital assets, not being depreciated | 1,638,258 | - | 7,927,798 | 9,566,056 |
| Capital assets, net of accumulated depreciation | 71,937,733 | 16,381,857 | 58,109,330 | 146,428,920 |
| Total assets | 116,746,497 | 22,726,918 | 74,855,294 | 214,328,709 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows—relating to pensions | 7,229,270 | 89,477 | 678,505 | 7,997,252 |
| Deferred outflows—relating to OPEB | 2,397,410 | - | - | 2,397,410 |
| Deferred outflows—relating to capital | - | 235,417 | - | 235,417 |
| Deferred charge on refunding | - | - | 697,357 | 697,357 |
| Total deferred outflows of resources | 9,626,680 | 324,894 | 1,375,862 | 11,327,436 |
| **LIABILITIES** | | | | |
| Accounts payable | 6,180,131 | 380,025 | 952,902 | 7,513,058 |
| Accrued liabilities | 2,822,108 | 306,569 | 624,724 | 3,753,401 |
| Bond anticipation notes payable | - | - | 1,250,000 | 1,250,000 |
| Unearned revenues | 2,272,421 | - | - | 2,272,421 |
| Noncurrent liabilities: | | | | |
| Due within one year | 1,058,946 | 1,415,000 | 2,734,360 | 5,208,306 |
| Due in more than one year | 117,647,711 | 10,668,390 | 39,249,460 | 167,565,561 |
| Total noncurrent liabilities | 118,706,657 | 12,083,390 | 41,983,820 | 172,773,867 |
| Total liabilities | 129,981,317 | 12,769,984 | 44,811,446 | 187,562,747 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows—relating to pensions | 5,679,039 | 33,352 | 502,393 | 6,214,784 |
| Deferred inflows—relating to OPEB | 8,153,942 | - | - | 8,153,942 |
| Deferred New York State TAP payments | 974,165 | - | - | 974,165 |
| Deferred gain on refunding | - | - | 301,652 | 301,652 |
| Deferred inflows related to capital | - | 1,260,830 | 23,445,091 | 24,705,921 |
| Total deferred inflows of resources | 14,807,146 | 1,294,182 | 24,249,136 | 40,350,464 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 47,953,435 | 4,396,444 | 11,960,779 | 64,310,658 |
| Restricted | 13,251,548 | 3,860,730 | 3,264,889 | 20,377,167 |
| Unrestricted | (79,620,269) | 730,472 | (8,055,094) | (86,944,891) |
| Total net position | $ (18,415,286) | $ 8,987,646 | $ 7,170,574 | $ (2,257,066) |

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

# COUNTY OF DUTCHESS, NEW YORK
## Combining Statement of Activities—Major Component Units
## Year Ended December 31, 2018

| | Dutchess Community College (August 31, 2018) | Dutchess County Resource Recovery Agency | Dutchess County Water and Wastewater Authority | Total Major Discretely Presented Component Units |
|---|---|---|---|---|
| Program expenses: | | | | |
| Disposal fees | $ - | $ 2,623,861 | $ - | $ 2,623,861 |
| Service fees | - | 6,592,685 | - | 6,592,685 |
| Administrative expenses | 5,743,523 | 477,423 | 1,459,909 | 7,680,855 |
| Interest expenses | 61,427 | 416,076 | 1,460,603 | 1,938,106 |
| Depreciation and amortization | 2,399,499 | 1,830,217 | 1,510,884 | 5,740,600 |
| Instruction | 35,099,796 | - | - | 35,099,796 |
| Academic support | 3,366,016 | - | - | 3,366,016 |
| Libraries | 1,371,516 | - | - | 1,371,516 |
| Student services | 8,710,961 | - | - | 8,710,961 |
| General institution | 8,351,561 | - | - | 8,351,561 |
| Operation and maintenance of plant | 7,349,130 | - | 4,256,713 | 11,605,843 |
| Student aid | 7,634,991 | - | - | 7,634,991 |
| Other | 5,883,091 | - | 56,200 | 5,939,291 |
| Total program expenses | 85,971,511 | 11,940,262 | 8,744,309 | 106,656,082 |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Tipping fees | - | 10,093,184 | - | 10,093,184 |
| Energy sales | - | 1,431,517 | - | 1,431,517 |
| Other charges for services | 3,680,085 | 453,624 | 6,298,276 | 10,431,985 |
| Student tuition and fees | 21,091,806 | - | - | 21,091,806 |
| Grants and contracts | 14,218,276 | - | - | 14,218,276 |
| Other | 10,983,486 | 280,324 | 12,599 | 11,276,409 |
| Operating grants and contributions | 18,384,255 | - | - | 18,384,255 |
| Total program revenues | 68,357,908 | 12,258,649 | 6,310,875 | 86,927,432 |
| Net (expense) revenue and changes in net position | (17,613,603) | 318,387 | (2,433,434) | (19,728,650) |
| General revenues: | | | | |
| Use of money and property | 1,086,261 | 50,317 | 222,292 | 1,358,870 |
| Payments from primary government | 14,537,899 | 351,124 | 3,316,997 | 18,206,020 |
| Total general revenues | 15,624,160 | 401,441 | 3,539,289 | 19,564,890 |
| Change in net position | (1,989,443) | 719,828 | 1,105,855 | (163,760) |
| Net position—beginning, as restated | (16,425,843) | 8,267,818 | 6,064,719 | (2,093,306) |
| Net position—ending | $ (18,415,286) | $ 8,987,646 | $ 7,170,574 | $ (2,257,066) |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County of Dutchess, New York (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting principles are described below.

***Description of Government-wide Financial Statements***

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

***Reporting Entity***

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

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

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

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

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

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

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

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

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

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

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

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

***Blended Component Units***—The following blended component units are legally separate entity from the County, but are, in substance, part of the County's operations and therefore data from these units is combined with data of the primary government.

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

**Dutchess County Local Development Corporation**—The Dutchess County Local Development Corporation ("LDC") is a public benefit corporation established in 2010 under Section 1411 of the New York Not-for-Profit Corporation Law to act as an "on behalf of" issuer of conduit tax exempt bonds. In January 2008, civic facility legislation expired and industrial development agencies no longer had the authority to issue tax exempt bonds or provide other financial assistance to 501c(3) organizations. The LDC was established to address the capital needs of these organizations. The LDC's function is via the issuance of industrial revenue bonds and other means to promote economic development. The LDC reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The LDC receives fees from applicants and closing fees from those accepted for industrial revenue financing. The seven member board is appointed by the County Legislature with approval by the County Executive. The County is the sole member of the LDC.

Separately issued financial statements for all component units may be obtained from Dutchess County Finance Office at 22 Market Street, Poughkeepsie, New York, 12601.

***Basis of Presentation—Government-wide Financial Statements***

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

As discussed earlier, the County has five discretely presented component units. Three of the component units, Dutchess Community College, the Dutchess County Resource Recovery Agency and the Dutchess County Water and Wastewater Authority, are considered to be major component units. They are presented in separate columns in the Combining Statement of Net Position—Major Component Units and the Combining Statement of Activities—Major Component Units, and are aggregated in a single column in the government-wide Statement of Net Position and the Statement of Activities. The remaining two are considered nonmajor component units and are combined and presented in a single column in the government-wide Statement of Net Position and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the County. Elimination of these changes would distort the direct costs and program revenues reported for the various functions concerned.

***Basis of Presentation—Fund Financial Statements***

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

The County reports the following major governmental funds:

- *General Fund*—The General Fund is the primary operating fund of the County and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The principal sources of revenue for the General Fund are sales and use taxes, grants and aid and real property taxes.

- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by enterprise funds. The principal source of revenue for the Capital Projects Fund is grants and aid.

- *Dutchess Tobacco Asset Securitization Corporation ("DTASC")*—The DTASC Fund is used to account for the receipt and disbursement of resources related to tobacco assets and related obligations.

*Nonmajor Special Revenue Funds*—These nonmajor governmental funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following special revenue funds are utilized:

- *County Road Fund*—The County Road Fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law. The principal source of revenue for the County Road Fund is property taxes.

- *Road Machinery Fund*—The Road Machinery Fund is used to account for the purchase, repair, maintenance and storage of highway machinery, tools and equipment pursuant to Section 133 of the Highway Law. The principal source of revenue for the Road Machinery Fund is property taxes.

- *Community Development Fund*—The Community Development Fund is used to account for funds received under the Job Training Partnership Act/Workforce Investment Act and for Community Block Grant funds received from the Department of Housing and Urban Development. The principal source of revenue for the Community Development Fund is federal aid.

The County reports the following major proprietary funds:

- *Dutchess County Airport Fund* ("Airport")—The Airport Fund accounts for the activities of the Dutchess County airport. The intent of the County is that the costs of operations of the airport will be financed through charges to users.

- *Dutchess County Bus Transportation System* ("Transportation")—The Transportation Fund accounts for the activities of the County's public transportation system. The transportation system operates for the residents of the County.

- *Dutchess County Local Development Corporation* (the "Dutchess County LDC")—The Dutchess County LDC is used to account for the economic development and administrative services provided by the Dutchess County LDC.

These entities are financed and operated in a manner similar to a private business enterprise. The intent of the County is that the operating expenses (including depreciation and amortization expense) of providing goods or services to the general public on a continuous basis are to be financed or recovered primarily through user charges. The County may provide administrative, legal and operational assistance to the proprietary funds, which are not charged. Additionally, the General Fund periodically provides advances to the proprietary funds for operational needs.

*Fiduciary Funds*—These funds are used to account for assets held by the County in a trustee or custodial capacity, and therefore are not available to support the County's programs. The County's fiduciary funds include the following:

- *Private Purpose Trust Fund*—The Private Purpose Trust Fund represents a trust arrangement under which cemetery plots are maintained.
- *Agency Fund*—The Agency Fund is used to account for assets held by the County in a trustee capacity or as an agent for individuals or other governmental units.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/due to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are recorded at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period; all other revenues are deemed to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period of availability. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary and private purpose trust fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance***

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents include cash on hand, demand deposits, time deposits, and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The County's short-term investments consist of certificates of deposit, obligations of New York State, the United States Government and its agents. State statutes and various resolutions of the County Legislature govern the County's investment policies. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Investments are recorded at fair values in accordance with GASB.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represent amounts to support fund balance restrictions, unearned revenues, debt proceeds set aside for a specific purpose and cash held on behalf of others.

***Receivables***—Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs.

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

***Inventories***—Inventories are recorded at cost using the first-in, first-out method. Inventories largely consist of office supplies reported within governmental activities.

***Other Noncurrent Assets***—Represents the County's share of municipal wastewater systems and waterlines, which is recorded at historical cost and depreciated over 40 years. At December 31, 2018, the County reported $7,405,982 related to other assets.

***Capital Assets***—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads and bridges), are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as within the individual proprietary funds. Capital assets, except for infrastructure assets, are defined by the County as assets with an individual cost of more than $5,000 and an estimated useful life in excess of three years. For infrastructure assets, the same estimated minimum useful life is used (in excess of ten years), but only those infrastructure projects that cost more than $100,000 are reported as capital assets. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value.

Land, right of way and easements, and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| Capital Assets | Years |
|---|---|
| Infrastructure | 10-50 |
| Buildings and building improvements | 5-40 |
| Improvements other than buildings | 5-30 |
| Machinery and equipment | 3-15 |

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

***Unearned Revenue***—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At December 31, 2018, the primary government reported unearned revenues within the General Fund and Airport Fund of $2,078,284 and $3,930, respectively. These funds received overpayments and cash in advance but has not performed the services and therefore recognizes a liability.

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2018, the County's primary government has three items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements and proprietary fund financial statements. This item represents the effect of the net change in the County's proportion of the collective net pension liability, the difference during the measurement period between the County's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is related to OPEB reported in the government-wide and proprietary fund financial statements and represents the effects of the change in the County's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The third item is a deferred charge on refunding which the County reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2018, the primary government of the County has three items that qualify for reporting in this category. One of the items arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue,* is reported as deferred inflows of resources only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes that will not be realized within the period of availability. These amounts are deferred and recognized in the period that the amounts become available. The second item represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement periods between the County's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements as well as within the individual proprietary funds. The final item is a deferred gain on refunding, which the County reports within its governmental activities. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

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

***Revenues and Expenses/Expenditures***

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

***Property Taxes***—The County levies its real property taxes on December 31st, prior to the year of collection and attached as an enforceable lien on January 1st. On March 1st, interest is accrued on all unpaid taxes in accordance with real property tax law. Property tax is only recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or 60 days thereafter in the governmental fund financial statements.

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

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

Tax rates are calculated using assessments prepared by individual city and town assessors utilizing the equalization rates established by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable equalized assessed value of real property included in the tax levy of 2018 is $30,040,912,405. The effective tax rate on this value is $3.45 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2018 levy represents approximately 20.3% of the constitutional tax limit.

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

***Local Development Revenue Bonds***—Bonds authorized by the Dutchess County LDC and issued through various lending institutions, are designated as special obligations of the Dutchess County LDC and payable solely from the revenues and other assets pledged as collateral against the bonds. The Dutchess County LDC does not act as guarantor in the event of collateralized properties and revenues, as specified in the applicable financing agreement, that are insufficient to meet debt service requirements. Additionally, in each of these financings, the Dutchess County LDC has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the local development revenue bonds. As a consequence, the Dutchess County LDC does not reflect such bonds or related properties on its financial statements. Local development revenue bonds authorized by the Dutchess County LDC and outstanding at December 31, 2018 total $1,031,001,803.

***Compensated Absences***—The County employees are entitled, with certain limitations, to accrue sick leave and vacation time. Estimated sick leave and vacation time is accumulated by governmental fund type employees and reported as a liability and expenditure in the government-wide financial statements under governmental activities. For proprietary fund type employees, the accumulation is recorded as a noncurrent liability of the proprietary fund type. The compensated absences liability for the County's governmental and business-type activities at December 31, 2018 totaled $9,544,888 and $33,781, respectively, and are reported in the government-wide financial statements and proprietary fund financial statements.

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

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

***Workers' Compensation and General Claims***—Estimated costs associated with workers' compensation and general claims and judgments for both reported and unreported events totaled $29,358,305 at December 31, 2018. Estimates of both future payment of losses and related claim adjustment expenses are recorded as long-term liabilities in the government-wide financial statements, as discussed in Note 10.

***Other***

***Estimates***—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows/inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses/expenditures during the reported period. Actual results could differ from those estimates.

***Adoption of New Accounting Pronouncements***—During the year ended December 31, 2018, the County implemented GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. Other than the matter discussed in Note 2, the implementation of GASB Statements No. 75, 85, and 86 did not have a material impact on the County's financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending December 31, 2019, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2020, and No. 91, *Conduit Debt Obligations*, effective for the year ending December 31, 2021. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89, 90, and 91 will have on its financial position and results of operations when such statements are adopted.

***Stewardship, Compliance and Accountability***

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

- No later than November 1st, the County Executive submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- After public hearings are conducted to obtain taxpayer comments, no later than December 21st, the governing board adopts the budget.
- All modifications of the budget must be approved by the governing board. The Budget Officer is authorized to transfer certain budgeted amounts within departments, upon request of the department head.
- Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.

Additional information regarding the County's budgets can be found in the Required Supplementary Information section of this report.

## 2. RESTATEMENT OF NET POSITION

During the year ended December 31, 2018, the County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of GASB Statement No. 75 requires the County's net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As a result, the County's OPEB liability was restated from $207,444,273 to $367,611,394 for governmental activities and $1,512,552 to $1,448,036 for business-type activities at December 31, 2017. The County elected to record the change in the OPEB liability, $24,438, within the transportation fund as a current year. Net position of the County's governmental activities and business-type activities at December 31, 2017 has been restated as follows:

| | | Business-type Activities | |
|---|---|---|---|
| | Governmental Activities | Airport Fund | Total Business-type Activities |
| Net position—December 31, 2017, as previously stated | $ (71,161,376) | $ 14,451,081 | $ 32,315,417 |
| GASB Statement No. 75 implementation: | | | |
| OPEB liability adjustment | (160,167,121) | 40,078 | 40,078 |
| Net position—December 31, 2017, as restated | $ (231,328,497) | $ 14,491,159 | $ 32,355,495 |

Additionally, during the year ended December 31, 2018 (August 31, 2018 as to the DCC), the County's major component units, including the Dutchess Community College, Dutchess County Resource Recovery Agency, and the Dutchess County Water and Wastewater Authority, implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Net position of the County's major component units at December 31, 2017 (August 31, 2017 as to the DCC) has been restated as shown in the table on the following page.

| | Major Component Units | | | |
|---|---|---|---|---|
| | Dutchess Community College (August 31, 2017) | Dutchess County Resource Recovery Agency | Dutchess County Water and Wastewater Authority | Total Major Component Units |
| Net position—December 31, 2017, as previously stated | $ 8,310,484 | $ 8,000,331 | $ 7,107,654 | $ 23,418,469 |
| GASB Statement No. 75 implementation: | | | | |
| Deferred outflows of resources adjustment | 2,156,867 | - | - | 2,156,867 |
| OPEB liability adjustment | (26,893,194) | 263,470 | (1,042,935) | (27,672,659) |
| Other | - | 4,017 | - | 4,017 |
| Net position—December 31, 2017, as restated | $ (16,425,843) | $ 8,267,818 | $ 6,064,719 | $ (2,093,306) |

Additionally, during the year ended December 31, 2018, the financial statements of the Dutchess County Soil and Water Conservation District (the "SWCD"), a nonmajor discretely presented component unit, were audited by other auditors; whereas, previously the SWCD financial statements were not audited. As a result, the SWCD ending net position as of December 31, 2017 has been restated to $243,177.

