

In the opinion of Orrick, Herrington & Sutcliffe LLP, 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, except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a “substantial user” of the facilities financed or refinanced by the Bonds or by a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986. Bond Counsel observes, however, that interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. 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.”

\$12,130,000

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SOLID WASTE SYSTEM REVENUE REFUNDING BONDS, SERIES 2017 [AMT]**

Dated Date: Date of Delivery

Principal Due: January 1, as shown on the inside cover

The Solid Waste System Revenue Refunding Bonds, Series 2017 (the “Series 2017 Bonds”) are being issued by the Dutchess County Resource Recovery Agency (the “Agency”) for the purpose of (i) refunding the outstanding principal amount of the Agency’s \$16,140,000 Solid Waste System Revenue Bonds, Series 2007 (the “Refunded Bonds”) issued pursuant to the Agency’s Solid Waste System Revenue Bonds General Bond Resolution adopted by the Agency on August 6, 1998, as amended and supplemented (the “General Resolution”), (ii) paying certain costs of issuance of the Series 2017 Bonds, and (iii) funding of a Debt Service Reserve Fund. See “THE SERIES 2017 BONDS – Purpose of the Series 2017 Bonds” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Agency proposes to issue the Series 2017 Bonds pursuant to the General Resolution, as amended and supplemented by a Series 2017 Supplemental Resolution dated as of October 1, 2016 (the “Series 2017 Resolution”).

THE SERIES 2017 BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY, PAYABLE SOLELY OUT OF REVENUES AND ASSETS OF THE AGENCY PLEDGED THEREFOR OR OTHERWISE AVAILABLE TO THE TRUSTEE FOR THE PAYMENT THEREOF, INCLUDING AMOUNTS PAID BY THE COUNTY OF DUTCHESS PURSUANT TO A SOLID WASTE DISPOSAL SERVICE AGREEMENT BY AND BETWEEN THE COUNTY AND THE AGENCY AS DESCRIBED HEREIN. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF NEW YORK OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2017 BONDS AND THE SERIES 2017 BONDS DO NOT CONSTITUTE A DEBT OF THE STATE, THE COUNTY OR ANY MUNICIPAL OR POLITICAL CORPORATION OTHER THAN THE AGENCY. THE AGENCY HAS NO TAXING POWER.

The Series 2017 Bonds are to be delivered as fully registered certificates without coupons in denominations of \$5,000 and integral multiples thereof. The Series 2017 Bonds will be initially executed and delivered under a book-entry only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. See “Book-Entry-Only System” herein. Interest on the Series 2017 Bonds is payable semiannually on each January 1 and July 1, commencing July 1, 2017.

The Series 2017 Bonds are not subject to optional redemption prior to maturity. The Series 2017 Bonds are subject to mandatory redemption as described herein.

The Series 2017 Bonds are offered subject to prior sale when, as and if issued and received by the Underwriter and subject to the receipt of an unqualified legal opinion, as to the validity of the Series 2017 Bonds by Orrick Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by Van DeWater & Van DeWater, LLP, Poughkeepsie, New York, and for the Underwriter by Harter Secrest & Emery LLP, Rochester, New York. It is expected that the Series 2017 Bonds will be delivered in book-entry form through the facilities of DTC on or about May 3, 2017 in New York, New York.

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MATURITY SCHEDULE
\$12,130,000
DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SOLID WASTE SYSTEM REVENUE REFUNDING BONDS, SERIES 2017

Maturity Date (January 1)	Amount	Interest Rate	Yield	CUSIP¹
2018	\$1,170,000	3.000%	1.160%	267046 EA4
2019	\$1,015,000	4.000%	1.360%	267046 EB2
2020	\$1,055,000	5.000%	1.570%	267046 EC0
2021	\$1,105,000	5.000%	1.790%	267046 ED8
2022	\$1,165,000	5.000%	2.050%	267046 EE6
2023	\$1,220,000	5.000%	2.290%	267046 EF3
2024	\$1,280,000	5.000%	2.460%	267046 EG1
2025	\$1,350,000	5.000%	2.640%	267046 EH9
2026	\$1,415,000	5.000%	2.780%	267046 EJ5
2027	\$1,355,000	5.000%	2.900%	267046 EK2

¹ Copyright 2007. American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the Series 2017 Bonds only at the time of issuance and the Agency, the Trustee and the Underwriter do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY, NEW YORK

AGENCY BOARD MEMBERS

WAYNE NUSSBICKEL SECRETARY / TREASURER	JOSEPH A. SMALL CHAIRMAN	
[VACANT] MEMBER	DAVID PETROVITS MEMBER	DAN DENISOFF MEMBER
	STEVEN TINKELMAN MEMBER	DALE LOIS MEMBER

AGENCY INTERIM EXECUTIVE DIRECTOR

LINDSAY CARILLE

COUNTY OFFICIALS

MARCUS J. MOLINARO
COUNTY EXECUTIVE

DALE L BORCHERT
CHAIRMAN, DUTCHESS COUNTY
LEGISLATURE

JAMES J. MICCIO
MAJORITY LEADER

MICKI STRAWINSKI
MINORITY LEADER

JAMES M. FEDORCHAK, ESQ.
COUNTY ATTORNEY

HEIDI SEELBACH
COMMISSIONER OF FINANCE

LINDSAY CARILLE
DEPUTY COMMISSIONER
DIVISION OF SOLID WASTE
MANAGEMENT

CONSULTING ENGINEER

GERSHMAN, BRICKNER & BRATTON, INC.
MCLEAN, VA

BOND COUNSEL

ORRICK, HERRINGTON & SUTCLIFFE LLP
NEW YORK, NEW YORK

AGENCY COUNSEL

VAN DEWATER & VAN DEWATER, LLP
POUGHKEEPSIE, NEW YORK

MUNICIPAL ADVISOR

CAPITAL MARKETS ADVISORS, LLC
HOPEWELL JUNCTION, NEW YORK

INDEPENDENT AUDITORS

RBT CPA'S, LLP
POUGHKEEPSIE, NEW YORK

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REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Dutchess County Resource Recovery Agency to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency and includes information from other sources which the Agency believes to be reliable but such information is not guaranteed as to its accuracy or completeness.

The information set forth herein has been obtained from the Agency and other sources all of which are believed to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion set forth herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the County or in any other matter since the date hereof.

This Official Statement contains forward-looking statements and information that are based on the beliefs of the Agency's management as well as assumptions made by, and information currently available to, such management. When used in this Official Statement (including the Appendices), words such as "anticipate," "believe," "estimate," "except," and, depending on the context, "will" and similar expressions, are intended to identify forward-looking statements. Such statements reflect the Agency's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. The Agency does not intend to update these forward-looking statements and information.

The factors affecting the Agency's financial condition are complex. This Official Statement should be considered in its entirety and no one factor is less important than any other by reason of its position in the Official Statement. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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\$12,130,000
DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SOLID WASTE SYSTEM REVENUE REFUNDING BONDS, SERIES 2017

INTRODUCTION

This Official Statement (the “Official Statement”), which includes the cover page and appendices hereto, presents certain information relating to the Dutchess County Resource Recovery Agency, in the County of Dutchess, in the State of New York, (the “Agency,” “County,” and “State,” respectively). It has been prepared by the Agency in connection with the sale of its \$12,130,000 Solid Waste System Revenue Refunding Bonds, Series 2017 (the “Series 2017 Bonds”). Capitalized terms used herein unless otherwise defined shall have the meaning set forth in APPENDIX F hereto.

The Series 2017 Bonds are being issued under the provisions of the Solid Waste System Revenue Bonds General Resolution adopted by the Agency on August 6, 1998 (the “General Resolution”), as amended and supplemented by a Series 2017 Supplemental Resolution dated as of March 1, 2017 (the “Supplemental Resolution”).

THE SERIES 2017 BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY, PAYABLE SOLELY OUT OF REVENUES AND ASSETS OF THE AGENCY PLEDGED THEREFOR OR OTHERWISE AVAILABLE TO THE TRUSTEE FOR THE PAYMENT THEREOF, INCLUDING AMOUNTS PAID BY THE COUNTY PURSUANT TO A SOLID WASTE DISPOSAL SERVICE AGREEMENT BY AND BETWEEN THE COUNTY AND THE AGENCY AS DESCRIBED HEREIN. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2017 BONDS AND THE SERIES 2017 BONDS DO NOT CONSTITUTE A DEBT OF THE STATE, THE COUNTY OR ANY MUNICIPAL OR POLITICAL CORPORATION OTHER THAN THE AGENCY. THE AGENCY HAS NO TAXING POWER.

The proceeds of the Series 2017 Bonds will be used by the Agency for the purpose of (i) refunding the outstanding principal amount of the Agency’s \$16,140,000 Solid Waste System Revenue Bonds, Series 2007 (the “Refunded Bonds”), (ii) paying certain costs of issuance of the Series 2017 Bonds, and (iii) funding of a Debt Service Reserve Fund.

Pursuant to a Service Agreement (the “Service Agreement”), the Agency’s Resource Recovery Facility is operated by Wheelabrator Dutchess County LLC (“Wheelabrator” or the “Contractor”), a subsidiary of Wheelabrator Technologies Inc., (the “Guarantor”), which Guarantor is a subsidiary of Energy Capital Partners. The Service Agreement is effective for an Initial Term through January 31, 2028, and it may be extended for two 1-year terms by the Agency, and then for a 6-year term and a 5-year term by a mutual agreement of the parties.

The Agency and the County have entered into a Disposal Service Agreement dated as of December 1, 1984 (the “Disposal Service Agreement”) pursuant to which the Agency has agreed to provide for the disposal of solid waste generated in the County. In return, the County must deliver or cause to be delivered to the Agency not less than 140,000 tons per year of processible solid waste and pay the Agency a net service fee. On August 21, 2007, the County and Agency extended the term of the Disposal Service Agreement through July 1, 2027.

SOURCES AND USES OF FUNDS

Sources of Funds

Par Amount of Bonds	\$12,130,000.00
Reoffering Premium	1,500,243.00
Trustee-Held Funds ¹	<u>1,838,292.00</u>

Total Sources of Funds	<u>\$15,468,535.00</u>

Uses of Funds

Costs of Issuance ²	\$ 254,434.00
Deposit to the Escrow Fund	13,502,501.00
Deposit to the Debt Service Reserve Fund	1,556,000.00
Deposit to the Reserve and Contingency Fund	<u>155,600.00</u>

Total Uses of Funds	<u>\$15,468,535.00</u>

¹ Includes monies held in the Debt Service Reserve Fund, Reserve and Contingency Fund and Debt Service Fund.

² Includes (i) fees and expenses for Underwriter's discount, Bond Counsel, Underwriter's Counsel, Trustee, Trustee's Counsel, accounting, engineering, rating agencies and bond printing and (ii) additional proceeds.

DESCRIPTION OF THE BONDS

THE SERIES 2017 BONDS

The Series 2017 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York ("DTC"). Purchases of beneficial interests in the Series 2017 Bonds will be made in book-entry only form (without certificates) in the principal amount of \$5,000 or any integral multiple thereof. See "Book-Entry-Only System", herein.

Manufacturers and Traders Trust Company, Buffalo, New York (the "Trustee") will act as the trustee and paying agent for the Series 2017 Bonds.

Interest on the Series 2017 Bonds shall be payable on each Interest Payment Date to the Owners whose names appear in the Bond Register at the close of business on the Record Date. However, in the event that the Agency defaults in the payment of interest, the Trustee will establish a Special Record Date for the payment of such interest, if and when funds for the payment of such interest have been received by the Trustee. Notice of the Special Record Date and of the scheduled payment date of the past-due interest shall be sent by the Trustee by first-class mail, postage prepaid, to the address of each Owner appearing on the Bond Register at the close of business on the fifth day preceding the date of mailing of such notice. Interest on the Series 2017 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Interest will be paid by check or draft (dated as of the Interest Payment Date) and sent by the Paying Agent to the Person(s) whose name(s) appear in the Bond Register at the close of business on each Record Date (or whose names appear on the Bond Register at the close of business on the Special Record Date) by first-class mail, postage prepaid, to the address of such Person as it appears on the Bond Register on the Record Date or Special Record Date, as applicable.

The principal of each Series 2017 Bond will be paid to the person in whose name such Series 2017 Bond is registered on Maturity upon presentation and surrender of such Series 2017 Bond at the principal corporate trust office of the Paying Agent.

The Agency agrees in the Bond Resolution to replace mutilated, destroyed, lost or stolen Series 2017 Bonds upon surrender to the Trustee of the mutilated Series 2017 Bonds or receipt by the Agency and the Trustee of satisfactory evidence of such destruction, loss, or theft and of such security or indemnity as may be required by each of them to save each of them harmless. The Agency and the Trustee may require payment by an Owner of a sum sufficient to cover any tax or other governmental charge payable and the cost of preparation of the new Series 2017 Bonds.

The Series 2017 Bonds will be dated the date of delivery thereof and will mature in such years and in such amounts as are set forth on the inside cover page of this Official Statement.

Mandatory Redemption. The Series 2017 Bonds are subject to mandatory redemption by the Agency prior to maturity, as a whole or in part in such order as shall be determined by the Agency, at a Redemption Price equal to one hundred percent (100%) of the Principal amount of such Series 2017 Bonds to be redeemed, together with accrued interest to the date of redemption, on the first practicable Interest Payment Date following the transfer from the Project Fund into the Redemption Account of the Debt Service Fund of any proceeds of insurance, Condemnation or forced sale received in connection with the damage, destruction, Condemnation or forced sale of all or any component of the System.

Optional Redemption. The Series 2017 Bonds are not subject to optional redemption prior to maturity.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2017 Bonds. The Series 2017 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. A single fully-registered Bond certificate for each maturity of each series of the Series 2017 Bonds, each in the aggregate principal amount of such maturity, will be issued and 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 and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated 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 and www.dtc.org.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC’s records. The ownership interest of each actual purchaser of a Series 2017 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 Series 2017 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 the Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 the Series 2017 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 Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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 Series 2017 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.