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The County's investment policies are governed by State statutes. In addition, the County has its own written investment policy. County monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The County is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The County has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash, cash equivalents and investments at December 31, 2018 are as follows:

| | Governmental Activities | Business-type Activities | Fiduciary Funds | Total |
|---|---|---|---|---|
| Petty cash (uncollateralized) | $ 21,515 | $ 700 | $ - | $ 22,215 |
| Deposits | 83,890,759 | 7,831,116 | 5,347,317 | 97,069,192 |
| U.S. Treasuries and money market funds | 9,948,046 | - | - | 9,948,046 |
| Discount note | 3,344,679 | - | - | 3,344,679 |
| Investments | 34,584,253 | - | - | 34,584,253 |
| Total | $ 131,789,252 | $ 7,831,816 | $ 5,347,317 | $ 144,968,385 |

***Deposits***—All deposits are carried at fair value, and are classified by custodial credit risk at December 31, 2018 as follows:

| | Bank Balance | Carrying Amount |
|---|---|---|
| FDIC insured | $ 2,618,115 | $ 2,619,653 |
| Uninsured: | | |
| Collateral held by pledging bank's agent in the County's name | 98,953,223 | 94,449,539 |
| Total | $ 101,571,338 | $ 97,069,192 |

***Restricted Cash and Cash Equivalents***—Restricted cash of the County consists of cash reported within the Capital Projects Fund in the amount of $28,287,399, and cash restricted for future debt service within both the General Fund and DTASC Fund of $7,880,030 and $3,350,864, respectively. Also included within restricted cash is General Fund (including self-insurance) balances subject to externally enforceable legal purpose restrictions, totaling $12,620,265, unearned revenues of $2,078,284, intergovernmental payables of $4,498,030 related to overpayments, and cash reported within the County's workers' compensation self-insured program in excess of the related restricted fund balance, totaling $244,916. These deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County or were cash equivalent discount notes.

***Custodial Credit Risk—Deposits and Cash Equivalents***—Custodial credit risk is the risk that in the event of a bank failure, the County's deposits and cash equivalents may not be returned to it. As noted above, by State Statute all deposits and cash equivalents in excess of FDIC insurance coverage must be collateralized. As of December 31, 2018, the County's deposits and cash equivalents were either FDIC insured or collateralized with securities held by the pledging bank's agent in the County's name.

***Investments and Fair Value Measurements***—At December 31, 2018, the County has investments in securities of $34,584,253, which consist of U.S. Treasury notes with maturities of six, nine and twelve months. Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

| | |
|---|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include:<br>• quoted prices for similar assets or liabilities in active markets;<br>• quoted prices for identical or similar assets or liabilities in inactive markets;<br>• inputs other than quoted prices that are observable for the asset or liability;<br>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The investments of the County at December 31, 2018 are considered level 1 inputs.

***Custodial Credit Risk—Investments***—For investments, this is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Underlying securities must have a market value of at least the cost of the repurchase agreement

***Credit Risk***—In compliance with the State law, County investments are limited to obligations of the Federal government, obligations guaranteed by the Federal government where the payment of principal and interest are guaranteed by the Federal government, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

***Concentration of Credit Risk***—To promote competition in rates and service cost, and to limit the risk of institutional failure, County deposits and investments are placed with multiple institutions.

***Interest Rate Risk***—The County investment policy limits investment maturities to two years as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Discretely Presented Component Units**

**i) Dutchess Community College**

***Cash and Cash Equivalents***—Cash and cash equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with maturities of less than three months at the time of purchase. At August 31, 2018, the College reports $22,780,474 of cash and cash equivalents.

The College's investment policies are governed by State statutes. The College has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The College is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, and obligations of New York State or its municipalities.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the College's name. The College's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at August 31, 2018.

***Investments***—Investments consist of certificates of deposit with initial maturities of greater than three months. At August 31, 2018, the College reports $12,522,579 of investments at fair value in accordance with GASB.

The College was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate risk or credit risk.

**ii) Dutchess County Resource Recovery Agency**

***Cash and Cash Equivalents 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. The Agency has investments in money market funds, which invests at least 99.5% of assets in U.S. Treasury Bills.

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, 2018, the Agency had cash deposited in various banks aggregating approximately $250,000, which is classified as Custodial Credit Risk Category 1, the lowest risk, as defined by GASB, as insured by the FDIC or collateralized with securities held by the entity's agent in the entity's name. As of December 31, 2018, the Agency had additional cash and cash equivalents and investments of $4,952,807 in various accounts, which are not covered by FDIC. The cash balances are collateralized with securities held by the counter party's trust department or agent in the entity's name and the investments are held by the counter party's trust department in the entity's name which are considered Custodial Credit Risk Category 2, as defined by the GASB.

Cash, cash equivalents and investments are as follows at December 31, 2018:

| | |
|---|---|
| Bank balance | $3,205,128 |
| U.S. Government money market | 1,747,679 |
| Total custodial credit risk Category 2 | $4,952,807 |

Bank balances differ from the Agency's cash balances by the amount of outstanding items clearing in the following month.

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.

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 2017 Refunding bonds. The Reserve and Contingency Fund is funded in an amount at least equal to 10% of the debt service payments required for the current year. However, since these funds are not anticipated to be used in the subsequent year, they have been classified as restricted noncurrent assets in the statement of net position.

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1st bond principal and interest payments, amounted to $1,959,796 at December 31, 2018, and are included in restricted cash. Additionally, the Agency records unspent proceeds from the Series 2017 bonds as noncurrent restricted cash and cash equivalents.

Restricted assets as of December 31, 2018 are summarized as follows:

| | | |
|---|---|---|
| **Current restricted assets** | | |
| Series 2017 | $ | 1,130,861 |
| Energy revenues and debt service funds | | 828,935 |
| Total current restricted assets | $ | 1,959,796 |
| **Noncurrent restricted assets** | | |
| Series 2017 | $ | 1,900,934 |
| Total noncurrent restricted cash and investments | | 1,900,934 |
| Total restricted cash and investments | $ | 3,860,730 |

### iii) Dutchess County Water and Wastewater Authority

***Cash, Cash Equivalents and Investments***—State statutes authorized the Authority to maintain deposits with financial institutions and to invest in certificates of deposits, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

In addition, the Authority, through the General Bond Resolution adopted June 1, 1998, is authorized to invest funds held under the Resolution in "Qualified Investments". Qualified Investments include the above-described investments as well as certain types of commercial paper, money market accounts and investment agreements.

Cash deposits are secured by collateral valued at market or par, whichever is lower, less the amount of FDIC insurance. The Authority's deposits are categorized below to give an indication of the level or risk assumed by the Authority.

1. Insured or collateralized with securities held by the Authority or by its agent in the Authority's name;
2. Collateralized with securities held by the pledging institution's trust department or agent in the Authority's name;
3. Uncollateralized.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Authority or its agent in the Authority's name; included in Category 1 are funds invested in the securities of the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations; or,
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Authority's name; or,
3. Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent, but not in the Authority's name.

Cash, cash equivalents and investments (tier 1) by category are as follows as of December 31, 2018:

| | |
|---|---|
| Cash in banks | $ 2,715,079 |
| Investments: | |
| Money market funds | $ 1,821,437 |
| U.S. Treasury bills and notes | 1,874,230 |
| Total investments | $ 3,695,667 |

At December 31, 2018, the Authority maintained $6,264,285 in unspent bond anticipation notes proceeds held by New York State Environmental Facilities Corporation for improvements to the Pinebrook and Greenfields wastewater treatment plant.

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, 2018:

| | |
|---|---|
| Construction reserve funds | $ 244,042 |
| Debt service sinking funds | 562 |
| Debt service reserve funds | 630,817 |
| Held by EFC | 431,075 |
| Current restricted funds | 1,306,496 |
| Debt service reserve funds noncurrent | 2,389,171 |
| Total restricted funds | $ 3,695,667 |

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

### iv) Aggregate Nonmajor Discretely Presented Component Units

The County's aggregate nonmajor discretely presented component units, the IDA and the SWCD, consider all demand deposits, time and savings accounts, and certificates of deposit with an original maturity of three months or less, to be cash and cash equivalents. At December 31, 2018, the IDA and the SWCD recorded $4,413,565 and $197,606 in cash and cash equivalents, respectively.

## 4. RECEIVABLES

***Taxes Receivable***—Represents amounts due from County taxpayers that remain unpaid. At December 31, 2018, the County recorded $40,883,672 related to taxes receivable. These amounts are reported net of an allowance for uncollectible taxes provision of $8,234,273.

***Accounts Receivable***—Represents amounts due from various sources. The County's accounts receivable at December 31, 2018 are presented below.

| | |
|---|---|
| Governmental funds: | |
| General Fund | $ 9,250,279 |
| Less: allowance for doubtful accounts | (1,182,512) |
| Nonmajor governmental funds | 2,764 |
| Total | $ 8,070,531 |
| Proprietary funds: | |
| Airport Fund | $ 342,063 |
| Transportation Fund | 15,358 |
| Dutchess County LDC | 117,543 |
| Total | $ 474,964 |
| Fiduciary funds: | |
| Agency Fund | $ 3,159,938 |

***Intergovernmental Receivables***—Represents amounts due from other units of government, such as Federal, New York State or other local governments. Amounts are net of related advances from New York State. Intergovernmental receivables at December 31, 2018 are as shown below:

| | | |
|---|---|---|
| Governmental funds: | | |
| General Fund: | | |
| Due from state and federal | $ 36,068,804 | |
| Other | 821,465 | $ 36,890,269 |
| Capital Projects Fund: | | |
| Due from state and federal | | 4,626,422 |
| Nonmajor governmental funds: | | |
| Due from state and federal | | 2,018,864 |
| Total | | $ 43,535,555 |
| Proprietary funds: | | |
| Airport Fund: | | |
| Due from state and federal | | $ 435,471 |
| Transportation Fund: | | |
| Due from state and federal | $ 4,408,140 | |
| Other | 92,313 | 4,500,453 |
| Total | | $ 4,935,924 |

**Discretely Presented Component Units**

**i) Dutchess Community College**

Significant receivables include amounts due from grants, pledges and students for fees and tuitions. These receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated and recorded based on the College's historical bad debt experience and management's judgment. At August 31, 2018, the College reported total accounts receivable of $4,433,207, which is reported net of an allowance for uncollectible accounts of $2,161,195.

**ii) Dutchess County Resource Recovery Agency**

The Agency records accounts receivable of $864,363, which are reported net of an allowance for uncollectible accounts of $15,000.

**iii) Dutchess County Water and Wastewater Authority**

Significant receivables represent outstanding user fees, which total $2,329,916 at December 31, 2018. The Authority has an agreement with Dutchess County that provides for collection of outstanding user fess through the real property tax levy. Therefore, the Authority has not established an allowance for uncollectible accounts.

**iv) Aggregate Nonmajor Discretely Presented Component Units**

A County's aggregate nonmajor discretely presented component unit, the SWCD, records receivables at the amount management expects to collect from outstanding balances. At December 31, 2018, the SWCD records accounts receivable of $102,424.

## 5. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for the primary government's governmental activities for the year ended December 31, 2018 was as follows:

| | Balance 1/1/2018 | Increases | Decreases | Balance 12/31/2018 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 12,440,941 | $ 123,214 | $ - | $ 12,564,155 |
| Right of way and easements | 14,326,702 | 545,715 | - | 14,872,417 |
| Construction in progress | 16,816,391 | 46,565,110 | 21,175,748 | 42,205,753 |
| Total capital assets, not being depreciated | 43,584,034 | 47,234,039 | 21,175,748 | 69,642,325 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 245,815,081 | 9,778,013 | - | 255,593,094 |
| Buildings and building improvements | 160,518,724 | 1,851,111 | - | 162,369,835 |
| Improvements other than buildings | 5,826,738 | 4,898,704 | - | 10,725,442 |
| Machinery and equipment | 64,244,568 | 4,816,864 | 1,247,589 | 67,813,843 |
| Total capital assets, being depreciated | 476,405,111 | 21,344,692 | 1,247,589 | 496,502,214 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 152,295,494 | 10,686,621 | - | 162,982,115 |
| Buildings and building improvements | 110,546,502 | 5,449,051 | - | 115,995,553 |
| Improvements other than buildings | 2,058,143 | 1,816,222 | - | 3,874,365 |
| Machinery and equipment | 49,905,546 | 3,302,939 | 1,246,930 | 51,961,555 |
| Total accumulated depreciation | 314,805,685 | 21,254,833 | 1,246,930 | 334,813,588 |
| Total capital assets, being depreciated, net | 161,599,426 | 89,859 | 659 | 161,688,626 |
| Governmental activities capital assets, net | $ 205,183,460 | $ 47,323,898 | $ 21,176,407 | $ 231,330,951 |

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

| | |
|---|---|
| General government support | $ 6,600,852 |
| Public safety | 2,259,062 |
| Public health | 53,593 |
| Transportation | 9,713,388 |
| Economic assistance and opportunity | 242,786 |
| Culture and recreation | 2,366,675 |
| Home and community services | 18,477 |
| Total governmental activities | $ 21,254,833 |

**Business-type activities**—Capital asset activity for the primary government's business-type activities (Enterprise Funds) for the year ended December 31, 2018 was as follows:

| | Balance 1/1/2018 | Increases | Decreases | Balance 12/31/2018 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 3,385,364 | $ - | $ - | $ 3,385,364 |
| Construction in progress | 745,117 | 1,535,782 | 312,077 | 1,968,822 |
| Total capital assets, not being depreciated | 4,130,481 | 1,535,782 | 312,077 | 5,354,186 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 32,828,376 | 73,158 | - | 32,901,534 |
| Buildings and building improvements | 13,565,076 | - | - | 13,565,076 |
| Machinery and equipment | 22,776,599 | 262,350 | 842,110 | 22,196,839 |
| Total capital assets, being depreciated | 69,170,051 | 335,508 | 842,110 | 68,663,449 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 21,772,228 | 1,645,207 | - | 23,417,435 |
| Buildings and building improvements | 10,168,071 | 376,982 | - | 10,545,053 |
| Machinery and equipment | 13,100,399 | 3,033,929 | 842,110 | 15,292,218 |
| Total accumulated depreciation | 45,040,698 | 5,056,118 | 842,110 | 49,254,706 |
| Total capital assets, being depreciated, net | 24,129,353 | (4,720,610) | - | 19,408,743 |
| Business-type activities capital assets, net | $ 28,259,834 | $ (3,184,828) | $ 312,077 | $ 24,762,929 |

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

| | |
|---|---|
| Airport | $ 1,559,107 |
| Transportation | 3,483,419 |
| Dutchess County LDC | 13,592 |
| Total business-type activities | $ 5,056,118 |

**Discretely Presented Component Units**

i) **Dutchess Community College**

Capital asset activity for the Dutchess Community College for the year ended August 31, 2018 is presented below:

| | Balance 9/1/2017 | Increases | Decreases | Balance 8/31/2018 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 1,151,144 | $ - | $ - | $ 1,151,144 |
| Construction in progress | 44,261 | 442,853 | - | 487,114 |
| Total capital assets, not being depreciated | 1,195,405 | 442,853 | - | 1,638,258 |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 87,082,101 | 1,698,008 | - | 88,780,109 |
| Furniture and equipment | 8,961,043 | 78,988 | 36,848 | 9,003,183 |
| Total capital assets, being depreciated | 96,043,144 | 1,776,996 | 36,848 | 97,783,292 |
| Less: Accumulated depreciation | 49,609,478 | 2,346,331 | 36,848 | 51,918,961 |
| Total capital assets, being depreciated, net | 46,433,666 | (569,335) | - | 45,864,331 |
| Total capital assets, net | $ 47,629,071 | $ (126,482) | $ - | $ 47,502,589 |

In addition to the College's capital assets, its component units, the Association and Foundation reported net capital assets, being depreciated of $26,073,402 and $0, respectively.

Assets under capital lease agreements at August 31, 2018 are as follows:

| | |
|---|---|
| Cost basis | $ 5,227,174 |
| Accumulated depreciation | (3,581,994) |
| Total | $ 1,645,180 |

Depreciation expense for the year ended August 31, 2018 was $2,346,331. The College also reports amortization of $53,168.

ii) **Dutchess County Resource Recovery Agency**

Capital asset activity for the Dutchess County Resource Recovery Agency for the year ended December 31, 2018 is presented below:

| | Balance 1/1/2018 | Increases | Decreases | Balance 12/31/2018 |
|---|---|---|---|---|
| Capital assets, being depreciated: | | | | |
| Property | $ 517,591 | $ - | $ - | $ 517,591 |
| Plant | 63,774,179 | - | - | 63,774,179 |
| Equipment | 61,487 | - | - | 61,487 |
| Total capital assets, being depreciated | 64,353,257 | - | - | 64,353,257 |
| Less: Accumulated depreciation | 46,127,330 | 1,844,070 | - | 47,971,400 |
| Total capital assets, net | $ 18,225,927 | $ (1,844,070) | $ - | $ 16,381,857 |

Depreciation was recorded in the amount of $1,844,070 less amortization of deferred revenues associated with the funding of capital improvements of $13,853, resulting in $1,830,217 depreciation expense for the year ended December 31, 2018.

**iii) Dutchess County Water and Wastewater Authority**

Capital asset activity for the Dutchess County Water and Wastewater Authority for the year ended December 31, 2018 is presented below:

| | Balance 1/1/2018 | Increases | Decreases | Balance 12/31/2018 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 955,608 | $ - | $ - | $ 955,608 |
| Construction in progress | 9,074,106 | 3,387,830 | 5,489,746 | 6,972,190 |
| Total capital assets, not being depreciated | 10,029,714 | 3,387,830 | 5,489,746 | 7,927,798 |
| Capital assets, being depreciated: | | | | |
| Improvements | 300,602 | - | - | 300,602 |
| Buildings | 17,480,237 | 4,892,698 | - | 22,372,935 |
| Water system | 55,612,557 | 1,483,178 | - | 57,095,735 |
| Machinery and equipment | 8,059,117 | 6,043 | - | 8,065,160 |
| Sewage collection system | 1,644,932 | - | - | 1,644,932 |
| Total capital assets, being depreciated | 83,097,445 | 6,381,919 | - | 89,479,364 |
| Less: Accumulated depreciation | 29,263,297 | 2,106,737 | - | 31,370,034 |
| Total capital assets, being depreciated, net | 53,834,148 | 4,275,182 | - | 58,109,330 |
| Total capital assets, net | $ 63,863,862 | $ 7,663,012 | $ 5,489,746 | $ 66,037,128 |

For the year ended December 31, 2018, depreciation was recorded in the amount of $2,106,737, less amortization of deferred revenues associated with the Central Dutchess Water Transmission Line of $595,853; which was put into service in 2007. The effects of these factors resulted in $1,510,884 in depreciation expense.

## 6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental and proprietary funds at December 31, 2018, were as follows:

| | Governmental Funds | | |
|---|---|---|---|
| | General Fund | Nonmajor Governmental Funds | Total |
| Salaries and employee benefits | $ 3,084,172 | $ 157,614 | $ 3,241,786 |

| | Proprietary Funds | | |
|---|---|---|---|
| | Airport | Transportation | Total |
| Salaries and employee benefits | $ 13,178 | $ 7,764 | $ 20,942 |
| Other | 33,546 | 4,144 | 37,690 |
| Total accrued liabilities | $ 46,724 | $ 11,908 | $ 58,632 |

## 7. PENSION OBLIGATIONS

***Plan Descriptions and Benefits Provided***

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

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

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions***—At December 31, 2018, the County reported the following liabilities for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2017, with update procedures used to roll forward the total net pension liabilities to the measurement date. The County's proportion of the net pension liabilities were based on projections of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the County.

| | ERS | |
|---|---|---|
| | Governmental Activities | Business-type Activities |
| Measurement date | March 31, 2018 | |
| Net pension liability | $ 14,687,677 | $ 53,841 |
| County's portion of the Plan's total net pension liability | 0.4550870% | 0.0016680% |

For the year ended December 31, 2018, the County recognized pension expense of $17,455,758 and $63,986 for governmental activities and business-type activities, respectively. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

| | ERS | | | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
| | Governmental Activities | Business-type Activities | Governmental Activities | Business-type Activities |
| Differences between expected and actual experiences | $ 5,238,619 | $ 19,202 | $ 4,328,997 | $ 15,869 |
| Changes of assumptions | 9,739,143 | 35,701 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 21,332,688 | 78,198 | 42,108,587 | 154,354 |
| Changes in proportion and differences between the County's contributions and proportionate share of contributions | 789,969 | 2,896 | 1,297,893 | 4,758 |
| County contributions subsequent to the measurement date | 13,103,483 | 49,747 | - | - |
| Total | $ 50,203,902 | $ 185,744 | $ 47,735,477 | $ 174,981 |

County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

| | ERS | |
|---|---|---|
| Year Ending December 31, | Governmental Activities | Business-type Activities |
| 2019 | $ 2,843,295 | $ 10,423 |
| 2020 | 2,230,515 | 8,176 |
| 2021 | (10,667,477) | (39,103) |
| 2022 | (5,041,391) | (18,480) |

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

| | ERS |
|---|---|
| Measurement date | March 31, 2018 |
| Actuarial valuation date | April 1, 2017 |
| Interest rate | 7.00% |
| Salary scale | 3.80% |
| Decrement tables | April 1, 2010 - March 31, 2015 |
| Inflation date | 2.50% |
| Cost-of-living adjustment | 1.30% |

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

| | ERS | |
|---|---|---|
| | Target Allocation | Long-Term Expected Real Rate of Return |
| Measurement date | March 31, 2018 | |
| Asset class: | | |
| Domestic equities | 36.0 % | 4.6 % |
| International equities | 14.0 | 6.4 |
| Private equity | 10.0 | 7.5 |
| Real estate | 10.0 | 5.6 |
| Absolute return strategies | 2.0 | 3.8 |
| Opportunistic portfolio | 3.0 | 5.7 |
| Real assets | 3.0 | 5.3 |
| Bonds and mortgages | 17.0 | 1.3 |
| Cash | 1.0 | (0.3) |
| Inflation-indexed bonds | 4.0 | 1.3 |
| Total | 100.0 % | |

***Discount Rate***—The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption***—The chart on the following page presents the County's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| Governmental activities: | | | |
| Employer's proportionate share of the net pension liability/(asset) | $ 111,130,926 | $ 14,687,677 | $ (66,899,457) |
| Business-type activities: | | | |
| Employer's proportionate share of the net pension liability/(asset) | $ 407,364 | $ 53,841 | $ (245,228) |

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

| | (Dollars in Thousands) |
|---|---|
| | ERS |
| Valuation date | April 1, 2017 |
| Employers' total pension liability | $ 183,400,590 |
| Plan fiduciary net position | 180,173,145 |
| Employers' net pension liability | $ 3,227,445 |
| | |
| System fiduciary net position as a percentage of total pension liability | 98.2% |

**Discretely Presented Component Units**

**i) Dutchess Community College**

***Plan Description and Benefits Provided***

***Employees' Retirement System***—The College participates in the ERS. The plan description is the same as disclosed previously within this footnote.

***Teachers' Retirement System***—The College participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law ("NYSRSSL"). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS' website at www.nystrs.org.

Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute three percent (3.0%) to three and one half percent (3.5%) of their annual salary. Employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

***Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At August 31, 2018, the College reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of March 31, 2018 for ERS and June 30, 2018 for TRS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of April 1, 2017 for ERS and June 30, 2017 for TRS. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS and TRS in reports provided to the College.

| | TRS | ERS |
|---|---|---|
| Measurement date | June 30, 2018 | March 31, 2018 |
| Net pension liability/(asset) | $ (707,829) | $ 1,361,853 |
| The College's portion of the Plan's total net pension liability/(asset) | 0.0391400% | 0.0421960% |

For the year ended August 31, 2018, the College recognized pension expense of $474,008 and $1,618,511 for TRS and ERS, respectively. At August 31, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown below:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| | TRS | ERS | TRS | ERS |
| Differences between expected and actual experiences of economic and demographic assumptions | $ 528,955 | $ 485,729 | $ 95,814 | $ 401,388 |
| Changes in assumptions | 2,474,328 | 903,021 | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,977,983 | 785,744 | 3,904,340 |
| Changes in proportion and differences between the College's contributions and proportionate share of contributions | - | 73,247 | 371,411 | 120,342 |
| College contributions subsequent to the measurement date | 104,144 | 681,863 | - | - |
| Total | $ 3,107,427 | $ 4,121,843 | $ 1,252,969 | $ 4,426,070 |

The College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending August 31, 2019. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to ERS and TRS will be recognized as pension expense as shown on the following page.

| Year Ending August 31, | TRS | ERS |
|---|---|---|
| 2019 | $ 634,145 | $ 263,633 |
| 2020 | 406,360 | 206,815 |
| 2021 | (24,536) | (989,097) |
| 2022 | 404,693 | (467,441) |
| 2023 | 283,992 | - |
| Thereafter | 45,660 | - |

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

| | TRS | ERS |
|---|---|---|
| Measurement date | June 30, 2018 | March 31, 2018 |
| Actuarial valuation date | June 30, 2017 | April 1, 2017 |
| Interest rate | 7.25% | 7.00% |
| Salary scale | 1.90%-4.72% | 3.80% |
| Decrement tables | July 1, 2009 - June 30, 2014 | April 1, 2010 - March 31, 2015 |
| Inflation rate | 2.25% | 2.50% |

For ERS, the long-term rate of return on pension plan investments is the same as disclosed within the County's primary government section of this footnote.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. The actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standards of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized on the following page.

| | Target Allocation | | | Long-Term Expected Real Rate of Return | |
|---|---|---|---|---|---|
| | TRS | ERS | | TRS | ERS |
| Measurement date | | | | June 30, 2018 | March 31, 2018 |
| Asset class: | | | | | |
| Domestic equities | 33.0 % | 36.0 % | | 5.8 % | 4.6 % |
| International equities | 16.0 | 14.0 | | 7.3 | 6.4 |
| Global equities | 4.0 | 0.0 | | 0.0 | 0.0 |
| Private equity | 8.0 | 10.0 | | 8.9 | 7.5 |
| Real estate | 11.0 | 10.0 | | 4.9 | 5.6 |
| Absolute return strategies | 0.0 | 2.0 | | 9.0 | 3.8 |
| Domestic fixed income securities | 16.0 | 0.0 | | 1.3 | 0.0 |
| Global fixed income securities | 2.0 | 0.0 | | 0.9 | 0.0 |
| High-yield fixed income securities | 1.0 | 0.0 | | 3.5 | 0.0 |
| Opportunistic portfolio | 0.0 | 3.0 | | 0.0 | 5.7 |
| Real assets | 0.0 | 3.0 | | 0.0 | 5.3 |
| Bonds and mortgages | 7.0 | 17.0 | | 2.8 | 1.3 |
| Cash | 1.0 | 1.0 | | 0.3 | (0.3) |
| Inflation-indexed bonds | 0.0 | 4.0 | | 0.0 | 1.3 |
| Total | 100.0 % | 100.0 % | | | |

***Discount Rate***—The discount rate used to calculate the total pension liability/(asset) was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

***Sensitivity of the Proportionate Share of the Net Pension Liability/(asset) to the Discount Rate Assumption***—The following chart presents the College's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the College's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.25% for TRS and 6.0% for ERS) or one percentage-point higher (8.25% for TRS and 8.0% for ERS) than the current assumption.

| TRS | 1% Decrease (6.25%) | Current Assumption (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Employer's proportionate share of the net pension liability/(asset) | $ 4,862,903 | $ (707,829) | $ (5,374,555) |

| ERS | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| Employer's proportionate share of the net pension liability/(asset) | $ 10,304,144 | $ 1,361,853 | $ (6,202,968) |

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

| | (Dollars in Thousands) | | |
|---|---|---|---|
| | TRS | ERS | Total |
| Measurement date | June 30, 2018 | March 31, 2018 | |
| Employers' total pension liability | $ 118,107,253 | $ 183,400,590 | $ 301,507,843 |
| Plan fiduciary net position | 119,915,517 | 180,173,145 | 300,088,662 |
| Employers' net pension liability/(asset) | $ (1,808,264) | $ 3,227,445 | $ 1,419,181 |
| System fiduciary net position as a percentage of total pension liability | 101.5% | 98.2% | 99.5% |

## ii) Dutchess County Resource Recovery Agency

***Plan Description and Benefits Provided***

***Employees' Retirement System***—The Agency participates in the ERS. The plan description is the same as disclosed within the County's primary government section of this footnote.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At December 31, 2018, the Agency reported a liability of $8,572 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2018, the Agency's proportion was 0.0002656 percent of the ERS liability.

For the year ended December 31, 2018, the Agency recognized pension expense of $32,396. At December 31, 2018, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| | ERS | |
| Differences between expected and actual experiences | $ 3,057 | $ 2,526 |
| Changes in assumptions | 5,684 | - |
| Net difference between projected and actual earnings on pension plan investments | 12,450 | 24,575 |
| Changes in proportion and differences between the Agency's contributions and proportionate share of contributions | 55,417 | 6,251 |
| Agency contributions subsequent to the measurement date | 12,869 | - |
| Total | $ 89,477 | $ 33,352 |

Deferred outflows of resources and deferred inflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | ERS |
|---|---|
| 2019 | $ 23,868 |
| 2020 | 17,295 |
| 2021 | 1,608 |
| 2022 | 485 |

***Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption***—The following chart represents the Agency's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the Agency's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage point higher (8.0%) than the current assumption.

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| Employer's proportionate share of the net pension liability/(asset)—ERS | $ 64,857 | $ 8,572 | $ (39,043) |

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

**iii) Dutchess County Water and Wastewater Authority**

***Plan Description and Benefits Provided***

***Employees' Retirement System***— The Authority participates in the ERS. The plan description is the same as disclosed within the County's primary government section of this footnote.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At December 31, 2018, the Authority reported a liability of $158,901 for its proportionate share of the net pension liability. At March 31, 2018, the Authority's proportion was 0.0049234 percent of the ERS liability.

For the year ended December 31, 2018, the Authority recognized pension expense of $237,025. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| | ERS | |
| Differences between expected and actual experiences | $ 56,675 | $ 46,834 |
| Changes in assumptions | 105,365 | - |
| Net difference between projected and actual earnings on pension plan investments | 230,791 | 455,559 |
| Changes in proportion and differences between the Authority's contributions and proportionate share of contributions | 118,417 | - |
| Authority contributions subsequent to the measurement date | 167,257 | - |
| Total | $ 678,505 | $ 502,393 |

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | ERS |
|---|---|
| 2019 | $ 78,937 |
| 2020 | 62,437 |
| 2021 | (92,280) |
| 2022 | (40,239) |

***Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption***—The chart below represents the Authority's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage point higher (8.0%) than the current assumption.

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| Employer's proportionate share of the net pension liability/(asset)—ERS | $ 1,202,290 | $ 158,901 | $ (723,764) |

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

#### iv) Aggregate Nonmajor Discretely Presented Component Units

The SWCD participates in the ERS. The actuarial assumptions, asset allocations and pension plan fiduciary net position are the same as those disclosed for the system within the County's primary government section of this footnote. At December 31, 2018, the SWCD reported a net pension liability of $47,451, deferred outflows of resources in the amount of $144,793, and deferred inflows of resources in the amount of $213,480.

***Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption***—The chart below represents the Authority's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the SWCD's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage point higher (8.0%) than the current assumption.

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| Employer's proportionate share of the net pension liability/(asset)—ERS | $ 359,024 | $ 47,451 | $ (216,128) |

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

## 8. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATION

***Plan Description***—Dutchess County Retiree Medical Program is a single-employer defined benefit healthcare plan administered by the New York State Employee Retirement System. The County provides certain health care benefits for retired employees including employees at the Airport (enterprise fund). The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the primary government may vary according to length of service. Substantially all employees may become eligible for those benefits if they reach normal retirement age and length of service requirement while working for these entities. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid within the governmental funds.

***Employees Covered by Benefit Terms***—At December 31, 2018, the following employees were covered by the benefit terms:

| | |
|---|---|
| Active employees | 1,460 |
| Inactive employees or beneficiaries currently receiving benefit payments | 790 |
| Total | 2,250 |

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or "earned"), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability ("UAAL") under GASB Statement No. 45.

*Total OPEB Liability*

The County's total OPEB liability for governmental and business-type activities of $410,430,151 and $1,616,701, respectively, was measured as of January 1, 2018, and was determined by an actuarial valuation as of January 1, 2017.

***Actuarial Methods and Assumptions***—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2017 actuarial valuation, the entry age normal actuarial cost method, over a level percent of pay was used. The single discount rate changed from 3.78% effective January 1, 2017 to 3.44% effective January 1, 2018. The salary scale assumed to increase at 3.0% per year. The RPH-2014 Total Dataset Mortality Tables, adjusted for mortality improvements with scale MP-2017 on a fully generational basis, were used for mortality rates. The 2015 New York State Employees' Retirement System rates were used for retirement rates. This rate was based on the April 1, 2010 to March 31, 2015 experience study released by the Retirement System's actuary and published in their August 2015 report. In order to estimate the change in the cost of healthcare, the actuaries healthcare cost trend rate used is 6.0%.

***Changes in the Total OPEB Liability***—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

| | Total OPEB Liability | |
|---|---|---|
| | Governmental Activities | Business-type Activities |
| Balances at December 31, 2017, as restated | $ 367,611,394 | $ 1,448,036 |
| Changes for the year: | | |
| Service cost | 12,937,349 | 50,961 |
| Interest | 14,242,764 | 56,103 |
| Changes of assumptions | 23,150,690 | 91,191 |
| Benefit payments | (7,512,046) | (29,590) |
| Net changes | 42,818,757 | 168,665 |
| Balances at December 31, 2018 | $ 410,430,151 | $ 1,616,701 |

***Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate***—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability:

| | 1% Decrease (2.44%) | Current Discount Rate (3.44%) | 1% Increase (4.44%) |
|---|---|---|---|
| Governmental activities: | | | |
| Net OPEB liability | $ 490,887,946 | $ 410,430,151 | $ 347,353,498 |
| Business-type activities: | | | |
| Net OPEB liability | $ 1,933,628 | $ 1,616,701 | $ 1,368,240 |

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the net OPEB liability of a 1% change in current (6.0%) healthcare cost trend rates.

| | 1% Decrease (5.0%) | Healthcare Cost Trend Rates (6.0%) | 1% Increase (7.0%) |
|---|---|---|---|
| Governmental activities: | | | |
| Net OPEB liability | $ 337,632,605 | $ 410,430,151 | $ 506,579,109 |
| Business-type activities: | | | |
| Net OPEB liability | $ 1,329,949 | $ 1,616,701 | $ 1,995,436 |

***Funding Policy***—Contributions by the primary government may vary according to length of service. The cost of providing postemployment health care benefits is shared between the County and the retired employee. 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. For the year ended December 31, 2018, the County's governmental and business-type activities recognized OPEB expense of $30,741,758 and $121,093, respectively.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***—The County reports deferred outflows of resources due to differences during the measurement period between the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The County did not report any deferred inflows of resources related to OPEB at December 31, 2018. The table below presents the County's deferred outflows of resources at December 31, 2018.

| | Deferred Outflows of Resources | |
|---|---|---|
| | Governmental Activities | Business-type Activities |
| Changes of assumptions | $ 19,589,045 | $ 77,162 |
| Benefit payments subsequent to the measurement date | 8,544,961 | 33,659 |
| Total | $ 28,134,006 | $ 110,821 |

The County's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31, | Governmental Activities | Business-type Activities |
|---|---|---|
| 2019 | $ 3,561,645 | $ 14,029 |
| 2020 | 3,561,645 | 14,029 |
| 2021 | 3,561,645 | 14,029 |
| 2022 | 3,561,645 | 14,029 |
| 2023 and thereafter | 5,342,465 | 21,046 |

**Discretely Presented Component Units**

**i) Dutchess Community College**

***Plan Description***

The College's single-employer defined benefit OPEB plan, which is administered by the College, provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The authority to establish and amend the benefit terms and financing requirements rests with the College Board of Trustees through negotiations with its employee groups. The plan does not accumulate assets to meet its future obligation and the plan is not administered through a trust or an equivalent arrangement. The OPEB plan does not issue a stand-alone financial report.

The College funds the cost of providing health care insurance to its retirees on a pay as you go basis. Total contributions to the plan to cover the College's share of retiree's insurance premiums for the year ended June 30, 2018 was $1,847,517.

***Employees Covered by Benefit Terms***—At July 1, 2017, the number of employees covered by the College's OPEB plan:

| | |
|---|---|
| Active employees | 389 |
| Inactive employees or beneficiaries currently receiving benefit payments | 214 |
| Total | 603 |

***Total OPEB Liability***

The College's total OPEB liability of $87,994,776 was measured as of September 1, 2017 and was determined by an actuarial valuation as of September 1, 2016.