Payments on the Series 2017 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 Agency or the Paying Agent, on the payable date 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, Paying Agent or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Series 2017 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Paying Agent. 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 Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Agency or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC would mail an Omnibus Proxy to the Agency 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 Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The Agency 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 Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

NEITHER THE AGENCY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT OR TIMELINESS OF PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE SERIES 2017 BONDS; (III) ANY NOTICE OR TIMELINESS OF NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE SERIES 2017 BONDS; (IV) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2017 BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BENEFICIAL OWNER.

SOURCES OF PAYMENT AND SECURITY

PLEDGE OF THE BOND RESOLUTION

The Bond Resolution is, by its terms, deemed to be a contract among the Agency, the Trustee and the owners of the Bonds issued thereunder and its provisions are for the equal benefit, protection and security of the owners of all the Bonds, each of which is to be of equal rank without preference, priority or distinction except as provided in the Bond Resolution.

The Series 2017 Bonds are special obligations of the Agency secured by a pledge of and payable from the revenues derived by the Agency from the ownership and operation of the Solid Waste Management System (the "System"), unexpended proceeds of the Series 2017 Bonds, and all amounts on deposit in all funds and accounts established under the Bond Resolution. Revenues consist of all revenues, rates, tipping fees, user fees, charges, rents and other income and receipts derived from the construction or operation of the System including, without limitation, the following items (some of which no longer apply to the Agency's operations): (i) all tipping fees, user fees or comparable charges collected by the Agency in respect of Solid Waste delivered to the Facility, the Landfill (the Agency currently has no Landfill or ownership rights to a Landfill) (which may be a lease, contract or rights to a landfill) or other component of the System, (ii) all Net Service Fees, (iii) all moneys due to the Agency under the Energy Sales Agreements, (iv) all moneys due to the Agency under any Recovered Materials Sales Agreement or otherwise in respect of the sale or other disposition of Recovered Materials, (v) all moneys due to the Agency under any Recyclables Sales Agreements or otherwise in respect of the sale of or other disposition of Recyclables, (vi) all insurance and Condemnation proceeds, (vii) earnings on the investment of funds held under the Bond Resolution which are received by or transferred to the Revenue Fund, (viii) payments (other than indemnity payments) made by the Contractor to the Agency under the Service Agreement but excluding payments received under the Assignment and Consent, and (ix) amounts payable by the Guarantor under the Service Guarantee; but excluding all payments due to the Agency pursuant to Article 8.9 (Indemnification) of the Service Agreement and excluding all amounts received by the Issuer as a result of the defense or prosecution by the Agency of litigation or other proceedings relating to the System. (See "Summary of Principal Documents," herein).

The term "Contractor" as used herein refers to Wheelabrator Dutchess County, LLC as the operator of the Resource Recovery Facility.

NEITHER THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING WITHOUT LIMITATION THE COUNTY, SHALL BE LIABLE ON THE SERIES 2017 BONDS AND THE SERIES 2017 BONDS SHALL NOT CONSTITUTE A DEBT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING WITHOUT LIMITATION THE COUNTY. THE AGENCY HAS NO TAXING POWER.

SOURCES OF PAYMENT

The Agency expects to derive revenues from the sources described below:

Tipping Fees. The Agency has covenanted under the Bond Resolution that it will fix, collect and maintain tipping fees, user fees, or other similar charges for the disposal of Solid Waste in the System (including without limitation Net Service Fees) which will produce for the current Bond Year Revenues which, when taken together with investment earnings to be transferred during said current Bond Year from the Debt Service Reserve Fund and the General Reserve Fund to the Revenue Fund pursuant to the Bond Resolution and amounts on deposit in the Reserve and Contingency Fund and available under the Bond Resolution, will be at least equal to the sum of (i) all Operating Expenses of the Agency contained in the Budget for such Bond Year plus (ii) an amount equal to 110% of the Debt Service Requirement for such Bond Year plus (iii) an amount, if any, necessary to fund the Debt Service Reserve Fund to the Debt Service Reserve Requirement and the Reserve and Contingency Fund to the Reserve and Contingency Fund Requirement.

Tipping fees are collected by the Agency from private haulers and municipalities delivering Solid Waste to the Facility or other System Components. Tipping fees are established annually and revised as necessary. The Budget includes estimates of total tonnage to be processed during the Budget year, the service fee to be paid to the Contractor for operating the Facility, other Agency expenses, debt service requirements for the following year, revenues received by the Agency from the sale of energy and materials, invested funds and Net Service Fees received from the County, and any required deposit to the Reserve and Contingency Fund.

As discussed in “The Agency-Management Discussion of 2017 Budget”, the Agency’s determination of tipping fees for fiscal year 2017 was made on the assumption of no payment of Net Service Fees by the County. The obligations of the Agency and the Contractor pursuant to the Service Agreement are based on the Agency delivering to the Contractor at least 140,000 tons of Processible Waste per Contract Year, as adjusted and subject to rate of delivery limits. The Contractor must, subject to adjustments, process at the Facility all of the Processible Waste delivered by the Agency each year up to the Guaranteed Facility Throughput of 154,000 tons. See “Resource Recovery Facility -- Solid Waste Availability and Flow Control,” “Summary of Principal Documents -- Solid Waste Disposal Service Agreement,” and “Summary of Principal Documents -- Service Agreement.”

Electricity Payments. The Power Sales Agreement obligates Central Hudson Gas & Electric (“Central Hudson”) to purchase all electricity produced by the Facility in excess of the Facility’s own requirements. Electricity is sold to Central Hudson at a price equal to Central Hudson’s avoided cost of power production as defined in the Power Sales Agreement. Avoided costs are defined as one of the following rates: (i) the New York State statutory minimum payment to cogeneration facilities; or (ii) a generally applicable rate for purchases of long-term power by Central Hudson from other qualifying cogeneration facilities, as established from time to time by tariff or by order of the Public Service Commission of the State (the “PSC”); or (iii) a generally applicable rate for purchases of short-term power by Central Hudson from other qualifying cogeneration facilities, as established from time to time by order of the PSC. The Agency has elected to be paid pursuant to option (iii). The electricity price currently paid by Central Hudson to the Agency is a minimum of \$.06 per Kwh. The Power Sales Agreement will be effective until at least January 14, 2019 unless earlier terminated by the Agency. At the expiration of the Power Sales Agreement the Agency could, under SC-10 or an equivalent Central Hudson Tariff, continue to sell power to Central Hudson without the \$.06 per Kwh minimum price guarantee. The Agency could also sell energy, capacity, and ancillary services into the New York Independent System Operator’s (NYISO) marketplace or enter into a bilateral power purchase and sale agreement with another market participant in the NYISO marketplace.

The Consulting Engineer’s Report assumes that the Agency will receive the \$.06 per Kwh minimum under the existing Power Sales Agreement through at least January 13, 2019. See “Summary of Principal Documents -- Power Sales Agreement” and the Consulting Engineer’s Report prepared by Gershman, Brickner & Bratton, Inc.