***Actuarial Methods and Assumptions***—The total OPEB liability in the September 1, 2016 actuarial valuation was determined using an inflation rate of 2.20%, a payroll growth rate of 2.00%, and a discount rate of 3.51%, applied to all periods included in the measurement. The discount rate was based on the Bond Buyer 20 Year Bond GO Index, which is a 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The medical trend rates are estimated with the Medicare Part B trend expected to increase 5% a year. Mortality was based on RP-2014 Mortality Table, sex distinct, with generational mortality adjusted to 2006 using the MP-2014 and projected forward with scale MP-2017.

***Changes in the Total OPEB Liability***—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

| | Total OPEB Liability |
|---|---|
| Balance at August 31, 2017, as restated | $ 93,721,559 |
| Changes for the year: | |
| Service cost | 3,672,802 |
| Interest | 2,735,372 |
| Changes of assumptions | (9,978,090) |
| Benefit payments | (2,156,867) |
| Net changes | (5,726,783) |
| Balance at August 31, 2018 | $ 87,994,776 |

***Sensitivity of the Total OPEB Liability to the Change in the Discount Rate***—The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

| | 1% Decrease (2.51%) | Current Discount Rate (3.51%) | 1% Increase (4.51%) |
|---|---|---|---|
| Total OPEB liability | $ 103,493,986 | $ 87,994,776 | $ 75,661,964 |

***Sensitivity of the Total OPEB Liability to the Change in the Healthcare Cost Trend Rate***—The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate:

| | 1% Decrease (4.0%) | Current Healthcare Trend Rate (5.0%) | 1% Increase (6.0%) |
|---|---|---|---|
| Total OPEB liability | $ 73,986,658 | $ 87,994,776 | $ 106,049,168 |

***Funding Policy***—Contributions by the primary government may vary according to length of service. The cost of providing postemployment health care benefits is shared between the College and the retired employee. 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. For the year ended June 30, 2018, the recognized OPEB expense of $3,335,427.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***—At August 31, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of assumptions | $ - | $ 8,153,942 |
| Benefit payments subsequent to the measurement date | 2,397,410 | - |
| Total | $ 2,397,410 | $ 8,153,942 |

The College's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending August 31, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31, | |
|---|---|
| 2019 | $ (1,824,148) |
| 2020 | (1,824,148) |
| 2021 | (1,824,148) |
| 2022 | (1,824,148) |
| 2023 and thereafter | (857,350) |

**ii) Dutchess County Resource Recovery Agency**

***Plan Description***

The Agency provides postemployment health insurance coverage to retired employees through a self-administered single employer plan in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are goverened by the Agency's policy. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a stand-alone financial report.

The Agency's OPEB plan subsidizes the cost of healthcare to eligible retired employees and their spouses. Eligibility is based on the respective rules of the New York State and Local Employees Retirement System ("ERS"), as well as the provisions of the Agency's agreements with its employees.

***Employees Covered by Benefit Terms***—At December 31, 2018, the Agency had 1 active employee and 5 retired employees covered by benefit terms.

***Total OPEB Liability***

The Agency's total OPEB liability of $264,818 was determined by an actuarial valuation as of December 31, 2018.

***Actuarial Methods and Assumptions***—The total OPEB liability in the December 31, 2018 actuarial valuation was determined using an inflation rate of 3.00%, a discount rate of 4.19%, and healthcare cost trend rates ranging from 7.60% to 3.00%, reduced incrementally to an ultimate rate of 4.70% to 3.00%, applied to all periods included in the measurement. The discount rate was based on a review of the yield derived from the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments. Mortality was based on RP-2000 Mortality Table.

***Changes in the Total OPEB Liability***—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

| | Total OPEB Liability |
|---|---|
| Balance at December 31, 2017, as restated | $ 416,087 |
| Changes for the year: | |
| Service cost | 82,323 |
| Interest | 11,610 |
| Change of benefit terms | (140,571) |
| Changes of assumptions | (36,153) |
| Benefit payments | (68,478) |
| Net changes | (151,269) |
| Balance at December 31, 2018 | $ 264,818 |

***Sensitivity of the Total OPEB Liability to the Change in the Discount Rate***—The table on the following page presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

| | 1% Decrease (3.19%) | Current Discount Rate (4.19%) | 1% Increase (5.19%) |
|---|---|---|---|
| Total OPEB liability | $ 285,388 | $ 264,818 | $ 246,366 |

***Sensitivity of the Total OPEB Liability to the Change in the Healthcare Cost Trend Rate***—The following table presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate:

| | 1% Decrease (6.60%/3.70%) | Current Healthcare Trend Rate (7.60%/4.70%) | 1% Increase (8.60%/5.70%) |
|---|---|---|---|
| Total OPEB liability | $ 245,082 | $ 264,818 | $ 286,456 |

**iii) Dutchess County Water and Wastewater Authority**

***Plan Description***

The Authority provides continuation of medical insurance coverage to employees that retire under the New York State Retirement Systems at the same time they end their service to the Authority. The benefit levels, employee contributions, and employer contributions are governed by the Authority's contractual agreements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

***Employees Covered by Benefit Terms***—At December 31, 2018, the Authority had 25 active employees and 5 retired employees covered by benefit terms.

***Total OPEB Liability***

The Authority's total OPEB liability of $2,526,908 was determined by an actuarial valuation as of December 31, 2018.

***Actuarial Methods and Assumptions***—The total OPEB liability in the December 31, 2018 actuarial valuation was determined using an inflation rate of 2.50%, a discount rate of 4.19%, and healthcare cost trend rates ranging from 7.60% to 3.00%, reduced incrementally to an ultimate rate of 4.70% to 3.00%, applied to all periods included in the measurement. The discount rate was based on a review of the yield derived from the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments. Mortality rates were based on April 1, 2010 – March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the SOA Scale MP-2014.

***Changes in the Total OPEB Liability***—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

| | Total OPEB Liability |
|---|---|
| Balance at December 31, 2017, as restated | $ 2,790,742 |
| Changes for the year: | |
| Service cost | 131,287 |
| Interest | 70,031 |
| Change of benefit terms | (650,072) |
| Changes of assumptions | 217,465 |
| Benefit payments | (32,545) |
| Net changes | (263,834) |
| Balance at December 31, 2018 | $ 2,526,908 |

***Sensitivity of the Total OPEB Liability to the Change in the Discount Rate***—The following table presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

| | 1% Decrease (3.19%) | Current Discount Rate (4.19%) | 1% Increase (5.19%) |
|---|---|---|---|
| Total OPEB liability | $ 2,865,054 | $ 2,526,908 | $ 2,244,779 |

***Sensitivity of the Total OPEB Liability to the Change in the Healthcare Cost Trend Rate***—The following table presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate, which ranges from 7.6% to 3.0%, while the ultimate healthcare cost trend rate is 4.7%.

| | 1% Decrease (6.60%/3.70%) | Current Healthcare Trend Rate (7.60%/4.70%) | 1% Increase (8.60%/5.70%) |
|---|---|---|---|
| Total OPEB liability | $ 2,200,917 | $ 2,526,908 | $ 2,926,011 |

## 9. DEFERRED COMPENSATION PLAN

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

As of October 1, 1997 the New York State Deferred Compensation Board (the "Board") created a Trust and Custody agreement making Chase Manhattan Bank the Trustee and Custodian of the Plan. Since the Board is no longer the trustee of the plan, the plan no longer meets the criteria for inclusion in New York State's financial statements. Municipalities which participate in New York State's Deferred Compensation Plan are no longer required to record the value of the plan assets. At December 31, 2018, the market value, as reported by the New York State Deferred Compensation Plan, of the plan assets totaled $154,546,689.

## 10. RISK MANAGEMENT

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

The Plan maintains insurance coverage for claims in excess of $1,100,000. The County estimates $1,000,000 related to general claims against the County which is recorded within governmental activities long-term liabilities at December 31, 2018.

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

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following information supplied by the Plan Administrator represents changes in those aggregate liabilities for the Plan during the past two years:

| Year Ended December 31, | Liability, Beginning of Year | Claims and Adjustments | Claim Payments and Adjustments | Liability, End of Year |
|---|---|---|---|---|
| 2018 | $ 29,454,247 | $ 2,444,199 | $ 3,540,141 | $ 28,358,305 |
| 2017 | 26,904,529 | 6,167,340 | 3,617,622 | 29,454,247 |

The financial information for the self-insurance plan is reported on the modified accrual basis within the General Fund. The liability for workers' compensation claims payable is recorded within governmental activities long-term liabilities at December 31, 2018.

## 11. LEASES

***Operating Leases***—The County's leases buildings, equipment and office space under non-cancelable operating leases. Total costs for such leases were $4,112,577 and $279,390 for governmental activities and business-type activities, respectively, for the year ended December 31, 2018.

Future minimum lease payments at December 31, 2018 are presented below:

| Year Ending December 31, | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| 2019 | $ 2,277,018 | $ 196,686 | $ 2,473,704 |
| 2020 | 1,376,376 | 7,000 | 1,383,376 |
| 2021 and thereafter | 879,494 | 28,000 | 907,494 |
| Total | $ 4,532,888 | $ 231,686 | $ 4,764,574 |

**Discretely Presented Component Units:**

**i) Dutchess Community College**

***Capital Lease***—The College entered into a capital lease to finance the construction of energy saving improvements and equipment. The lease financed $3,148,000 for these improvements during 2007 with a final maturity of May 29, 2023. The interest rate on the lease is 4.42% with monthly principal and interest payments of $24,942. The future minimum payments required under the lease as of August 31, 2018 are presented below:

| Year Ending August 31, | Principal | Interest |
|---|---|---|
| 2019 | $ 247,695 | $ 50,698 |
| 2020 | 258,868 | 39,483 |
| 2021 | 270,545 | 27,764 |
| 2022 | 282,748 | 15,515 |
| 2023 | 220,399 | 3,268 |
| Total | $ 1,280,255 | $ 136,728 |

Interest expense related to capital lease obligations was approximately $62,669 in 2018.

**12. SHORT-TERM DEBT**

**Discretely Presented Component Units:**

**i) Dutchess County Water and Wastewater Authority**

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of permanent financing, provided that annual reductions of principal are made. The following is a summary of the Authority's short-term debt for the year ended December 31, 2018:

| Description | Interest Rate | Balance 1/1/2018 | Increases | Decreases | Balance 12/31/2018 |
|---|---|---|---|---|---|
| EFC BANs - Shore Haven water system | 0.00-1.17% | $ 2,732,941 | $ - | $ 2,732,941 | $ - |
| Building Purchase | 1.97% | - | 1,250,000 | - | 1,250,000 |
| Total | | $ 2,732,941 | $ 1,250,000 | $ 2,732,941 | $ 1,250,000 |

## 13. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The County's outstanding long-term liabilities include bonds payable, compensated absences, environmental clean up, workers' compensation and general claims, other postemployment benefits ("OPEB") obligation, and net pension liability. A summary of changes in the County's long-term liabilities for the year ended December 31, 2018 is presented below.

| | Balance 1/1/2018 (as restated) | Additions | Reductions | Balance 12/31/2018 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Bonds payable: | | | | | |
| Serial bonds | $ 89,671,554 | $ 53,517,400 | $ 12,983,345 | $ 130,205,609 | $ 13,536,484 |
| Premiums on serial bonds | 7,201,102 | 286,166 | 712,052 | 6,775,216 | 725,874 |
| DTASC tobacco settlement bonds | 49,345,000 | - | 620,000 | 48,725,000 | 2,015,000 |
| Premium on DTASC bonds | 3,649,691 | - | 45,857 | 3,603,834 | 149,035 |
| DTASC subordinate turbo CABs | 5,879,174 | 410,985 | - | 6,290,159 | - |
| Total bonds payable | 155,746,521 | 54,214,551 | 14,361,254 | 195,599,818 | 16,426,393 |
| Compensated absences | 9,437,501 | 380,312 | 272,925 | 9,544,888 | 477,244 |
| Environmental clean up | 124,000 | - | 116,000 | 8,000 | 8,000 |
| Workers' compensation and general claims | 30,454,247 | 2,444,199 | 3,540,141 | 29,358,305 | 5,728,500 |
| OPEB obligation | 367,611,394 | 50,330,803 | 7,512,046 | 410,430,151 | - |
| Net pension liability* | 43,249,327 | - | 28,561,650 | 14,687,677 | - |
| Total governmental activities | $ 606,622,990 | $ 107,369,865 | $ 54,364,016 | $ 659,628,839 | $ 22,640,137 |
| **Business-type activities:** | | | | | |
| Bonds payable: | | | | | |
| Airport bonds | $ 969,563 | $ 1,200,000 | $ 265,653 | $ 1,903,910 | $ 235,364 |
| Transportation bonds | 1,258,884 | 232,136 | 226,003 | 1,265,017 | 302,688 |
| Premiums on serial bonds | - | 25,404 | - | 25,404 | 1,270 |
| Total bonds payable | 2,228,447 | 1,457,540 | 491,656 | 3,194,331 | 539,322 |
| Compensated absences | 39,265 | 36 | 5,520 | 33,781 | 1,689 |
| OPEB obligation | 1,448,036 | 198,255 | 29,590 | 1,616,701 | - |
| Net pension liability* | 196,573 | - | 142,732 | 53,841 | - |
| Total business-type activities | $ 3,912,321 | $ 1,655,831 | $ 669,498 | $ 4,898,654 | $ 541,011 |

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

***Serial Bonds***—General obligation bonds of the County (not including the DTASC debt) are issued principally as serial bonds, which are due at various times through 2048. The bonds are issued primarily to finance acquisition or construction of capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. Principal and interest payments are included in the expenditures of the General Fund. The County has utilized 6.2% of its constitutional debt limit as of December 31, 2018.

On March 1, 2018, the County issued $54,949,536 in public improvement serial bonds for various capital improvements and equipment purchases. Series 2018A bonds were issued at a premium of $311,570, carry an interest rate between 3.00 and 3.25 percent, and mature in March 2038. Series 2018B bonds were not issued at a premium, carry an interest rate between 3.25 and 4.00 percent, and mature in March 2048.

A summary of additions and payments for the year ended December 31, 2018 is shown below:

| Description | Maturity Date | Interest Rate (%) | Balance 1/1/2018 | Increases | Decreases | Balance 12/31/2018 |
|---|---|---|---|---|---|---|
| **Governmental activities:** | | | | | | |
| 2006 Refunding | 2018 | 4.00-5.00 | $ 95,000 | $ - | $ 95,000 | $ - |
| 2008 Public Improvement | 2023 | 3.00-5.00 | 425,000 | - | 425,000 | - |
| 2009 Refunding Series A | 2018 | 3.00-4.00 | 160,000 | - | 160,000 | - |
| 2009 Refunding Series B | 2021 | 3.00-4.00 | 1,775,000 | - | 455,000 | 1,320,000 |
| 2010 Public Improvement | 2025 | 2.00-4.00 | 7,807,366 | - | 1,247,635 | 6,559,731 |
| 2011 Public Improvement | 2031 | 2.00-3.50 | 7,730,000 | - | 745,000 | 6,985,000 |
| 2011 Refunding | 2022 | 2.00-5.00 | 728,052 | - | 209,950 | 518,102 |
| 2012 Public Improvement | 2032 | 2.00-4.00 | 5,412,500 | - | 594,500 | 4,818,000 |
| 2013 Public Improvement | 2033 | 2.00-4.13 | 3,048,000 | - | 486,000 | 2,562,000 |
| 2014 Public Improvement | 2034 | 2.13-5.00 | 15,315,986 | - | 2,089,946 | 13,226,040 |
| 2015 Public Improvement | 2035 | 2.00-5.00 | 21,353,000 | - | 2,963,000 | 18,390,000 |
| 2015 Refunding | 2027 | 2.00-5.00 | 9,971,650 | - | 1,942,314 | 8,029,336 |
| 2016 Public Improvement | 2028 | 3.00-4.00 | 10,950,000 | - | 1,270,000 | 9,680,000 |
| 2017 Public Improvement | 2037 | 2.00-3.00 | 4,900,000 | - | 300,000 | 4,600,000 |
| 2018 Public Improvement Series A | 2038 | 3.00-3.25 | - | 13,517,400 | - | 13,517,400 |
| 2018 Public Improvement Series B | 2048 | 3.25-4.00 | - | 40,000,000 | - | 40,000,000 |
| Total governmental activities | | | $ 89,671,554 | $ 53,517,400 | $ 12,983,345 | $ 130,205,609 |
| **Business-type activities:** | | | | | | |
| 2010 Public Improvement—Airport | 2025 | 2.00-4.00 | $ 65,000 | $ - | $ 8,000 | $ 57,000 |
| 2010 Public Improvement—Transportation | 2025 | 2.00-4.00 | 177,634 | - | 19,366 | 158,268 |
| 2011 Public Improvement—Transportation | 2031 | 2.00-3.50 | 405,000 | - | 45,000 | 360,000 |
| 2011 Refunding—Airport | 2022 | 2.00-5.00 | 221,949 | - | 45,050 | 176,899 |
| 2012 Public Improvement—Transportation | 2032 | 2.00-4.00 | 7,500 | - | 500 | 7,000 |
| 2013 Public Improvement—Airport | 2033 | 2.00-4.13 | 297,000 | - | 49,000 | 248,000 |
| 2014 Public Improvement—Airport | 2034 | 2.13-5.00 | 19,014 | - | 10,053 | 8,961 |
| 2015 Public Improvement—Transportation | 2035 | 2.00-5.00 | 367,000 | - | 122,000 | 245,000 |
| 2015 Refunding—Airport | 2035 | 2.00-5.00 | 366,600 | - | 153,550 | 213,050 |
| 2015 Refunding—Transportation | 2027 | 2.00-5.00 | 201,750 | - | 19,137 | 182,613 |
| 2017 Public Improvement | 2037 | 2.00-3.00 | 100,000 | - | 20,000 | 80,000 |
| 2018 Public Improvement—Airport | 2038 | 3.00-3.25 | - | 1,200,000 | - | 1,200,000 |
| 2018 Public Improvement—Transportation | 2038 | 3.00-3.25 | - | 232,136 | - | 232,136 |
| Total business-type activities | | | $ 2,228,447 | $ 1,432,136 | $ 491,656 | $ 3,168,927 |

***DTASC Debt***—In 2003, DTASC issued $47,815,000 of the New York Counties Tobacco Trust III Tobacco Settlement Pass-Through Bonds, Series 2003 ("Series 2003 Term Bonds") pursuant to an indenture dated as of December 18, 2003. The issue value of the bonds was $45,912,363, net of a bond discount of $1,902,637. Net proceeds were paid to the County for deposit to an escrow fund as a purchase from the County of all of the County's right, title and interest, under the MSA and the Decree, including the Tobacco Settlement Revenues ("TSR"). On September 22, 2016, DTASC issued $49,520,000 of Tobacco Settlement Asset Backed Refunding Bonds, Series 2016. The Series 2016 bonds and additional consideration received as a result of the refunding transaction were used to redeem or exchange all of DTASC's Tobacco Settlement Asset Backed Bonds Series 2003 outstanding in the aggregate principal amount of $22,250,000. As a result, the Series 2003 Term Bonds have been removed from the financial statements. Additionally, the Series 2016 Bonds' proceeds were used to acquire by negotiated purchase the initial principal amount of outstanding NYCTT Subordinate Bonds component S4B attributable to DTASC, to cancel the related NYCTT Subordinate Bonds component S2, and redeem NYCTT Subordinate Bonds component S1 bonds.

On November 15, 2005, DTASC participated in New York Counties Tobacco Trust V ("NYCTT"), along with 23 other New York County Tobacco Corporations, and issued Tobacco Settlement Pass-Through Bonds—Subordinate Turbo CABs in various series for the purpose of securitizing additional future tobacco settlement revenues. The proceeds of these bonds, $25,500,000 (after the deduction of $736,279 in bond issuance and underwriter costs), were used to purchase tobacco settlement rights from the County. The issuance had four components and payments on the Subordinate Turbo CABs were subordinate to the Series 2003 Term Bonds. As a result of the Tobacco Asset Back Refunding Bonds, Series 2016 transaction as described below, only the Series 2005 S3 Subordinate Turbo CABs remain.

In the event sufficient funds are not available to meet Planned Payment Maturities, Rated Maturity dates will be used.

Changes in DTASC bonds payable for the year ended December 31, 2018 are presented as follows:

| Description | Year of Maturity | Yield | Beginning Balance 1/1/2018 | Additions | Deletions | Ending Balance 12/31/2018 | Amount Due Within One Year |
|---|---|---|---|---|---|---|---|
| Tobacco Settlement Bonds: | | | | | | | |
| Series 2016 | 2035 | various | $ 49,345,000 | $ - | $ 620,000 | $ 48,725,000 | $ 2,015,000 |
| Plus: Bond premium | | | 3,649,691 | - | 45,857 | 3,603,834 | 149,035 |
| Net Tobacco Settlement Bonds | | | $ 52,994,691 | $ - | $ 665,857 | $ 52,328,834 | $ 2,164,035 |

DTASC debt service requirements based upon planned principal payments for Tobacco Settlement Bonds, Series 2016 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 2,015,000 | $ 2,543,850 | $ 4,558,850 |
| 2020 | 1,775,000 | 2,430,150 | 4,205,150 |
| 2021 | 1,885,000 | 2,320,350 | 4,205,350 |
| 2022 | 1,990,000 | 2,204,100 | 4,194,100 |
| 2023 | 2,120,000 | 2,080,800 | 4,200,800 |
| 2024-2028 | 12,770,000 | 8,323,400 | 21,093,400 |
| 2029-2033 | 16,985,000 | 4,512,375 | 21,497,375 |
| 2034-2035 | 9,185,000 | 489,625 | 9,674,625 |
| Total | $ 48,725,000 | $ 24,904,650 | $ 73,629,650 |

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

A summary of the Subordinate Turbo CABs net bond balance activity for the year ended December 31, 2018 follows:

| | Interest Rate | Original Principal | Beginning Balance 1/1/2018 | Annual Net Interest Accretion | Reductions | Ending Balance 12/31/2018 |
|---|---|---|---|---|---|---|
| Subordinate Turbo CABs | 6.00%- 7.85% | $ 26,236,279 | $ 5,879,174 | $ 410,985 | $ - | $ 6,290,159 |

Redemption of the Subordinate Turbo CABs as outlined in the New York Counties Tobacco Trust VI Tobacco Settlement Pass-Through Bonds, Series 2016 official statement totals $22,446,736 and is scheduled to be paid from 2035 to 2040, while early payment is allowed. During the year ended December 31, 2018, DTASC did not make any redemption payments. Outstanding Subordinate Turbo CABs consist of one installment, Series 2005 S3. Any debt service amounts not paid in accordance with the Turbo Redemption Payments schedule will be due and payable on June 1, 2055.

***Amortization of Bond Premiums and Discount***—During the year ended December 31, 2018, the County issued serial bonds, which included a bond premium of $311,570. Additionally, during previous years, the County issued advanced refunding serial bonds which included bond premiums. The premiums are being amortized on a straight-line basis over the life of the bonds, with maturity dates ranging from 2021 to 2048. The total unamortized premium of the County as of December 31, 2018 was $6,775,216 and $25,404 for governmental and business-type activities, respectively. Additionally, DTASC issued Tobacco Settlement Asset Backed Refunding Bonds during the year ended December 31, 2016 which included a bond premium. The total unamortized premium of the DTASC as of December 31, 2018 was $3,603,834.

***Compensated Absences***—As explained in Note 1, compensated absences are recorded in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and benefits. The payment of compensated absences is dependent on many factors and, therefore, cannot be reasonably estimated as to future timing of payment. The annual budgets of operating funds provide for such as amounts become payable. The values recorded at December 31, 2018 for governmental and business-type activities are $9,544,888 and $33,781, respectively, of which $477,244 and $1,689 is expected to become available within one year, respectively.

***Environmental Clean Up***—The results of the County's evaluation of its underground storage tank removal concluded with an estimate of $8,000 liability remaining, which is recorded in the governmental activities of the government-wide financial statements.

***Workers' Compensation and General Claims***—As explained in Note 10, the County is self-insured. Liabilities are established for workers' compensation and general claims in accordance with GASB requirements. At December 31, 2018, the County reported $28,358,305 of workers' compensation liability and $1,000,000 as general claims. Estimated long-term contingent loss liabilities in the governmental fund types have been reported as long-term liabilities in the government-wide financial statements. The proprietary funds have no loss contingency liability other than workers' compensation, which is only recognized when invoiced from the County.

***OPEB Obligation***—As explained in Note 8, the County provides medical, dental, and life insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The County's annual OPEB cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

The County's long-term OPEB obligation is estimated to be $410,430,151 and $1,616,701 at December 31, 2018 for governmental and business-type activities, respectively.

***Net Pension Liability***—The County reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The net pension liability is estimated to be $14,687,677 and $53,841 in the governmental and business-type activities, respectively. Refer to Note 7 for additional information related to the County's net pension liability.

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

| | Governmental Activities | | | | |
|---|---|---|---|---|---|
| Year Ending December 31, | Serial Bonds | Premiums on Serial Bonds | DTASC Tobacco Settlement Bonds | Premium on DTASC Bonds | DTASC Subordinate Turbo CABs |
| 2019 | $ 13,536,484 | $ 725,874 | $ 2,015,000 | $ 149,035 | $ - |
| 2020 | 12,304,735 | 725,874 | 1,775,000 | 131,284 | - |
| 2021 | 10,222,163 | 725,874 | 1,885,000 | 139,420 | - |
| 2022 | 8,897,064 | 638,927 | 1,990,000 | 147,186 | - |
| 2023 | 7,910,733 | 638,927 | 2,120,000 | 156,801 | - |
| 2024-2028 | 31,421,430 | 1,798,659 | 12,770,000 | 944,504 | - |
| 2029-2033 | 17,033,000 | 1,162,828 | 16,985,000 | 1,256,256 | - |
| 2034-2038 | 10,795,000 | 358,253 | 9,185,000 | 679,348 | - |
| Thereafter | 18,085,000 | - | - | - | 6,290,159 |
| Total | $ 130,205,609 | $ 6,775,216 | $ 48,725,000 | $ 3,603,834 | $ 6,290,159 |

(continued)

(concluded)

| | Governmental Activities | | | | | |
|---|---|---|---|---|---|---|
| Year Ending December 31, | Compensated Absences | Environmental Clean Up | Workers' Compensation and General Claims | OPEB | Net Pension Liability | Total |
| 2019 | $ 477,244 | $ 8,000 | $ 5,728,500 | $ - | $ - | $ 22,640,137 |
| 2020 | - | - | - | - | - | 14,936,893 |
| 2021 | - | - | - | - | - | 12,972,457 |
| 2022 | - | - | - | - | - | 11,673,177 |
| 2023 | - | - | - | - | - | 10,826,461 |
| 2024-2028 | - | - | - | - | - | 46,934,593 |
| 2029-2033 | - | - | - | - | - | 36,437,084 |
| 2034-2038 | - | - | - | - | - | 21,017,601 |
| Thereafter | 9,067,644 | - | 23,629,805 | 410,430,151 | 14,687,677 | 482,190,436 |
| Total | $ 9,544,888 | $ 8,000 | $ 29,358,305 | $ 410,430,151 | $ 14,687,677 | $ 659,628,839 |

| Year Ending December 31, | Airport Bonds | Transportation Bonds | Premiums on Serial Bonds | Compensated Absences | OPEB | Net Pension Liability | Total |
|---|---|---|---|---|---|---|---|
| | Business-type Activities | | | | | | |
| 2019 | $ 235,364 | $ 302,688 | $ 1,270 | $ 1,689 | $ - | $ - | $ 541,011 |
| 2020 | 214,400 | 305,865 | 1,270 | - | - | - | 521,535 |
| 2021 | 216,400 | 186,436 | 1,270 | - | - | - | 404,106 |
| 2022 | 200,746 | 102,190 | 1,270 | - | - | - | 304,206 |
| 2023 | 120,000 | 94,267 | 1,270 | - | - | - | 215,537 |
| 2024-2028 | 317,000 | 271,571 | 6,350 | - | - | - | 594,921 |
| 2029-2033 | 300,000 | 2,000 | 6,350 | - | - | - | 308,350 |
| Thereafter | 300,000 | - | 6,354 | 32,092 | 1,616,701 | 53,841 | 2,008,988 |
| Total | $ 1,903,910 | $ 1,265,017 | $ 25,404 | $ 33,781 | $ 1,616,701 | $ 53,841 | $ 4,898,654 |

Interest requirements relating to bonds payable are as follows:

| Year Ending December 31, | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| 2019 | $ 5,071,915 | $ 120,350 | $ 5,192,265 |
| 2020 | 3,732,292 | 80,252 | 3,812,544 |
| 2021 | 3,290,916 | 63,847 | 3,354,763 |
| 2022 | 2,909,050 | 52,531 | 2,961,581 |
| 2023 | 2,590,892 | 43,589 | 2,634,481 |
| 2024-2028 | 9,785,151 | 142,877 | 9,928,028 |
| 2029-2033 | 6,155,714 | 70,233 | 6,225,947 |
| 2034-2038 | 4,002,297 | 24,187 | 4,026,484 |
| Thereafter | 3,474,875 | - | 3,474,875 |
| Total | $ 41,013,102 | $ 597,866 | $ 41,610,968 |

**Discretely Presented Component Units**

**i) Dutchess Community College**

The following table summarizes changes in the College's long-term liabilities for the year ended August 31, 2018:

| | Balance 9/1/2017 (as restated) | Additions | Reductions | Balance 8/31/2018 | Due Within One Year |
|---|---|---|---|---|---|
| Capital lease obligations | $ 1,517,260 | $ - | $ 237,005 | $ 1,280,255 | $ 247,695 |
| Compensated absences | 2,860,837 | - | 11,381 | 2,849,456 | - |
| OPEB obligation | 93,721,559 | 6,408,174 | 12,134,957 | 87,994,776 | - |
| Net pension liability | 4,093,109 | - | 2,731,256 | 1,361,853 | - |
| Total long-term liabilities | $ 102,192,765 | $ 6,408,174 | $ 15,114,599 | $ 93,486,340 | $ 247,695 |

***Capital Leases***—As explained in Note 11, the College entered into an installment purchase agreement for equipment. At August 31, 2018, the future minimum lease obligation is $1,280,255.

***Compensated Absences***—The College recognizes a liability for vested sick leave and other compensated absences with similar characteristics to the extent it is probable that the College will compensate the employees for the benefits through cash payments at retirement rather than be taken as absences due to illness or other contingencies. The value recorded at August 31, 2018 for the College is $2,849,456.

***OPEB Obligation***—As explained in Note 8, the College provides medical, dental, and life insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The College's annual OPEB cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The College's long-term OPEB obligation is estimated to be $87,994,776 at August 31, 2018.

***Net Pension Liability***—The College reported a liability, $1,361,853, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 7 for additional information related to the College's net pension liability.

Other long-term liabilities reported for the College include serial bonds, capital leases and the fair value of an interest rate swap agreement of the Dutchess Community College Association, a discretely presented component unit of the College in the amount of $24,383,108, $12,361 and $824,848, respectively.

**ii) Dutchess County Resource Recovery Agency**

***Bonds Payable***—In May 2017, the Agency issued $12,130,000 in solid waste system revenue bonds with interest rates ranging from 3.0 percent to 5.0 percent. The proceeds were used to refund the outstanding principal of the Agency's $16,140,000 Solid Waste System Revenue Bonds, Series 2007, paying certain costs of issuance of the Series 2017 bonds, and funding of a debt service reserve fund. The net proceeds of the refunding, $13,502,501, after payment of underwriting and other issuance costs, were used to purchase federal government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. The cash flow required to service the old debt was $16,686,213, and the cash flow required to service the new debt is $15,298,575, resulting in a savings of $1,387,638.

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

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

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.

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

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 1,015,000 | $ 517,550 | $ 1,532,550 |
| 2020 | 1,055,000 | 470,875 | 1,525,875 |
| 2021 | 1,105,000 | 416,875 | 1,521,875 |
| 2022 | 1,165,000 | 360,125 | 1,525,125 |
| 2023 | 1,220,000 | 300,500 | 1,520,500 |
| 2024-2027 | 5,400,000 | 547,250 | 5,947,250 |
| Total | $ 10,960,000 | $ 2,613,175 | $ 13,573,175 |

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, 2018 these debt service reserves exceeded their funding requirements.

***OPEB Obligation***—As explained in Note 8, the Agency provides certain benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The Agency's annual OPEB cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The Agency's long-term OPEB obligation is estimated to be $264,818 at December 31, 2018.

***Net Pension Liability***—As explained in Note 7, the Agency reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The net pension liability is estimated to be $8,572.

***Non-Performance Liability***—The Agency was a defendant in a lawsuit regarding liabilities due to the former plant operator from the Agency. The matter was resolved to the mutual satisfaction of the former plant operator and the Agency in November 2017. At December 31, 2018, the Agency's non-performance liability is estimated to be $850,000, of which $400,000 is expected to be due within one year.

**iii) Dutchess County Water and Wastewater Authority**

The following table summarizes changes in the Authority's long-term liabilities for the year ended December 31, 2018 is presented below:

| | Balance 1/1/2018 (as restated) | Additions | Payments | Balance 12/31/2018 | Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable* | $ 36,027,232 | $ 5,358,391 | $ 3,571,638 | $ 37,813,985 | $ 2,734,360 |
| Long-term bond anticipation notes | 147,682 | 1,336,344 | - | 1,484,026 | - |
| OPEB liability | 2,790,742 | - | 263,834 | 2,526,908 | - |
| Net pension liability | 430,891 | - | 271,990 | 158,901 | - |
| Total | $ 39,396,547 | $ 6,694,735 | $ 4,107,462 | $ 41,983,820 | $ 2,734,360 |

*Bonds payable increased by $786,002 in adjustments for accreted interest on 1998 Series I debt, 2001 debt, and 2009 debt.

***Bond Anticipation Notes ("BANs")***—In February 2017, the Authority authorized financing of $3,752,144 with New York State Environmental Facilities Corporation maturing in February 2022. The purpose of the notes is to provide the Authority with funds to pay for improvements to the Pinebrook Sewer District wastewater treatment plant. As of December 31, 2018, the Authority reported a noncurrent BAN liability of $1,103,584 for drawdowns as of that date.

In May 2018, the Authority authorized financing of $3,996,167 with New York State Environmental Facilities Corporation maturing in May 2023. The purpose of the notes is to provide the Authority with funds to pay for improvements to the Greenfields Sewer District wastewater treatment plan process and collection system. As of December 31, 2018, the Authority reported a noncurrent BAN liability of $380,442 for drawdowns as of that date.

***Bonds Payable***—The Authority issues revenue bonds to finance the acquisition of systems and the cost of the capital renovations to those systems and to pay costs of issuance.

As of June 1, 1995, the Authority executed a trust indenture authorizing the issuance of debt for the purpose of acquiring a sewage facility. This trust indenture was amended in 2007 to authorize debt issued for Part County Sewer Districts #1 and #2. One supplemental trust indenture was authorized under terms similar to those described in the General Bond Resolution described below for Part County Sewer District #2.

As of November 1, 2017, 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 for the Vanderburgh Cove Sewer System.

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

As of June 1, 1998 the Authority adopted a General Bond Resolution which enabled the Authority to issue additional debt pursuant to supplemental resolutions without having to modify the form or general terms of the debt, referred to as additional parity debt. The Authority has issued twenty supplemental resolutions pursuant to this general bond resolution, authorizing debt issues in the years of 1998, 1999, 2000, 2001, 2004, two issues during 2002, 2008, 2009, 2010, 2011, 2013, 2014, two issues in 2015 and 2016, and two issues in 2018.

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.

As of December 16, 2015, the Authority adopted a general bond resolution pertaining to the Pinebrook Sewer District No. 7, which enabled it to issue bonds to finance the upgrades to Pinebrook Sewer District.

As of February 15, 2017, the Authority adopted a general bond resolution pertaining to the Greenfields Sewer District, which enabled it to issue bonds to finance the upgrades to Greenfields Sewer District.

During the year ended December 31, 2018, the Authority issued New York State Environmental Facilities Corporation Bond Series 2018 ($4,055,888) and 2018A ($416,500), due in various installments maturing through 2047 and 2043, respectively with an interest rate of 0.0%.