Recovered Materials Payments. The Contractor has agreed under the Service Agreement (Appendix K) that it will recover ferrous metals weighing at least 4% of the Facility’s Total Processed Tonnage, the percentage being subject to adjustment based on availability. The parties may also agree to the removal of other Recovered Materials from Processible Waste or Process Residue. The Facility currently recovers approximately 80% of the ferrous metal from the Facility’s Total Processed Tonnage, which metal is removed from the Facility’s site and sold to Upstate Shredding LLC under a contract with the Agency that runs through February 28, 2020. The Contractor receives or is charged twenty-five percent (25%) of the Agency’s Net Recovered Material Revenue, and is subject to a Non Performance Payment if the Processed Residue Generation Guaranty is not met.

Service Agreement. Under the Service Agreement the Contractor is obligated to operate the Facility through at least January 31, 2028, which term may be extended to two 1-year terms by the Agency. It may also be extended for a 6-year term and then a 5-year term if agreed between the Parties. See “Summary of Principal Documents -- Service Agreement.” The failure or delay of the Contractor or Agency to perform any act required under the Service Agreement will be excused if such failure or delay is caused by an Uncontrollable Circumstance. The Contractor and the Agency are required to use their reasonable efforts to overcome or remove at the earliest possible time any Uncontrollable Circumstances or the effects thereof. In the event that the Contractor’s performance is excused due to an Uncontrollable Circumstance, the County will continue to be obligated to pay Net Service Fees to the Agency under the Disposal Service Agreement if (i) the Agency continues to provide the service of accepting and processing and/or disposing of Solid Waste and (ii) any Bonds are outstanding.

The earliest potential expiration date of the Service Agreement, January 31, 2028, is after the final maturity date of the Series 2017 Bonds.

Under the Service Agreement, the Contractor agrees to provide the service of accepting and processing and/or disposing of all Solid Waste delivered to the Facility up to 3,500 tons per week and 17,000 tons in a five (5) week period. The Service Agreement provides that the Contractor guarantees that 154,000 tons per year of processable waste delivered to the Facility will be processed by the Contractor.

Service Guarantee. Under the terms of the Guarantee delivered on April 21, 2014, the Guarantor, Wheelabrator Technologies, Inc., irrevocably and unconditionally guarantees to the Agency the full and prompt performance and the Contractor's payment and performance obligation under the Service Agreement, up to the limit of the Contractor's liability. The Guarantor agrees that if, for any reason whatsoever any of the Guarantee Obligations are not performed by the Contractor, after notice and demand, the Guarantor shall within 10 business days of notice to it pay or caused to be paid, or commence or cause performance of the obligation to be commenced and diligently continued. The Guarantee continues until the Guarantee Obligations are indefeasibly performed and paid in full by the Contractor or Guarantor.

Pursuant to the Service Agreement the Contractor's obligation of payment and performance and the Guarantor's obligations are secured by a Letter of Credit in the amount of \$10,000,000 issued by BNP Paribas (see "CAPITAL IMPROVEMENTS" - Guarantee" herein). The Guarantor may change the issuer of the Letter of Credit from time to time provided that the replacement issuer has a comparable credit rating and an office in the State and within 80 miles of the Facility.

In the event that the Guarantor's Tangible Net Worth falls below \$150,000,000, the Contractor is required to also provide the Agency with a \$10,000,000 Step-Up Letter of Credit from a Qualified Commercial Bank, which Step-Up Letter of Credit is to be maintained until the Guarantor's Net Worth has been restored to \$150,000,000 for 365 or more continuous days.

Solid Waste Disposal Service Agreement. Under the Solid Waste Disposal Service Agreement by and between the Agency and the County, as most recently amended by Amendment No. 5 thereto made as of January 7, 2016, (hereinafter collectively referred to as the "Disposal Service Agreement"), the County shall deliver or cause to be delivered to the Facility a minimum of 140,000 tons of Solid Waste per year at a minimum weekly schedule of 2,400 tons, and at a maximum weekly schedule of 3,300 tons or such lesser amounts as may be determined to be applicable. The Disposal Service Agreement is effective through July 1, 2027.

As consideration for the disposal services provided by the Agency, the County is required to pay Net Service Fees. So long as the Agency continues to provide the service of accepting and processing and/or disposing of Solid Waste, the Disposal Service Agreement requires the payment of Net Service Fees by the County if there is a shortfall in revenues received by the Agency. The formula for computation of Net Service Fees is designed to provide sufficient amounts to pay debt service and operating expenses, including alternate disposal costs of the Agency (subject to certain limitations set forth in the Disposal Service Agreement), throughout the term of the Series 2017 Bonds and to maintain certain reserve funds. The County's obligation to pay Net Service Fees is absolute and unconditional and continues for the term of the Disposal Service Agreement as long as (i) the Agency continues to provide the service of accepting and processing and/or disposing of Solid Waste in accordance with the Disposal Service Agreement and (ii) any Bonds are Outstanding.

If, however, the Facility has been substantially inoperable for purposes of processing solid waste for a period of two years and the Agency has been accepting Solid Waste and providing alternate disposal, the total amount of Contractor's Service Fee and Agency Expenses, including the cost of providing alternate disposal, is limited to twice the sum of the average respective amounts of the Contractor's Service Fee and Agency Expenses during the preceding three complete operating years or such greater amount as the County may determine to be reasonable under the circumstance considering, among other things, public health requirements and the availability and cost of alternate disposal options, to the extent permitted by law.

The Disposal Service Agreement requires the Agency to notify the County of the amount of the Net Service Fee payable, if any, for each three month calculation period of January 1st through March 31st within 10 days of the close of such period, and the estimated amount of the Net Service Fee payable, if any, for each April 1 through December 31 calculation period by November 9, during that period. The amount of the Net Service Fee is due and payable on the tenth business day preceding the next Bond Interest Payment Date (January 1 or July 1, as the case may be next following the end of each calculation period). See "Summary of Principal Documents - Solid Waste Disposal Service Agreement - Net Service Fees".

The Net Service Fees are deemed to be operating expenses of the County and the County has agreed in the Disposal Service Agreement that, for so long as the service of accepting and processing and/or disposing of Solid Waste is provided in accordance with the Disposal Service Agreement, the obligation of the County to pay Net Service Fees shall be absolute and unconditional (except for the shutdown exception described above) and shall not be subject to any defense (other than payment) or any right of set off, recoupment, counterclaim, deduction or other right which the County or any other entity

may have against the Agency, the Trustee, any owner of the Series 2017 Bonds, or the Contractor. The County has agreed to take all such action as may be necessary to provide for the timely payment of the Net Service Fees. The means available to the County for satisfying such obligation include appropriation through the County's financial procedures or raising funds through borrowing. The County has stated that it believes that either of the above procedures can be implemented on a timely basis to satisfy the County's obligation under the Disposal Service Agreement. See "The County-Budgetary Procedures and Net Service Fees" and "The Solid Waste Management System-Solid Waste Availability and Flow Control," herein.

The Agency is required to report to the County Legislature every six months concerning the Facility, including its operational status, the energy and other revenues received, and costs and expenses incurred.