Debt service requirements to maturity as of December 31, 2018 are presented below.

| Description | Maturity | Interest Rate (%) | Balance 12/31/2018 |
|---|---|---|---|
| 1998 Revenue Bonds (Zero Coupon) Series One | 2029 | 3.90-5.40 | $ 3,817,817 |
| 2000 Service Agreement Revenue Bond Series 2000 | 2020 | 5.65 | 130,000 |
| 2001 Service Agreement Revenue (Refunding) Bond Series 2001 | 2041 | 3.00-5.36 | 1,108,410 |
| 2004 Water Service Agreement Revenue Bond Series 2004 | 2024 | 2.00-4.25 | 810,000 |
| 2004 Sewer Service Agreement Revenue Bond Series 2004 | 2024 | 2.00-4.25 | 855,000 |
| 2009 Water Service Agreement Revenue Bond Series 2009 | 2029 | 3.00-5.00 | 1,374,144 |
| 2009 Water Service Agreement Revenue Bond Series 2009 | 2030 | 5.62-5.96 | 253,381 |
| New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2010 C | 2029 | 0.85-3.36 | 1,235,000 |
| New York State Environmental Facilities Corporation State Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2011C | 2023 | 0.54-3.17 | 765,000 |
| 2011 Service Agreement Revenue Bond Series 2011 | 2041 | 3.50-4.25 | 1,690,000 |
| New York State Environmental Facilities Corporation Revenue Refunding Bond Series 2014B | 2026 | 0.15-2.75 | 240,000 |
| New York State Environmental Facilities Corporation Revenue Refunding Bond Series 2014B | 2037 | 0.15-4.20 | 1,695,000 |
| New York State Environmental Facilities Corporation Bond Series 2016 | 2025 | 4.36-4.96 | 925,000 |
| New York State Environmental Facilities Corporation Bond Series 2016 B | 2044 | 0.55-3.35 | 3,797,761 |
| 2016 Service Agreement Revenue Bond Series 2016 | 2046 | 1.50-3.25 | 1,505,000 |
| 2016 Service Agreement Revenue Refunding Bond Series 2016 | 2029 | 1.75-4.00 | 3,830,000 |
| New York State Environmental Facilities Corporation Bond Series 2018 | 2047 | N/A | 4,055,888 |
| New York State Environmental Facilities Corporation Bond Series 2018A | 2043 | N/A | 416,500 |
| Total bonds | | | 28,503,901 |
| Accreted interest recorded on zero coupon bonds | | | 9,310,084 |
| Total bonds payable | | | 37,813,985 |
| Portion due within one year | | | (2,734,360) |
| Net bonds payable due in more than one year | | | $ 35,079,625 |

***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 the County, as is further described in Note 15.

In April 2016, the Authority issued $3,895,000 in service agreement revenue refunding bonds with interest rates of 1.75-4.00%. The proceeds were used to refund a portion of the Authority's 2009 bonds for Birch Hill and Hyde Park system improvements, and pay the costs of issuance of the 2016 refunding bonds. The net proceeds of the refunding, $4,178,704 after payment of underwriting and other issuance costs, were used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. The cash flow required to service the old debt was $5,368,563, and the cash flow required to service the new debt is $4,977,859, resulting in a reduction of $390,703. The economic gain (net present value savings resulting from the refunding) amounted to $350,743. Escrow funds were used to pay down refunded debt, resulting in an outstanding balance of $3,815,847 as of December 31, 2018. The refunded bonds will be called in 2019.

## 14. NET POSITION AND FUND BALANCE

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

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

| | | |
|---|---|---|
| ***Governmental Activities:*** | | |
| Capital assets, net of accumulated depreciation | | $ 231,330,951 |
| Other noncurrent asset, net of amortization | | 7,405,982 |
| Less related debt: | | |
| Serial bonds—County | $ (130,205,609) | |
| Unamortized bond premium—County | (6,775,216) | |
| Deferred gain on refunding, net | (11,352,060) | |
| Serial bonds—DTASC | (48,725,000) | |
| Unamortized bond premium—DTASC | (3,603,834) | |
| Serial bonds issued on behalf of Dutchess Community College | 3,437,652 | |
| Serial bonds issued for non-capital purposes | 3,030,000 | |
| Unspent debt proceeds reported within the Capital Projects Fund | 19,196,006 | (174,998,061) |
| Net investment in capital assets | | $ 63,738,872 |
| ***Business-type Activities:*** | | |
| Capital assets, net of accumulated depreciation | | $ 24,762,929 |
| Less related debt: | | |
| Serial bonds—Airport Fund and Transportation Fund | $ (3,168,927) | |
| Unamortized bond premium—Airport Fund | (25,404) | (3,194,331) |
| Net investment in capital assets | | $ 21,568,598 |

- ***Restricted Net Position***—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The total restricted component of net position is $26,966,561, of which $14,346,296 is restricted for debt service; $6,606,717 for workers' compensation; and $6,013,548 for other restrictions, which represents capital projects, $625,128; self-insurance, $1,872,506; and miscellaneous special reserves, $3,515,914.

- ***Unrestricted Net Position***—This category represents net position of the County not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2018 is presented below.

- ***Prepaid Items***—Represents amounts prepaid to the retirement system that are applicable to future accounting periods. The General Fund, County Road Fund and Road Machinery Fund reported amounts of $4,287,146, $186,025 and $33,046, respectively, at December 31, 2018.

- ***Inventories***—Represents the portion of fund balance, $91,775, composed of inventory and is nonspendable in the General Fund because inventory is not an available spendable resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grants, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. The following table presents restricted fund balances of the County as of December 31, 2018.

| | General Fund | Capital Projects Fund | DTASC Fund | Total |
|---|---|---|---|---|
| Restricted for: | | | | |
| Workers' compensation | $ 6,606,717 | $ - | $ - | $ 6,606,717 |
| Self insurance | 1,872,506 | - | - | 1,872,506 |
| Capital projects | 625,128 | 17,056,474 | - | 17,681,602 |
| Debt service | 7,880,030 | - | 3,350,864 | 11,230,894 |
| Sheriff—Asset forfeiture | 198,189 | - | - | 198,189 |
| Sheriff—DWI and traffic safety | 234,292 | - | - | 234,292 |
| Aging and special needs programs | 171,266 | - | - | 171,266 |
| Veterans services | 15,800 | - | - | 15,800 |
| Shared services | 2,896,367 | - | - | 2,896,367 |
| Total restricted fund balance | $ 20,500,295 | $ 17,056,474 | $ 3,350,864 | $ 40,907,633 |

- ***Restricted for Workers' Compensation***—Represents reserves established within the General Fund which will be used to pay self-insured workers' compensation claims and expenses in excess of claims and expenses paid from current appropriations.

- ***Restricted for Self Insurance***—Represents reserves established within the General Fund which will be used to pay claims, actions or judgments against the County that results from personal injuries or property damage.

- ***Restricted for Capital Projects***—Represents reserves established within the General Fund and Capital Projects Fund which will be used to pay for the costs of future capital expenditures.

- ***Restricted for Debt Service***—Represents reserves which will be used for the reduction of future debt service requirements.

- ***Restricted for Sheriff—Asset Forfeiture***—Represents asset forfeiture revenue restricted to pay for equipment or other uses that will aid in drug enforcement activities, pursuant to state and federal laws.

- ***Restricted for Sheriff—DWI and Traffic Safety***—Represents STOP DWI fees restricted to pay for road safety programs and equipment to combat the use and abuse of drugs and alcohol which eventually results in reducing the incidents of driving while intoxicated.

- ***Restricted for Aging and Special Needs Programs***—Represents programs for the aging and special needs revenue restricted to pay for the operation and maintenance of those programs.

- ***Restricted for Veterans Services***—Represents reserves established within the General Fund which will be used to pay for the future costs associated with veteran services.

- ***Restricted for Shared Services***—Represents reserves established within the General Fund which will be used to pay for the future costs associated with the Dutchess County Municipal Consolidation & Shared Services Grant Program.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County's highest level of decision-making authority. As of December 31, 2018, the County had no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the County's Legislature, or by its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

As of December 31, 2018, the County reported the following fund balances assignments:

| | General Fund | DTASC | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| Assigned for: | | | | |
| Encumbrances | $ 3,774,688 | $ - | $ 53,974 | $ 3,828,662 |
| Subsequent year's expenditures | 14,503,604 | - | 1,000,000 | 15,503,604 |
| Specific use | - | 62,391 | 2,134,520 | 2,196,911 |
| Total assigned fund balance | $ 18,278,292 | $ 62,391 | $ 3,188,494 | $ 21,529,177 |

- ***Assigned to Encumbrances***—Represents commitments related to unperformed contracts or purchase orders for goods or services.

- ***Assigned to Subsequent Year's Expenditures***—Represents available fund balance being appropriated to meet expenditure requirements in the 2019 fiscal year.

- ***Assigned to Specific Use***—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignments' purpose relates to each fund's operations and represent the remaining amounts within funds that are not restricted or committed.

It is the County's policy to expend fund balances in the following order: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

## 15. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and its component units during the year ended December 31, 2018:

| Component Unit | Amount | Nature of Transaction |
|---|---|---|
| Dutchess Community College | $ 14,537,899 | Operating and capital support |
| Dutchess County Resource Recovery Agency | 351,124 | Net service fee |
| Dutchess County Water and Wastewater Authority | 3,316,997 | Net service fee |
| Aggregated nonmajor component units | 295,800 | Charges for services |
| Total | $ 18,501,820 | |

The County provided economic support to the above component units based on contractual obligations between the parties (see Note 20).

**Discretely Presented Component Units**

**i) Dutchess County Resource Recovery Agency:**

During 2018, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged $91,579.

**ii) Dutchess County Water and Wastewater Authority:**

The Authority has entered into service agreements with Dutchess County for the Water District and Part County Sewer Districts to provide water and/or sewer services and receive a service fee from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover certain operating expenses and debt service requirements. The Authority also receives payments from Dutchess County for the completion of certain consulting projects. Although these payments are subject to budgetary resolutions by the Dutchess County Legislature for approval, no approvals have been withheld by the Legislature. For the year ended 2018, the Authority recorded net revenues of $3,316,997, having recorded a return of $114,751 to the County during the year. Nothing was due to the County at year-end. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

## 16. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification. The composition of interfund balances as of December 31, 2018 is shown in the table below:

| | Interfund | |
|---|---|---|
| Fund | Receivable | Payable |
| Governmental funds: | | |
| General Fund | $ 8,120,190 | $ 13,250 |
| Capital Projects Fund | 13,250 | 4,178,853 |
| Nonmajor governmental funds | - | 3,305 |
| Proprietary funds: | | |
| Airport Fund | - | 761,649 |
| Transportation Fund | - | 1,176,383 |
| Fiduciary funds: | | |
| Agency Fund | - | 2,000,000 |
| Total | $ 8,133,440 | $ 8,133,440 |

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

The County made the following transfers during the year ended December 31, 2018:

| | Transfers in: | | | | | |
|---|---|---|---|---|---|---|
| | Governmental funds | | | Proprietary funds | | |
| Transfers out: | General Fund | Capital Projects Fund | Total Nonmajor Funds | Airport Fund | Transportation Fund | Total |
| Governmental funds: | | | | | | |
| General Fund | $ - | $ 456,079 | $ 577,000 | $ 737,113 | $ 3,000,193 | $ 4,770,385 |
| Capital Projects Fund | 1,542,931 | - | - | - | - | 1,542,931 |
| Total | $ 1,542,931 | $ 456,079 | $ 577,000 | $ 737,113 | $ 3,000,193 | $ 6,313,316 |

## 17. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. A summary of changes in the assets and liabilities for the year ended December 31, 2018 is presented below:

| | Balance 1/1/2018 | Additions | Deletions | Balance 12/31/2018 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Restricted cash and cash equivalents | $ 8,585,052 | $ 116,949,523 | $ 120,193,110 | $ 5,341,465 |
| Accounts receivable | 526,612 | 3,159,938 | 526,612 | 3,159,938 |
| Total assets | 9,111,664 | 120,109,461 | 120,719,722 | 8,501,403 |
| **LIABILITIES** | | | | |
| Agency liabilities | 9,111,664 | 102,607,982 | 105,218,243 | 6,501,403 |
| Due to other funds | - | 10,400,096 | 8,400,096 | 2,000,000 |
| Total liabilities | $ 9,111,664 | $ 113,008,078 | $ 113,618,339 | $ 8,501,403 |

## 18. LABOR RELATIONS

The County's employees operate under three collective bargaining units: the CSEA Local 1000 AFSCME/AFL-CIO ("CSEA"), the Dutchess County Sheriff's Employees Association ("DCSEA"), and the Dutchess County Sheriff and Deputy Sheriff's P.B.A., Inc, ("PBA"). The DCSEA and PBA contracts are negotiated through December 31, 2019. The CSEA contract is negotiated through December 31, 2020.

## 19. TAX ABATEMENTS

The County is subject to tax abatements granted by the Dutchess County Industrial Development Agency ("DCIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the DCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the County, the abatements have resulted in reductions of property taxes, which the County administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by DCIDA, the County collected $2,652,097 during 2018 in payments in lieu of taxes ("PILOT"), these collections were made in lieu of $7,673,162 in sales and use taxes and $1,817,125 in property taxes.

## 20. COMMITMENTS

***Encumbrances***—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Open encumbrances are reported as an assignment of fund balance since such commitments will be honored through budget appropriations in the subsequent year. The County considers encumbrances to be significant for amounts that are encumbered in excess of $1,000,000. As of December 31, 2018, the County reported no significant encumbrances, with the exception of outstanding contractual commitments, specific to the Capital Project Fund. These commitments are reported as restricted fund balance within the fund financial statements.

The County had the following outstanding construction projects in progress as of December 31, 2018, as evidenced by contractual commitments.

| Project | Encumbrances Outstanding |
|---|---|
| Capital Projects Fund: | |
| Transportation | $ 1,968,822 |
| County roads and bridges | 3,513,589 |
| Parks and recreation | 597,741 |
| Building and building improvements | 6,437,377 |
| Justice and transition center | 31,657,046 |
| Total | $ 44,174,575 |

***Dutchess Utility Corridor Contract***—In 2006, the County entered into the Dutchess Utility Corridor Contract with Dutchess County Water and Wastewater Authority. The contract requires Dutchess County to provide $10,375,000 to the Authority to pay for certain project costs. The County, in exchange, will receive the rights to utilize 50% of the capacity of the new system and be paid a service fee by the Authority for its usage of the line in conjunction with their operations. At December 31, 2018, the County has provided $7,405,982 to the Authority which is reflected as "Other Assets" in the Statement of Net Position. The project is being amortized on a straight-line basis over the next 40 years, with amortization expense of $274,568 in 2018.

***Economic Support for Component Units***—The County is responsible to pay economic support to the Dutchess County Resource Recovery Agency and the Dutchess County Water and Wastewater Authority based on contracted formulas when revenues at these component units are insufficient to cover their operating expenses and debt service requirements. During the year ended December 31, 2018, the County's portion of these costs was $3,668,121.

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

## 21. CONTINGENCIES

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

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

### Discretely Presented Component Units

#### i) Dutchess Community College

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

***State and Federal Grant Programs and State Aid***—The College participates in various State and Federal grant programs. These programs are subject to program compliance audits by the grantors or their representative. The audits of these programs are an ongoing process and many have not yet been conducted or completed. Accordingly, the College's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the College anticipates such amounts, if any, will not be material. The College's Federal compliance audit under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"), is performed in conjunction with the audit of the College and is included in the College's report.

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

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

**ii) Dutchess County Resource Recovery Agency**

***Solid Waste Disposal Service Agreement***—The Agency and Dutchess County entered into a solid waste disposal service agreement dated December 1, 1984, the most recent amendment being dated January 7, 2016. The County agreed to deliver at least 140,000 tons per year of solid waste to the plant and to pay net service fees to the Agency amounting to the excess of payments for debt service and reserves, fees to the contractor and accrued expenses over tipping fees, energy and other revenues. It is the Agency's obligation to process and to provide for disposal of the solid waste. The terms of the agreement were extended during 2007 to remain in effect through July 1, 2027.

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

The Agency's current operating permit allows for up to 164,000 tons to be processed at the plant. However the Agency is required to supply the 140,000 tons, or pay the corporation $68 a ton for each ton of solid waste below that amount which is not delivered to the plan, adjusted based upon changes in labor and material price indexes. During 2018, the Agency caused to have delivered 154,405 tons, meeting its guarantees.

***Power Sales Agreement***—The Agency and a commercial corporation have entered into a power sales agreement dated November 1, 1984. The Agency agrees to sell all electricity produced by the plant in excess of its own requirements to the corporation at a price based on tariffs filed with the New York State Public Service Commission. The terms of the agreement were effective through January 1, 2008, and included provisions for an automatic renewal for two consecutive 5-year periods, plus extensions, currently expiring January 14, 2020.

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

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

Effective July 31, 2018, the Agency entered into a new contract with the current hauler for the transportation and disposal of ash residue. The contract period is through December 31, 2019 and includes disposals at any of the three landfills.

***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. These payments are subject to approval by resolution of the Dutchess County Legislature.

***Operating Permits***—The Agency is required to maintain operating permits for its small power production and solid waste management facility. The NYSDEC Part 360 Operating permit expired in July 2011 and the Title V Air Control permit expired in July 2011. The Agency submitted a timely renewal application and is now operating under the State Administrative Procedures Act while the permit is under NYSDEC review. The Title V Air Control permit has been renewed and runs through October 2021.

***Operations Service Agreement***—The Agency employs an independent engineer to prepare an annual report summarizing waste processed, utility usage, supplemental compensation, and other items relating to revenues and expenses of the Operator. The Agency records a receivable and expense accrual covering the amounts shown to be due to and due from the Operator. The Agency and the current Operator have agreed upon and accepted the 2018 annual reconciliation.

**iii) Dutchess County Water and Wastewater Authority**

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

The Authority assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance. Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Authority has purchased insurance with limits as follows: umbrella coverage of $20,000,000, business, automobile of $1,000,000, general liability of $3,000,000, property of $43,356,495 and workers' compensation of $100,000.

***System Acquisitions***—In 2017, the Authority authorized memorandums of understanding for the acquisition of three subdivision sewer systems and in 2018, the Authority authorized memorandums of understanding for the acquisition of an additional four subdivision water and sewer systems. The closing dates are dependent on the timeline for the construction and completion of the new infrastructure, at which time the Authority will acquire the water and sewer systems and assume the related debt.