Other Agreements

The Agency is party to a contract for the transportation and beneficial use of its Process Residue with Panichi Holding Corp. and Capital Region Landfills Inc., the operator of the Colonie Landfill. Under this contract, the Agency's Process Residue is hauled to the Colonie Landfill, located near Albany, New York, where it is used as alternative daily cover for landfill waste. The use of the Agency's Process Residue as alternative daily cover is approved under a Beneficial Use Determination issued by the New York State DEC. This Contract is effective through June 30, 2018.

The Agency's contract with Upstate Shredding for the pickup, transportation, processing and marketing of the ferrous materials which are recovered from the Facility's Process Residue is effective through February 28, 2020. During 2016 this Contract resulted in revenues to the Agency of \$449,776.

The Agency's contract with Panichi Holding Corp., d/b/a Royal Carting Service to have Panichi supply the Agency with Processible Solid Waste for the Agency Facility is effective through December 31, 2018. Under this contract Panichi Holding is required to provide the Agency with 130,000 tons of Processible Waste per year.

DEBT SERVICE RESERVE FUND

The Bond Resolution establishes a Debt Service Reserve Fund which is required to be funded and maintained in an amount equal to the Debt Service Reserve Fund Requirement. If, on any Interest Payment Date, date of redemption or Principal Payment Date, the amount on deposit in the Debt Service Fund is less than the amount required for the payment of principal installments and/or interest coming due on such Bond Payment Date, after giving effect to all deposits into the Debt Service Fund made from the Revenue Fund and taking into account any transfers to the Debt Service Fund from the General Reserve Fund and from the Reserve and Contingency Fund, the Trustee is required to transfer moneys from the Debt Service Reserve Fund to the Debt Service Fund to the extent necessary to satisfy any such deficiency. The Trustee is required to reimburse the Debt Service Reserve Fund from the Revenue Fund in accordance with the Bond Resolution and, to the extent the amount in the Revenue Fund is insufficient therefore, from the General Reserve Fund and from the Reserve and Contingency Fund, in accordance with the Bond Resolution. If on any Principal Payment Date the amount in the Debt Service Reserve Fund is more than the Debt Service Reserve Fund Requirement, the excess is required to be transferred to the Revenue Fund, except as otherwise required by the Bond Resolution.

RESERVE AND CONTINGENCY FUND

The Bond Resolution establishes a Reserve and Contingency Fund which is required to be funded and maintained in an amount equal to the Reserve and Contingency Fund Requirement. If on any Interest Payment Date, redemption date or Principal Payment Date, the amount of money in the Debt Service Fund is less than the amount of the interest, the Redemption Price or the Principal Installment then due and payable on the Bonds, after giving effect to all deposits into the Debt Service Fund made from the Revenue Fund and taking into account any transfers to the Debt Service Fund from the General Reserve Fund, the Trustee is required to transfer moneys from the Reserve and Contingency Fund to the Debt Service Fund to the extent necessary to satisfy any such deficiency.

Subject to the provision of the foregoing paragraph, if on the fifteenth (15th) day of each calendar month, the amount of money in the Operating Fund is, after giving effect to all deposits into the Operating Fund and taking into account any transfers from the General Reserve Fund, less than the Operating Fund Requirement, the Trustee is required to transfer

from the Reserve and Contingency Fund the amount, if any, necessary to satisfy any such deficiency. If at any time there is a deficiency in the Debt Service Reserve Fund, after giving effect to all deposits into the Debt Service Reserve Fund made from the Revenue Fund and taking into account any transfers from the General Reserve Fund, the Trustee is required to transfer moneys from the Reserve and Contingency Fund to the Debt Service Reserve Fund to the extent necessary to satisfy any such deficiency.

The Trustee is required to reimburse the Reserve and Contingency Fund from the Revenue Fund for any transfer from the Reserve and Contingency Fund to the Debt Service Fund, the Operating Fund or the Debt Service Reserve Fund and, to the extent the amount in the Revenue Fund is insufficient therefor, from the General Reserve Fund as provided in the Bond Resolution.

Subject to the provisions of the foregoing paragraphs, moneys remaining in the Reserve and Contingency Fund may be applied to the acquisition or replacement of land and depreciable property of and to make extraordinary repairs, replacements, renovations or improvements to any component of the System.

If on the Principal Payment Date in any Bond Year, the amount in the Reserve and Contingency Fund is greater than the Reserve and Contingency Fund Requirement, the excess is required to be transferred to the Revenue Fund.

RATE COVENANT

The Agency has covenanted under the Bond Resolution that it will fix, collect and maintain tipping fees, user fees, or other similar charges for the disposal of Solid Waste in the System which will produce for the current Bond Year Revenues (including Net Service Fees) which, when taken together with investment earnings to be transferred during said current Bond Year from the Debt Service Reserve Fund and the General Reserve Fund to the Revenue Fund pursuant to the Bond Resolution and amounts on deposit in the Reserve and Contingency Fund and available pursuant to the Resolution, will be at least equal to 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 and the Reserve and Contingency Fund to the Reserve and Contingency Fund Requirement.

ADDITIONAL BONDS

The Bond Resolution permits the issuance of one or more additional series of Bonds. The Bond Resolution requires as a condition to the issuance of Additional Bonds, among other things, (a) no Event of Default shall have occurred and be continuing; (b) the Disposal Service Agreement shall be in full force and effect and shall obligate the County to deliver Solid Waste for disposal in the amount specified by the Independent Engineer in clause (c) below and to pay increased Net Service Fees in the event, and to the extent, that such an amount of Solid Waste is not delivered or Revenues are not sufficient to meet the amount specified in clause (e) below; (c) the Independent Engineer shall deliver a certificate to the Trustee stating to the best knowledge of such Independent Engineer the Guaranteed Annual Tonnage (excluding Recyclables) of the System after giving effect to the completion of the Project to be financed by such Additional Bonds; (d) the Revenues, as shall be evidenced by a certificate of an Authorized Officer of the Agency delivered to the Trustee, for any twelve (12) consecutive months of the eighteen (18) months immediately preceding the month in which such Additional Bonds are delivered have been in an amount at least equal to the Operating Expenses incurred in such period plus the amount paid as Debt Service Payments during such twelve-month period; and (e) the Revenues which, as shall be evidenced by the certificate of an Independent Engineer delivered to the Trustee and Insurer, are estimated to be received in each of the first five full Bond Years following the estimated completion of the acquisition or construction of the Project to be financed from the proceeds of such Additional Bonds, together with amounts on deposit in the Reserve and Contingency Fund or otherwise available to the Agency (but not including amounts on deposit in the Debt Service Reserve Fund or amounts derived from the issuance of Bonds or other obligations of the Agency), will be sufficient to provide an amount equal to the estimated Operating Expenses in each such Bond Year plus 110% of the Debt Service Payments for each such Bond Year. Subject to the conditions set forth above, Additional Bonds may be issued to pay for any judgment or settled claim in an amount in excess of \$1,000,000.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the Agency's principal and interest requirements for the Series 2017 Bonds, once issued, and reflects debt service due as of January 1 of each year set forth below.

Series 2017 Bonds			
Year	Principal	Interest	Total
2018	\$ 1,170,000.00	\$ 378,783.61	\$ 1,548,783.61
2019	1,015,000.00	537,850.00	1,552,850.00
2020	1,055,000.00	497,250.00	1,552,250.00
2021	1,105,000.00	444,500.00	1,549,500.00
2022	1,165,000.00	389,250.00	1,554,250.00
2023	1,220,000.00	331,000.00	1,551,000.00
2024	1,280,000.00	270,000.00	1,550,000.00
2025	1,350,000.00	206,000.00	1,556,000.00
2026	1,415,000.00	138,500.00	1,553,500.00
2027	1,355,000.00	67,750.00	1,422,750.00
	<u>\$ 12,130,000.00</u>	<u>\$ 3,260,883.61</u>	<u>\$ 15,390,883.61</u>

THE AGENCY

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
JOSEPH A. SMALL	CHAIRMAN	DECEMBER 31, 2016*
WAYNE NUSSBICKEL	SECRETARY / TREASURER	DECEMBER 31, 2018
DAVID PETROVITS	MEMBER	DECEMBER 31, 2017
STEVEN TINKELMAN	MEMBER	DECEMBER 31, 2019
DALE LOIS	MEMBER	DECEMBER 31, 2019
DAN DENISOFF	MEMBER	DECEMBER 31, 2018
[VACANT]	MEMBER	DECEMBER 31, 20__

* Will continue to serve until a successor is appointed pursuant to the Public Authorities Law.

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 Interim 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 two 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

Highlighted below is a summary of key statistics, operational results and financial results for the years ending December 31, 2013 through December 31, 2016.

FY 2013 – For the year ended December 31, 2013, the Agency's total revenues (excluding Net Service Fees from the County) decreased by \$1,392,148 to \$14,702,872. The decrease in total revenues can be primarily attributed to: i) a decrease in tipping fees due to a decrease in the scrap metal market price; and ii) a decrease in energy sales revenues of \$844,569 due to a temporary shut-down of the turbines producing electricity.

Operating expenses for 2013 decreased by \$1,230,089 compared to the prior year. The reduction in operating expenses are primarily attributed to a decrease in service fees and revenue share due to Covanta (the previous Contractor) and a decrease in MRF processing fees following the plant closure in 2012.

The net service fees received from the County decreased from \$4,138,682 in 2012 to \$712,100 in 2013 as a result of the factors summarized above and the release of certain Trustee held funds associated with certain Agency bonds being retired.

The Agency's net assets were \$12,037,935 at December 31, 2013 versus \$14,289,834 at December 31, 2012, a decrease of \$2,251,899.

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.

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**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SUMMARY OF HISTORICAL OPERATIONAL AND
FINANCIAL RESULTS AND DEBT SERVICE COVERAGE**

	2013	2014	2015	2016
OPERATIONAL RESULTS				
RRF Average MSW Tip Fee (\$/Ton)	\$ 71.20	\$ 72.15	\$ 73.55	\$ 73.51
Tonnage Received at RRF (1)	154,068	154,542	155,033	150,515
FINANCIAL RESULTS				
REVENUE:				
Tipping Fees (1)	\$ 11,055,681	\$ 11,092,208	\$ 11,427,034	\$ 11,056,120
Energy Sales (1)	2,062,248	3,173,765	2,676,884	2,250,400
Recycled Materials Sales	<u>1,215,121</u>	<u>1,263,926</u>	<u>544,747</u>	<u>449,777</u>
TOTAL REVENUE	<u>14,333,050</u>	<u>15,529,899</u>	<u>14,648,665</u>	<u>13,756,297</u>
EXPENSES:				
Residue Disposal Fees	\$ 2,022,181	\$ 2,173,728	\$ 2,131,108	\$ 2,138,643
Operator Service Fees	11,049,980	10,923,869	9,758,041	9,808,598
Administrative Expenses	1,693,794	1,970,130	1,858,652	1,154,678
Interest Expense	938,566	742,637	696,388	647,638
Depreciation	<u>1,962,350</u>	<u>2,189,940</u>	<u>1,939,820</u>	<u>1,849,779</u>
TOTAL EXPENSES	<u>17,666,871</u>	<u>18,000,304</u>	<u>16,384,009</u>	<u>15,599,336</u>
OPERATING INCOME (LOSS)	<u>(3,333,821)</u>	<u>(2,470,405)</u>	<u>(1,735,344)</u>	<u>(1,843,039)</u>
OTHER INCOME (LOSS)				
County Net Service Fees (2)	\$ 712,100	\$ 999,439	\$ 690,652	\$ 291,697
Interest Income	\$ 227,415	\$ 5,330	\$ 5,037	\$ 3,914
Non-Performance Guarantee Payments	-	-	-	473,925
State Grants	-	-	-	56,654
Other Income (Loss)	<u>142,407</u>	<u>119,350</u>	<u>-</u>	<u>161,179</u>
TOTAL OTHER INCOME (LOSS)	<u>1,081,922</u>	<u>1,124,119</u>	<u>695,689</u>	<u>987,369</u>
NET INCOME (LOSS)	<u>(2,251,899)</u>	<u>(1,346,286)</u>	<u>(1,039,655)</u>	<u>(855,670)</u>
Reserve and Contingency Funds(3)	4,337,906	248,110	241,974	192,655
Revenue Available For Debt Service (4)	4,986,923	1,834,401	1,838,527	1,834,402
Principal	3,595,000	925,000	975,000	1,020,000
Interest	938,566	742,637	696,388	647,638
Bond Debt Service	4,533,566	1,667,637	1,671,388	1,667,638
Debt Service Coverage	1.10x	1.10x	1.10x	1.10x

Source: The Agency.

(1) In fiscal year 2016 the Agency undertook a maintenance and repair project on the System's turbine to improve the turbine's ability to generate electricity. The project lasted 59 days. During this period there was no electrical generation and the Agency had to divert approximately 4,430 tons of waste.

(2) In fiscal years 2015 and 2016 the Agency applied unrestricted funds on hand to satisfy amounts due from Net Service Fees. As a result the Agency did not need to use any Net Service Fees funds.

(3) 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.

(4) 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 administrative expenses.

Management Discussion of 2017 Budget

The Agency submitted its 2017 operating budget on October 30, 2016 to the NYS Public Authorities Budget Office. The Agency anticipates that it will end the 2017 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 \$11,396,000 and electric energy sales of \$2,836,680. The 2017 operating budget includes an estimated Net Service Fee to be received from Dutchess County for 2017 of \$0.0. The 2017 Budget excludes depreciation and amortization of \$1,939,820, as this is a non-cash item.

The Agency's determination of tipping fees for fiscal year 2017 was made on the assumption of payment made as a result of the established fiscal year 2017 average tipping fee of \$75.75/ton, which the Agency believed would attract 154,000 tons of Processible Waste in current market conditions. Based on tip fee revenue and other sources of income described below, tipping fees are expected to meet the Agency's covenant described under "Sources of Payment and Security—Sources of Payment." The obligations of the Agency and the Contractor pursuant to the Service Agreement are based on the processing at the Facility of not less than 140,000 tons of Processible Waste each year at a maximum weekly rate of 3,500 tons. See "Resource Recovery Facility -- Solid Waste Availability and Flow Control," "Summary of Principal Documents -- Solid Waste Disposal Service Agreement," and "Summary of Principal Documents -- Service Agreement."