## 22. SUBSEQUENT EVENTS

On March 13, 2019, the County issued $15,000,000 in public improvement serial bonds ("Series A") with an interest rate ranging between 3.00-5.00 percent for various construction projects and equipment purchases. The bonds mature on March 1, 2039. Additionally, the County also issued $20,000,000 in public improvement serial bonds ("Series B") with an interest rate ranging between 3.00-5.00 percent for the County Justice and Transition Center Project. The bonds mature on March 1, 2048.

Management has evaluated subsequent events through September 25, 2019, which is the date the financial statements are available for issuance, and have determined, except as disclosed above regarding the bond issuances and the following disclosures regarding component units, there are no subsequent events that require disclosure under generally accepted accounting principles.

### Discretely Presented Component Units

#### i) Dutchess County Water and Wastewater Authority

The Authority refunded $1,250,000 of outstanding Bond Anticipation Notes Payable ("BAN") with a $1,315,000 bond issued for new building costs during January 2019. The additional amount borrowed, $65,000, is to be used for additional renovations.

* * * * *

# REQUIRED SUPPLEMENTARY INFORMATION

## COUNTY OF DUTCHESS, NEW YORK

**Schedule of the Local Government's Proportionate Share of the Net Pension Liability—Employees' Retirement System**
**Last Five Fiscal Years***

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** |
| Measurement date | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 | March 31, 2014 |
| Plan fiduciary net position as a percentage of the total pension liability | 98.2% | 94.7% | 90.7% | 97.9% | 97.2% |
| **Governmental activities:** | | | | | |
| County's proportion of the net pension liability | 0.4550870% | 0.4602844% | 0.4285410% | 0.4315423% | 0.4315423% |
| County's proportionate share of the net pension liability | $ 14,687,677 | $ 43,249,327 | $ 68,782,035 | $ 14,578,554 | $ 19,500,790 |
| County's covered payroll | $ 120,835,233 | $ 116,780,725 | $ 112,421,243 | $ 106,956,864 | $ 104,474,311 |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 12.2% | 37.0% | 61.2% | 13.6% | 18.7% |
| **Business-type activities:** | | | | | |
| County's proportion of the net pension liability | 0.0016680% | 0.0020920% | 0.0022695% | 0.0024813% | 0.0024813% |
| County's proportionate share of the net pension liability | $ 53,841 | $ 196,573 | $ 333,416 | $ 83,823 | $ 112,125 |
| County's covered payroll | $ 528,666 | $ 568,778 | $ 601,284 | $ 653,156 | $ 643,338 |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 10.2% | 34.6% | 55.5% | 12.8% | 17.4% |

**Discretely presented component units:**
**Dutchess Community College (the "College"):**

| | Year Ended August 31, | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** |
| College's proportion of the net pension liability | 0.0421960% | 0.0435610% | 0.0398490% | 0.0404747% | n/a |
| College's proportionate share of the net pension liability | $ 1,361,853 | $ 4,093,109 | $ 6,395,803 | $ 1,367,334 | n/a |
| College's covered payroll | $ 11,240,160 | $ 10,785,934 | $ 9,969,544 | $ 9,576,118 | n/a |
| College's proportionate share of the net pension liability as a percentage of its covered payroll | 12.1% | 37.9% | 64.2% | 14.3% | n/a |

(continued)

*Information prior to the year ended December 31, 2014 (August 31, 2015 as to the College) is not available.

**Schedule of the Local Government's Proportionate Share of the Net Pension Liability—Employees' Retirement System Last Five Fiscal Years***

(concluded)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Dutchess County Resource Recovery Agency (the "Agency"):** | | | | | |
| Agency's proportion of the net pension liability | 0.0002656% | 0.0002419% | 0.0004802% | 0.0005205% | n/a |
| Agency's proportionate share of the net pension liability | $ 8,572 | $ 22,726 | $ 77,066 | $ 17,583 | n/a |
| Agency's covered payroll | $ 154,393 | $ 154,959 | $ 209,503 | $ 282,986 | n/a |
| Agency's proportionate share of the net pension liability as a percentage of its covered payroll | 5.6% | 14.7% | 36.8% | 6.2% | n/a |
| **Dutchess County Water and Wastewater Authority (the "Authority"):** | | | | | |
| Authority's proportion of the net pension liability | 0.0049234% | 0.0045858% | 0.0044523% | 0.0044387% | n/a |
| Authority's proportionate share of the net pension liability | $ 158,901 | $ 430,892 | $ 714,613 | $ 149,950 | n/a |
| Authority's covered payroll | $ 1,524,688 | $ 1,623,233 | $ 1,582,671 | $ 1,513,848 | n/a |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 10.4% | 26.5% | 45.2% | 9.9% | n/a |
| **Dutchess County Soil and Water Conservation District (the "SWCD"):** | | | | | |
| SWCD's proportion of the net pension liability | 0.0014702% | 0.0014946% | n/a | n/a | n/a |
| SWCD's proportionate share of the net pension liability | $ 47,451 | $ 140,438 | n/a | n/a | n/a |
| SWCD's covered payroll | $ 279,336 | $ 238,756 | n/a | n/a | n/a |
| SWCD's proportionate share of the net pension liability as a percentage of its covered payroll | 17.0% | 58.8% | n/a | n/a | n/a |

*Information prior to the year ended December 31, 2015 (December 31, 2017 as to the SWCD) is not available.

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

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Governmental activities:** | | | | | |
| Contractually required contributions | $ 17,559,786 | $ 17,759,949 | $ 17,666,654 | $ 18,538,858 | $ 20,015,701 |
| Contributions in relation to the contractually required contribution | (17,559,786) | (17,759,949) | (17,666,654) | (18,538,858) | (20,015,701) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| County's covered payroll | $ 123,984,193 | $ 120,664,775 | $ 116,343,200 | $ 111,314,366 | $ 106,341,809 |
| Contributions as a percentage of covered payroll | 14.2% | 14.7% | 15.2% | 16.7% | 18.8% |
| **Business-type activities:** | | | | | |
| Contractually required contributions | $ 71,477 | $ 81,606 | $ 92,861 | $ 114,874 | $ 127,959 |
| Contributions in relation to the contractually required contribution | (71,477) | (81,606) | (92,861) | (114,874) | (127,959) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| County's covered payroll | $ 454,480 | $ 550,675 | $ 565,023 | $ 640,032 | $ 640,050 |
| Contributions as a percentage of covered payroll | 15.7% | 14.8% | 16.4% | 17.9% | 20.0% |

**Discretely presented component units:**

**Dutchess Community College (the "College"):**

| | Year Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contributions | $ 1,590,774 | $ 1,650,757 | $ 1,676,786 | $ 1,897,221 | n/a |
| Contributions in relation to the contractually required contribution | (1,590,774) | (1,650,757) | (1,676,786) | (1,897,221) | n/a |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | n/a |
| College's covered payroll | $ 11,240,160 | $ 11,035,124 | $ 10,202,724 | $ 9,961,962 | n/a |
| Contributions as a percentage of covered payroll | 14.2% | 15.0% | 16.4% | 19.0% | n/a |

(continued)

*Information prior to the year ended December 31, 2014 (August 31, 2015 as to the College) is not available.

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

(concluded)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Dutchess County Resource Recovery Agency (the "Agency"):** | | | | | |
| Contractually required contributions | $ 26,030 | $ 41,623 | $ 62,345 | $ 56,026 | n/a |
| Contributions in relation to the contractually required contribution | (26,030) | (41,623) | (62,345) | (56,026) | n/a |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | n/a |
| Agency's covered payroll | $ 154,393 | $ 154,959 | $ 189,322 | $ 269,736 | n/a |
| Contributions as a percentage of covered payroll | 16.9% | 26.9% | 32.9% | 20.8% | n/a |
| **Dutchess County Water and Wastewater Authority (the "Authority"):** | | | | | |
| Contractually required contributions | $ 237,025 | $ 226,072 | $ 261,541 | $ 256,914 | n/a |
| Contributions in relation to the contractually required contribution | (237,025) | (226,072) | (261,541) | (256,914) | n/a |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | n/a |
| Authority's covered payroll | $ 1,524,688 | $ 1,623,233 | $ 1,582,671 | $ 1,513,848 | n/a |
| Contributions as a percentage of covered payroll | 15.5% | 13.9% | 16.5% | 17.0% | n/a |
| **Dutchess County Soil and Water Conservation District (the "SWCD"):** | | | | | |
| Contractually required contributions | $ 36,650 | $ 34,627 | n/a | n/a | n/a |
| Contributions in relation to the contractually required contribution | (36,650) | (34,627) | n/a | n/a | n/a |
| Contribution deficiency (excess) | $ - | $ - | n/a | n/a | n/a |
| SWCD's covered payroll | $ 279,336 | $ 238,756 | n/a | n/a | n/a |
| Contributions as a percentage of covered payroll | 13.1% | 14.5% | n/a | n/a | n/a |

*Information prior to the year ended December 31, 2015 (December 31, 2017 as to the SWCD) is not available.

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

**Discretely presented component unit:**

**Dutchess Community College (the "College"):**

| | Year Ended August 31, | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** |
| Measurement date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | n/a |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 101.5% | 100.7% | 99.0% | 110.5% | n/a |
| College's proportion of the net pension liability (asset) | 0.0391440% | 0.0363910% | 0.0361260% | 0.0320250% | n/a |
| College's proportionate share of the net pension liability (asset) | $ (707,829) | $ (276,607) | $ 386,919 | $ (3,326,364) | n/a |
| College's covered payroll | $ 6,376,142 | $ 5,766,757 | $ 5,574,525 | $ 4,810,570 | n/a |
| College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | (11.1%) | (4.8%) | 6.9% | (69.2%) | n/a |

*Information prior to the year ended August 31, 2015 is not available.

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

**Discretely presented component unit:**

**Dutchess Community College (the "College"):**

| | Year Ended August 31, | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** |
| Contractually required contributions | $ 624,862 | $ 675,864 | $ 739,182 | $ 843,293 | n/a |
| Contributions in relation to the contractually required contribution | (624,862) | (675,864) | (739,182) | (843,293) | n/a |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | n/a |
| College's covered payroll | $ 6,376,142 | $ 5,769,740 | $ 5,475,827 | $ 5,536,762 | n/a |
| Contributions as a percentage of covered payroll | 9.8% | 11.7% | 13.5% | 15.2% | n/a |

*Information prior to the year ended August 31, 2015 is not available.

# COUNTY OF DUTCHESS, NEW YORK

**Schedule of Changes in the County's Total OPEB Liability and Related Ratios**
**Year Ended December 31, 2018 (August 31, 2018 as to the College)***

**Dutchess County – Governmental Activities:**

| | |
|---|---|
| **Total OPEB liability** | |
| Service cost | $ 12,937,349 |
| Interest | 14,242,764 |
| Changes of assumptions | 23,150,690 |
| Benefit payments | (7,512,046) |
| Net changes in total OPEB liability | 42,818,757 |
| Total OPEB liability—beginning, as restated | 367,611,394 |
| Total OPEB liability—ending | $ 410,430,151 |
| **Plan fiduciary net position** | |
| Contributions—employer | $ 7,512,046 |
| Benefit payments | (7,512,046) |
| Net change in plan fiduciary net position | - |
| Plan fiduciary net position—beginning | - |
| Plan fiduciary net position—ending | $ - |
| **County's net OPEB liability—ending** | $ 410,430,151 |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 0.0% |
| Covered-employee payroll | $ 119,220,005 |
| County's net OPEB liability as a percentage of covered-employee payroll | 344.3% |

**Dutchess County – Business-type Activities:**

| | |
|---|---|
| **Total OPEB liability** | |
| Service cost | $ 50,961 |
| Interest | 56,103 |
| Changes of assumptions | 91,191 |
| Benefit payments | (29,590) |
| Net changes in total OPEB liability | 168,665 |
| Total OPEB liability—beginning, as restated | 1,448,036 |
| Total OPEB liability—ending | $ 1,616,701 |
| **Plan fiduciary net position** | |
| Contributions—employer | $ 29,590 |
| Benefit payments | (29,590) |
| Net change in plan fiduciary net position | - |
| Plan fiduciary net position—beginning | - |
| Plan fiduciary net position—ending | $ - |
| **County's net OPEB liability—ending** | $ 1,616,701 |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 0.0% |
| Covered-employee payroll | $ 469,612 |
| County's net OPEB liability as a percentage of covered-employee payroll | 344.3% |

(continued)

*Information prior to the year ended December 31, 2018 (August 31, 2018 as to the College) is not available.

## Schedule of Changes in the County's Total OPEB Liability and Related Ratios
## Year Ended December 31, 2018 (August 31, 2018 as to the College)*

### A. Discretely presented component units:

### i) Dutchess Community College (the "College"):

| | |
|---|---|
| **Total OPEB liability** | |
| Service cost | $ 3,672,802 |
| Interest | 2,735,372 |
| Changes of assumptions | (9,978,090) |
| Benefit payments | (2,156,867) |
| Net changes in total OPEB liability | (5,726,783) |
| Total OPEB liability—beginning, as restated | 93,721,559 |
| Total OPEB liability—ending | $ 87,994,776 |
| **Plan fiduciary net position** | |
| Contributions—employer | $ 2,156,867 |
| Benefit payments | (2,156,867) |
| Net change in plan fiduciary net position | - |
| Plan fiduciary net position—beginning | - |
| Plan fiduciary net position—ending | $ - |
| **College's net OPEB liability—ending** | $ 87,994,776 |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 0.0% |
| Covered-employee payroll | $ 25,536,347 |
| College's net OPEB liability as a percentage of covered-employee payroll | 344.6% |

### ii) Dutchess County Resource Recovery Agency (the "Agency"):

| | |
|---|---|
| **Total OPEB liability** | |
| Service cost | $ 82,323 |
| Interest | 11,610 |
| Changes of benefit terms | (140,571) |
| Changes of assumptions | (36,153) |
| Benefit payments | (68,478) |
| Net changes in total OPEB liability | (151,269) |
| Total OPEB liability—beginning, as restated | 416,087 |
| Total OPEB liability—ending | $ 264,818 |
| **Plan fiduciary net position** | |
| Contributions—employer | $ 68,478 |
| Benefit payments | (68,478) |
| Net change in plan fiduciary net position | - |
| Plan fiduciary net position—beginning | - |
| Plan fiduciary net position—ending | $ - |
| **Agency's net OPEB liability—ending** | $ 264,818 |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 0.0% |
| Covered-employee payroll | $ 108,653 |
| Agency's net OPEB liability as a percentage of covered-employee payroll | 243.7% |

(continued)

*Information prior to the year ended December 31, 2018 (August 31, 2018 as to the College) is not available.

# COUNTY OF DUTCHESS, NEW YORK

## Schedule of Changes in the County's Total OPEB Liability and Related Ratios
## Year Ended December 31, 2018 (August 31, 2018 as to the College)*

(concluded)

**iii) Dutchess County Water and Wastewater Authority (the "Authority"):**

| | | |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 131,287 |
| Interest | | 70,031 |
| Changes of benefit terms | | (650,072) |
| Changes of assumptions | | 217,465 |
| Benefit payments | | (32,545) |
| Net changes in total OPEB liability | | (263,834) |
| Total OPEB liability—beginning, as restated | | 2,790,742 |
| Total OPEB liability—ending | $ | 2,526,908 |
| **Plan fiduciary net position** | | |
| Contributions—employer | $ | 32,545 |
| Benefit payments | | (32,545) |
| Net change in plan fiduciary net position | | - |
| Plan fiduciary net position—beginning | | - |
| Plan fiduciary net position—ending | $ | - |
| **Authority's net OPEB liability—ending** | $ | 2,526,908 |
| Plan's fiduciary net position as a percentage of the total OPEB liability | | 0.0% |
| Covered-employee payroll | $ | 1,495,377 |
| Authority's net OPEB liability as a percentage of covered-employee payroll | | 169.0% |

*Information prior to the year ended December 31, 2018 (August 31, 2018 as to the College) is not available.

The notes to the required supplementary information are an integral part of this schedule.

# COUNTY OF DUTCHESS, NEW YORK
## Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund
### Year Ended December 31, 2018

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **REVENUES** | | | | |
| Real property taxes | $ 103,353,890 | $ 106,680,637 | $ 107,314,510 | $ 633,873 |
| Sales and use taxes (includes other taxes) | 194,527,428 | 196,527,428 | 204,029,388 | 7,501,960 |
| Departmental income | 24,329,483 | 24,406,683 | 23,554,421 | (852,262) |
| Use of money and property | 1,193,124 | 1,193,124 | 2,588,712 | 1,395,588 |
| Miscellaneous | 2,904,059 | 2,960,897 | 4,702,167 | 1,741,270 |
| Grants and aid | 110,738,991 | 112,664,000 | 113,437,361 | 773,361 |
| Total revenues | 437,046,975 | 444,432,769 | 455,626,559 | 11,193,790 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government support | 70,748,553 | 72,802,351 | 71,395,749 | 1,406,602 |
| Education | 18,060,398 | 18,031,164 | 17,723,132 | 308,032 |
| Public safety | 63,395,705 | 63,643,893 | 61,966,609 | 1,677,284 |
| Health | 59,930,498 | 61,555,042 | 60,261,450 | 1,293,592 |
| Transportation | 2,876,633 | 2,899,682 | 2,898,392 | 1,290 |
| Economic assistance and opportunity | 145,497,844 | 146,817,485 | 144,807,374 | 2,010,111 |
| Culture and recreation | 2,294,745 | 2,360,410 | 2,232,062 | 128,348 |
| Home and community services | 6,946,211 | 11,011,585 | 10,731,157 | 280,428 |
| Employee benefits | 64,922,853 | 65,425,454 | 62,909,387 | 2,516,067 |
| Debt service: | | | | |
| Principal | 12,983,345 | 12,983,345 | 12,983,345 | - |
| Interest | 3,315,681 | 3,315,681 | 3,074,927 | 240,754 |
| Total expenditures | 450,972,466 | 460,846,092 | 450,983,584 | 9,862,508 |
| Excess (deficiency) of revenues over expenditures | (13,925,491) | (16,413,323) | 4,642,975 | 21,056,298 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 592,240 | 1,537,146 | 1,542,931 | 5,785 |
| Transfers out | (3,038,195) | (5,565,661) | (4,770,385) | 795,276 |
| Total other financing sources (uses) | (2,445,955) | (4,028,515) | (3,227,454) | 801,061 |
| Net change in fund balance | (16,371,446) | (20,441,838) | 1,415,521 | |
| Fund balances—beginning | 94,189,819 | 94,189,819 | 94,189,819 | |
| Fund balances—ending | $ 77,818,373 | $ 73,747,981 | $ 95,605,340 | |

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

## 1. OPEB LIABILITY

***Changes of Assumptions***—The cost method used in the January 1, 2018 actuarial valuation was the Entry Age Normal Level Percent of Pay method as prescribed under GASB 75. Previously, when the plan was subject to GASB 45, the Projected Unit Credit cost method was utilized.