The table below sets forth a summary of the Agency's 2017 Budget:

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY SUMMARY OF 2017 BUDGET

Revenue:	
Tipping Fees	\$11,396,000
Electric Energy Sales	2,836,680
Metal Recycling Revenue	725,000
Interest Earnings	2,000
Net Service Fees Due Agency	0
Total Revenue:	\$14,982,680
Expenses:	
Personnel Services	\$346,200
Administration	57,480
Equipment	24,200
Vehicle Expense	5,200
Building/Grounds	0
Utilities	113,650
Travel/Conference	500
Insurance	37,000
Service Fees	10,701,150
Residue Disposal	2,010,000
Professional Services	223,300
Debt Service	1,464,000
Total Expenses Excluding Depreciation and Amortization:	\$14,982,680
Budget Profit/(Loss)	\$ 0

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
CASH FLOW PROJECTIONS**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operations Assumptions										
MSW Received (Tons) ⁽²⁾	154,000	154,000	154,000	154,000	154,000	154,000	154,000	154,000	154,000	154,000
Residual/By-pass Disposal (Tons) ⁽³⁾	53,900	53,900	53,900	53,900	53,900	53,900	53,900	53,900	53,900	53,900
Residual tons % of tons received ⁽⁴⁾	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Electricity Produced (MWH) ⁽⁴⁾	47,278	47,278	47,278	47,278	47,278	47,278	47,278	47,278	47,278	47,278
Production Rate (KWH/ton) ⁽⁴⁾	307	307	307	307	307	307	307	307	307	307
Ferrous Metal Recovered (Tons) ⁽⁵⁾	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
Unit Cost/Price Assumptions										
Inflation ⁽¹⁾		2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
Average Tipping Fee (\$/ton) ⁽⁶⁾	\$ 74.00	\$ 75.55	\$ 77.14	\$ 78.76	\$ 80.41	\$ 82.10	\$ 83.83	\$ 85.59	\$ 87.39	\$ 89.22
Residue Disposal Cost (\$/ton) ⁽⁷⁾	\$ 40.79	\$ 41.64	\$ 42.52	\$ 43.41	\$ 44.32	\$ 45.25	\$ 46.20	\$ 47.18	\$ 48.17	\$ 49.18
Electricity Price (\$/KWH) ⁽⁶⁾	\$ 0.06000	\$ 0.06000	\$ 0.05142	\$ 0.05227	\$ 0.05227	\$ 0.05311	\$ 0.05311	\$ 0.05395	\$ 0.05564	\$ 0.05648
Ferrous Price (\$/ton) ⁽⁹⁾	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00
Operator Fee (\$/ton received) ⁽¹²⁾	\$ 69.49	\$ 70.93	\$ 72.44	\$ 73.96	\$ 75.51	\$ 77.10	\$ 78.72	\$ 80.37	\$ 82.06	\$ 83.78
System Revenues										
Tipping Fees	\$ 11,396,000	\$ 11,635,316	\$ 11,879,658	\$ 12,129,130	\$ 12,383,842	\$ 12,643,903	\$ 12,909,425	\$ 13,180,523	\$ 13,457,314	\$ 13,739,917
Energy Sales	2,836,680	2,836,680	2,431,225	2,471,081	2,471,081	2,301,684	2,510,938	2,550,794	2,630,506	2,670,362
Recycled Metal Sales	726,000	726,000	726,000	726,000	726,000	726,000	726,000	726,000	726,000	726,000
Interest Income ⁽¹⁰⁾	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Other Income ⁽¹¹⁾	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000
Net Service Fee Due to Agency	-	387,632	837,191	850,179	905,785	1,128,299	969,694	988,043	963,565	915,997
Total Revenues	\$ 14,983,680	\$ 15,610,628	\$ 15,899,073	\$ 16,201,390	\$ 16,511,709	\$ 16,824,886	\$ 17,141,056	\$ 17,470,359	\$ 17,802,384	\$ 18,077,276
System Operating Expenses										
Operator Service Fees ⁽³⁾⁽¹²⁾	\$ 10,701,150	\$ 10,925,874	\$ 11,155,318	\$ 11,389,579	\$ 11,628,760	\$ 11,872,964	\$ 12,122,297	\$ 12,376,865	\$ 12,636,779	\$ 12,902,151
Residue Disposal Fees ⁽³⁾⁽⁷⁾	2,010,000	2,244,641	2,291,779	2,339,906	2,389,044	2,439,214	2,490,437	2,542,737	2,596,134	2,650,653
Administrative Expenses	807,530	824,488	841,802	859,480	877,529	895,957	914,773	933,983	953,596	973,622
Total Operating Expenses	\$ 13,518,680	\$ 13,995,003	\$ 14,288,898	\$ 14,588,965	\$ 14,895,334	\$ 15,208,136	\$ 15,527,506	\$ 15,853,584	\$ 16,186,509	\$ 16,526,426
Cash Available for Debt Service										
Net Operating Revenues	\$ 1,465,000	\$ 1,615,625	\$ 1,610,175	\$ 1,612,425	\$ 1,616,375	\$ 1,616,750	\$ 1,613,550	\$ 1,616,775	\$ 1,615,875	\$ 1,550,850
Reserve & Contingency Fund ⁽¹⁴⁾	\$ 161,678	\$ 161,678	\$ 161,678	\$ 161,678	\$ 161,678	\$ 161,678	\$ 161,678	\$ 161,678	\$ 161,678	\$ 161,678
Total Available for Debt Service	\$ 1,626,678	\$ 1,777,303	\$ 1,771,853	\$ 1,774,103	\$ 1,778,053	\$ 1,778,428	\$ 1,775,228	\$ 1,778,453	\$ 1,777,553	\$ 1,712,528
Debt Service Coverage										
Debt Service ⁽¹³⁾	\$ 1,476,910	\$ 1,615,625	\$ 1,610,175	\$ 1,612,425	\$ 1,616,375	\$ 1,616,750	\$ 1,613,550	\$ 1,616,775	\$ 1,615,875	\$ 1,550,850
Debt Service Coverage Ratio	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10

Notes: The number references made above relate to the assumptions provided and discussed by the consulting engineer in Appendix [C] of their report. The consulting engineer's report is included herein as APPENDIX A.

THE COUNTY

GENERALLY

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 802 square miles and, according to the 2010 census data, has a population of 297,488. 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. The County consists of thirty municipalities including two cities, eight villages and twenty towns.

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. In addition, the County's commercial and industrial base is located in this area including International Business Machine Corporation ("IBM"). 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.

Income levels for County residents are above the national average and the average for the State. The U.S. Census Bureau estimated the per capita personal income of County residents in 2014 was \$33,962 which placed the County eighth among all counties in the State for the year. State and U.S. income averages reported on this basis were \$32,829 and \$28,555, respectively.

The County has operated since 1968 under a charter form of government. The effect of the Charter was to provide for separate and independent executive and legislative functions. The elected County Executive is the chief executive and administrative officer of the County. The County Legislature is the legislative, appropriating and policy determining body of the County and consists of 25 elected members representing the various legislative districts within the County. For further information regarding the County, see APPENDIX D to this Official Statement.

BUDGET PROCESS

Preparation and final adoption of the County Budget are governed by the County Charter and the County Law. The County budgets, maintains accounting records, and prepares financial statements on a calendar year basis. Budget forms are sent to appropriate department or agency heads in July. Department heads must submit their departmental budget to the Budget Director by September 1. The Budget Director reviews the tentative budget with each department head and files the tentative budget with the Clerk of the County Legislature prior to November 1. The County Legislature reviews the tentative budget, revisions (if any) are made and a public hearing is scheduled not later than December 5. The tentative budget must be adopted by resolution of the County Legislature not later than December 10. 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, as adopted, contains modifications, it is returned to the County Executive for a statement of his objections, if any. If the County Executive does object to any modification, he must return the budget and his objections within 5 days of receiving the budget from the Legislature. The Legislature must reconsider and approve the budget no later than December 21. (See "APPENDIX C - DUTCHESS COUNTY RESOURCE RECOVERY AGENCY BUDGET FOR THE YEAR ENDED DECEMBER 31, 2017" and "APPENDIX D - DUTCHESS COUNTY, NEW YORK under "FINANCIAL FACTORS" - "Budgetary Procedure").

A summary of the adopted 2017 budget of the County appears below.

**COUNTY OF DUTCHESS
SUMMARY OF ADOPTED BUDGET 2017**

	General Fund	Special Revenue Funds		Enterprise Funds			Self Insurance	Totals
		County Road	Road Machinery	Airport	Mass Transit			
Real Property Taxes	\$ 93,503,040	\$ 9,552,928	\$ 2,414,967	\$ -	\$ -	\$ -	-	\$ 105,470,935
Other Tax Items	11,606,000	-	-	-	-	-	-	11,606,000
Sale and Use Tax	183,595,250	-	-	-	-	-	-	183,595,250
Departmental Income	27,215,280	1,870,850	15,000	986,797	1,741,037	5,331,894	-	37,160,858
Use Of Money and Property	1,084,190	4,500	250	185,551	2,500	2,000	-	1,278,991
State Aid	71,522,354	-	-	-	2,403,808	-	-	73,926,162
Federal Aid	35,669,486	14,600	-	-	2,442,345	-	-	38,126,431
Interfund Transfers	624,751	-	-	185,211	1,117,936	-	-	1,927,898
Appropriated Fund Balance	12,250,000	-	-	-	1,400,000	-	-	13,650,000
Total Estimated Revenues and Fund Balance	\$ 437,070,351	\$ 11,442,878	\$ 2,430,217	\$ 1,357,559	\$ 9,107,626	\$ 5,333,894		\$ 466,742,525
Current:								
General Government Support	\$ 64,820,592	\$ -	\$ -	\$ -	\$ -	\$ 5,026,394	-	69,846,986
Education	17,817,636	-	-	-	-	-	-	17,817,636
Public Safety	93,375,284	317,100	-	-	-	-	-	93,692,384
Health	64,160,141	-	-	-	-	-	-	64,160,141
Transportation	8,677,100	7,489,034	1,898,434	804,677	8,678,213	-	-	27,547,458
Economic Assistance and Opportunity	153,523,592	-	-	-	-	-	-	153,523,592
Culture and Recreation	2,167,381	-	-	-	-	-	-	2,167,381
Home and Community Services	7,235,647	-	-	-	-	-	-	7,235,647
Employee Benefits	7,057,312	3,636,744	531,783	248,026	47,497	-	-	11,521,362
Debt Service - Principal	14,338,434	-	-	255,965	280,601	-	-	14,875,000
Debt Service - Interest	3,697,232	-	-	48,891	51,315	-	-	3,797,438
Interfund Transfers	200,000	-	-	-	50,000	307,500	-	557,500
Total Appropriations	\$ 437,070,351	\$ 11,442,878	\$ 2,430,217	\$ 1,357,559	\$ 9,107,626	\$ 5,333,894		\$ 466,742,525

NET SERVICE FEES

The County has covenanted to pay Net Service Fees to the Agency in accordance with the Disposal Service Agreement. The County has not appropriated funds in its 2017 budget for the payment of Net Service Fees to the Agency, but it has agreed in the Disposal Service Agreement to take all such action as may be necessary to provide for the timely payment of Net Service Fees. Since December 1, 1984, the date of the Disposal Service Agreement, the County has made all appropriations required to meet its obligations under the Disposal Service Agreement.

The Agency must notify the County of such Net Service Fees as are payable for each of the two calculation periods, (January through March and April through December) in advance of the Agency's July 1 and January 1 bond payment dates. Net Service Fees are due and payable by the tenth business day preceding the next Bond Interest Payment Date (January 1, or July 1 as the case may be).

The County is authorized pursuant to the Local Finance Law to authorize the issuance of tax anticipation notes, revenue anticipation notes or budget notes to raise cash for the payment of Net Service Fees in the event of a cash shortfall. Budget notes, in particular, may be issued during any fiscal year for expenditures for which an insufficient amount or no provision is made in the annual budget for such fiscal year in an amount not to exceed five percent of the amount of such annual budget. For a more detailed discussion of the County's ability to pay Net Service Fees through the issuance of indebtedness see "APPENDIX D - DUTCHESS COUNTY" under "Indebtedness of the County".

The following table reflects the payments of Net Service Fees by the County to the Agency for the specified years:

<u>Year</u>	<u>Net Service Fees Paid</u>
2013	\$712,100
2014	\$999,439
2015	\$690,652 ¹
2016	\$291,697 ¹

¹ In 2015 and 2016, the Agency applied unrestricted funds to meet expenses, and it last received a net service fee payment from the County for the period through December 2014.

THE SOLID WASTE MANAGEMENT SYSTEM

The Solid Waste Management Plan defines the Solid Waste Management System. The Solid Waste Management System currently consists of (i) an Agency-owned, operational resource recovery facility and associated ancillary equipment and structures including a weigh scale located adjacent to the Facility; (ii) contractual rights to dispose of Process Residue and, in the event of a Facility shutdown, Bypass Waste at landfills located outside the County; and (iii) certain other recycling activities. The Agency expects to continue to be able to contract for disposal of Process Residue and Bypass Waste, and to continue to be able to dispose of Unacceptable Waste. The Agency has no plans to site a landfill in the near future.

RESOURCE RECOVERY FACILITY

Site. The Resource Recovery Facility is located on an 11.5 acre portion of a 48.5 acre parcel of land owned by the Agency. The parcel is located on the east bank of the Hudson River in the Town of Poughkeepsie, New York, approximately four miles south of the Mid-Hudson Bridge. The remaining 37 acres and two additional acres to the South are undeveloped.

Historical Overview. The Resource Recovery Facility was constructed in 1985 and 1986 and went into start-up operation in May, 1987. The Facility was conditionally accepted by the Agency subject to the terms