The rate used to discount future plan cash flows decreased from 3.78% to 3.44% as of January 1, 2018 based on a review of a 20-year high-quality tax-exempt municipal bond index as of each measurement date. Previously, the discount rate had been based on the expected rate of return on the employer's general assets under GASB 45.

The mortality assumption was revised as of January 1, 2018 to the sex-distinct RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2017 mortality improvement scale on a generational basis. Previously, amount-weighted mortality tables were utilized. This change was made based on a review of published studies and demographics of the plan.

**Discretely Presented Component Units:**

**i) Dutchess Community College**

| | 2018* |
|---|---|
| Discount Rate | 3.51% |

*Information for the year ended August 31, 2017 is not available.

**ii) Dutchess County Resource Recovery Agency**

***Changes of Assumptions***—Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | 2018 | 2017 |
|---|---|---|
| Discount Rate | 3.58% | 3.58% |

No assets are accumulated in a Trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

**iii) Dutchess County Water and Wastewater Authority**

***Changes of Assumptions***—Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | 2018 | 2017 |
|---|---|---|
| Discount Rate | 4.19% | 2.50% |

No assets are accumulated in a Trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

## 2. BUDGETARY INFORMATION

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

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

Actual results of operations presented in accordance with GAAP and the County's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements. The General Fund original budget for the year ended December 31, 2018 included encumbrances from the prior year of $3,871,446.

# FEDERAL AWARDS INFORMATION

# COUNTY OF DUTCHESS, NEW YORK
## Schedule of Expenditures of Federal Awards
## Year Ended December 31, 2018

| Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1a) | Federal CFDA Number (1b) | Pass-Through Identifying Number (1c) | Passed-Through to Subrecipients | Total Federal Expenditures (1d) |
|---|---|---|---|---|
| **U.S. Department of Agriculture:** | | | | |
| Passed through NYS Office of Temporary and Disability Assistance: | | | | |
| *SNAP Cluster:* | | | | |
| State Administrative Matching Grants for | | | | |
| the Supplemental Nutrition Assistance Program | 10.561 | N/A | $ - | $ 2,180,339 |
| *Total SNAP Cluster* | | | - | 2,180,339 |
| **Total U.S. Department of Agriculture** | | | - | 2,180,339 |
| **U.S. Department of Housing and Urban Development:** | | | | |
| *Direct Programs:* | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | N/A | 1,259,158 | 1,259,158 |
| Home Investment Partnerships Program | 14.239 | N/A | 515,675 | 515,675 |
| Continuum of Care Program | 14.267 | N/A | 670,556 | 670,556 |
| **Total U.S. Department of Housing and Urban Development** | | | 2,445,389 | 2,445,389 |
| **U.S. Department of Justice:** | | | | |
| *Direct Programs:* | | | | |
| State Criminal Alien Assistance Program | 16.606 | N/A | - | 132,102 |
| Harold Rogers Prescription Drug Monitoring Program | 16.754 | N/A | - | 44,596 |
| **Total U.S. Department of Justice** | | | - | 176,698 |
| **U.S. Department of Labor:** | | | | |
| Passed through NYS Department of Labor: | | | | |
| Trade Adjustment Assistance | 17.245 | 80060 | 37,862 | 37,862 |
| *WIA/WIOA Cluster:* | | | | |
| WIA/WIOA Adult Program | 17.258 | 80060 | 436,077 | 436,077 |
| WIA/WIOA Youth Activities | 17.259 | 80060 | 361,448 | 361,448 |
| WIA/WIOA Dislocated Workers Formula Grants | 17.278 | 80060 | 531,499 | 531,499 |
| *Total WIA/WIOA Cluster* | | | 1,329,024 | 1,329,024 |
| **Total U.S. Department of Labor** | | | 1,366,886 | 1,366,886 |
| **U.S. Department of Transportation:** | | | | |
| *Direct Programs:* | | | | |
| Airport Improvement Program | 20.106 | N/A | - | 142,461 |
| Highway Planning and Construction | 20.205 | N/A | - | 379,299 |
| *Federal Transit Cluster:* | | | | |
| Federal Transit Capital Investment Grants | 20.500 | N/A | - | 3,473,006 |
| Bus and Bus Facilities Formula Program | 20.526 | N/A | - | 112,480 |
| *Total Federal Transit Cluster* | | | - | 3,585,486 |
| Formula Grants for Rural Areas | 20.509 | N/A | - | 238,050 |

(continued)

# COUNTY OF DUTCHESS, NEW YORK
## Schedule of Expenditures of Federal Awards
## Year Ended December 31, 2018

| Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1a) | Federal CFDA Number (1b) | Pass-Through Identifying Number (1c) | Passed-Through to Subrecipients | Total Federal Expenditures (1d) |
|---|---|---|---|---|
| Passed through NYS Department of Transportation: | | | | |
| Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | 20.505 | MPO C33462 | - | 94,268 |
| *Highway Planning and Construction Cluster:* | | | | |
| Highway Planning and Construction | 20.205 | 8755.38 | - | 104,835 |
| Highway Planning and Construction | 20.205 | 8755.41 | - | 5,754 |
| Highway Planning and Construction | 20.205 | 8755.44 | - | 20,427 |
| Highway Planning and Construction | 20.205 | 8755.45 | - | 118,064 |
| Highway Planning and Construction | 20.205 | 8755.86 | - | 2,028 |
| Highway Planning and Construction | 20.205 | 8757.27 | - | 2,760 |
| Highway Planning and Construction | 20.205 | 8757.37 | - | 12,799 |
| Highway Planning and Construction | 20.205 | 8758.69 | - | 3,394 |
| Highway Planning and Construction | 20.205 | 8758.71 | - | 6,442 |
| Highway Planning and Construction | 20.205 | 8758.74 | - | 25,570 |
| Highway Planning and Construction | 20.205 | 8761.56 | - | 198 |
| Highway Planning and Construction | 20.205 | P216.14.881 | - | 14,531 |
| Highway Planning and Construction | 20.205 | MPO C33462 | - | 533,314 |
| *Total Highway Planning and Construction Cluster** | | | - | 1,229,415 |
| Passed through NYS Governor's Traffic Safety Committee and Stop DWI Foundation: | | | | |
| *Highway Safety Cluster:* | | | | |
| State and Community Highway Safety | 20.600 | HS1-2018/0046-(014) | - | 39,292 |
| State and Community Highway Safety | 20.600 | HS1-2019/0084-(014) | - | 17,470 |
| National Priority Safety Programs | 20.616 | HS1-2018/00173-(088) | - | 42,009 |
| National Priority Safety Programs | 20.616 | HS1-2019/00109-(014) | - | 15,777 |
| *Total Highway Safety Cluster* | | | - | 114,548 |
| **Total U.S. Department of Transportation** | | | - | 5,404,228 |
| **U.S. Department of Education:** | | | | |
| Passed through NYS Department of Health: | | | | |
| Special Education—Grants for Infants and Families | 84.181 | C031629GG | - | 73,328 |
| **Total U.S. Department of Education** | | | - | 73,328 |
| **U.S. Department of Health and Human Services:** | | | | |
| Passed through Health Research Institute: | | | | |
| Public Health Emergency Preparedness | 93.069 | 001600-11 | - | 104,681 |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | 93.074 | 001600-12 | - | 111,480 |
| State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) | 93.757 | HSLC-DC | - | 3,086 |
| Passed through NYS Office for the Aging: | | | | |
| Special Programs for the Aging, Title III, Part D—Disease Prevention and Health Promotion Services | 93.043 | N/A | - | 15,872 |

(continued)

# COUNTY OF DUTCHESS, NEW YORK
## Schedule of Expenditures of Federal Awards
## Year Ended December 31, 2018

| Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1a) | Federal CFDA Number (1b) | Pass-Through Identifying Number (1c) | Passed-Through to Subrecipients | Total Federal Expenditures (1d) |
|---|---|---|---|---|
| *Aging Cluster:* | | | | |
| Special Programs for the Aging, Title III, Part B— | | | | |
| Grants for Supportive Services and Senior Centers | 93.044 | N/A | - | 312,358 |
| Special Programs for the Aging, Title III, Part C—Nutrition Services | 93.045 | N/A | - | 436,105 |
| Nutrition Services Incentive Program | 93.053 | N/A | - | 236,503 |
| *Total Aging Cluster* | | | - | 984,966 |
| Medicare Enrollment Assistance Program | 93.071 | N/A | - | 13,745 |
| Centers for Medicare and Medicaid Services (CMS) | | | | |
| Research, Demonstrations and Evaluations | 93.779 | N/A | - | 32,677 |
| Passed through NYS Department of Health: | | | | |
| Immunization Cooperative Agreements | 93.268 | C0028288/C32513GG | - | 35,244 |
| Medical Assistance Program | 93.778 | N/A | - | 4,610,431 |
| Preventive Health Services - Sexually Transmitted Disease | | | | |
| Control Grants | 93.977 | T-031103 | - | 19,618 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | C32658GG | - | 46,318 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | C308899GG | - | 28,520 |
| Passed through National Association of County and City Health Officials: | | | | |
| Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations- financed in part by | | | | |
| Prevention and Public Health Funds (PPHF) | 93.524 | 5589-02 | - | 14,526 |
| Passed through NYS Office of Temporary and Disability Assistance: | | | | |
| *Temporary Assistance for Needy Families Cluster:* | | | | |
| Temporary Assistance for Needy Families | 93.558 | N/A | 472,295 | 13,583,559 |
| *Total Temporary Assistance for Needy Families Cluster* | | | 472,295 | 13,583,559 |
| Child Support Enforcement | 93.563 | N/A | - | 2,383,560 |
| Low-Income Home Energy Assistance Program | 93.568 | N/A | - | 5,051,622 |
| Passed through NYS Office of Children and Family Services: | | | | |
| Guardianship Assistance | 93.090 | N/A | - | 149,148 |
| Promoting Safe and Stable Families | 93.556 | N/A | - | 430,900 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | N/A | - | 219,192 |
| Foster Care, Title IV-E | 93.658 | N/A | - | 5,531,494 |
| Adoption Assistance | 93.659 | N/A | - | 2,268,632 |
| Social Services Block Grant | 93.667 | N/A | - | 3,117,904 |
| Chafee Foster Care Independence Program | 93.674 | N/A | - | 37,628 |
| Children's Health Insurance Program | 93.767 | N/A | - | 224,633 |
| **Total U.S. Department of Health and Human Services** | | | 472,295 | 39,019,436 |

(continued)

(concluded)

| Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1a) | Federal CFDA Number (1b) | Pass-Through Identifying Number (1c) | Passed-Through to Subrecipients | Total Federal Expenditures (1d) |
|---|---|---|---|---|
| **U.S. Department of Homeland Security:** | | | | |
| Passed through NYS Office of Homeland Security: | | | | |
| Disaster Grants - Public Assistance | 97.036 | 4322 DRNY | - | 1,564 |
| Disaster Grants - Public Assistance | 97.036 | PHWA NY11-02 | - | 51,944 |
| Emergency Management Performance Grants | 97.042 | EM17-1039-D00 | - | 39,067 |
| Emergency Management Performance Grants | 97.042 | SH17-1059-D00 | - | 90,600 |
| Homeland Security Grant Program | 97.067 | C970252 | - | 211,112 |
| Homeland Security Grant Program | 97.067 | HE17-1015-D00 | - | 4,939 |
| Homeland Security Grant Program | 97.067 | C970250 | - | 237,278 |
| Homeland Security Grant Program | 97.067 | C970260 | - | 94,025 |
| Homeland Security Grant Program | 97.067 | C970270 | - | 8,620 |
| **Total U.S. Department of Homeland Security** | | | - | 739,149 |
| **Total Expenditures of Federal Awards (1e)** | | | $ 4,284,570 | $ 51,405,453 |

* Total *Highway Planning and Construction Cluster* includes direct program awards.

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Dutchess, New York (the "County") under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the Schedule:

(a) Includes all federal award programs of the County of Dutchess, New York. The federal expenditures of the Dutchess Community College, Dutchess County Resource Recovery Agency, Dutchess County Water and Wastewater Authority, Dutchess County Industrial Development Agency, Dutchess County Soil and Water Conservation District, and Dutchess County Local Development Corporation have not been included.

(b) Source: Catalog of Federal Domestic Assistance.

(c) Pass-through entity identifying numbers are presented where available.

(d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

(e) A reconciliation to the basic financial statements is available.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. The County has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

## 3. AMOUNTS PROVIDED TO SUBRECIPIENTS

Certain program funds are passed through the County to subrecipient organizations. The County identifies, to the extent practical, the total amount provided to subrecipients from each federal program; however, the Schedule does not contain separate schedules disclosing how the subrecipients outside of the County's control utilize the funds. The County requires subrecipients receiving funds to submit separate audit reports disclosing the use of the program funds.

## 4. MATCHING COSTS

Matching costs (i.e., the County's share of certain program costs) are not included in the reported expenditures.

**Drescher & Malecki LLP**
*3083 William Street, Suite 5*
*Buffalo, New York 14227*
*Telephone: 716.565.2299*
*Fax: 716.565.2201*

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable County Legislature of the
County of Dutchess, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major discretely presented component units, the aggregate nonmajor discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Dutchess, New York (the "County") as of and for the year ended December 31, 2018 (with the Dutchess Community College for the fiscal year ended August 31, 2018), and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 25, 2019 (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75). Our report includes a reference to other auditors who audited the financial statements of the Dutchess County Local Development Corporation, Dutchess Community College, the Dutchess County Resource Recovery Agency, the Dutchess County Water and Wastewater Authority, the Dutchess County Industrial Development Agency, and the Dutchess County Soil and Water Conservation District, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

September 25, 2019

**_Drescher & Malecki LLP_**
_3083 William Street, Suite 5_
_Buffalo, New York 14227_
_Telephone: 716.565.2299_
_Fax: 716.565.2201_

_Certified Public Accountants_

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

To the Honorable County Legislature of the
County of Dutchess, New York:

**Report on Compliance for Each Major Federal Program**

We have audited the County of Dutchess, New York's (the "County") compliance with the types of compliance requirements described in the *Office of Management and Budget* ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Dutchess County Local Development Corporation (the "Corporation"), Dutchess Community College (the "College"), Dutchess County Resource Recovery Agency (the "Agency"), Dutchess County Water and Wastewater Authority (the "Authority"), Dutchess County Industrial Development Agency (the "IDA"), and the Dutchess County Soil and Water Conservation District (the "SWCD"), which received federal awards of $0, $17,210,454, $0, $0, $0, and $0, respectively, in federal awards which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2018. Our compliance audit, described below, did not include the operations of the Corporation, College, Agency, Authority, IDA, or the District. Other auditors were engaged to perform such audits on the Corporation, College, Agency, Authority, IDA, and SWCD in accordance with the Uniform Guidance, as applicable.

***Management's Responsibility***

The County's management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

**Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

September 25, 2019

**COUNTY OF DUTCHESS, NEW YORK**
**Schedule of Findings and Questioned Costs**
**Year Ended December 31, 2018**

## Section I. SUMMARY OF AUDITORS' RESULTS

**Financial Statements:**

| | | |
|---|---|---|
| Type of report the auditor issued:<br>*(which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75 and includes a reference to other auditors) | | Unmodified* |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | ____ Yes | ✓ No |
| Significant deficiency(ies) identified? | ____ Yes | ✓ None reported |
| Noncompliance material to the financial statements noted? | ____ Yes | ✓ No |

**Federal Awards:**

| | | |
|---|---|---|
| Internal control over major federal programs: | | |
| Material weakness(es) identified? | ____ Yes | ✓ No |
| Significant deficiency(ies) identified? | ____ Yes | ✓ None reported |
| Type of auditor's report issued on compliance for major federal programs: | | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ____ Yes | ✓ No |

Identification of major federal programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 10.561 | SNAP Cluster |
| 93.044, 93.045, 93.053 | Aging Cluster |
| 93.563 | Child Support Enforcement |
| 93.658 | Foster Care, Title IV-E |
| 93.659 | Adoption Assistance |
| 97.067 | Homeland Security Grant Program |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs? | | $ 1,542,164 |
| Auditee qualified as low-risk auditee? | ✓ Yes | ____ No |

**Section II. FINANCIAL STATEMENT FINDINGS**

No findings noted.

**Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted.

## County of Dutchess, New York

**Summary Schedule of Prior Year Audit Findings**
**Year Ended December 31, 2018**
**(Follow-Up on December 31, 2017 Findings)**

No findings were reported.

**FORM OF BOND COUNSEL'S OPINION**

March 25, 2020

County of Dutchess,
State of New York

Re: County of Dutchess, New York
$37,730,000 Public Improvement (Serial) Bonds, 2020

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of $37,730,000 Public Improvement (Serial) Bonds, 2020 (the "Obligations"), of the County of Dutchess, State of New York (the "Obligor"), dated March 25, 2020, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of ____ and _____ hundredths per centum (_____%) per annum as to bonds maturing in each of the years 20__ to 20__, both inclusive, and at the rate of ____ per centum (__%) per annum as to bonds maturing in each of the years 20__ to 20__, both inclusive payable on March 15, 2021, September 15, 2021 and semi-annually thereafter on March 15 and September 15, and maturing in the amount of $_____ on March 15, 2020, $_____on March 15, 2021, $_____ on March 15, 2022, $_____ on March 15, 2023, $_____ on March 15, 2024, $_____on March 15, 2025, $_____on March 15, 2026, $_____on March 15, 2027, $_____on March 15, 2028, $_____on March 15, 2029, $_____on March 15, 2030, $_____on March 15, 2031, $_____on March 15, 2032, $_____on March 15, 2033, $_____on March 15, 2034, $_____on March 15, 2035, $_____on March 15, 2036, $_____on March 15, 2037, $_____on March 15, 2038, $_____on March 15, 2039, and $_____on March 15, 2040.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

(a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP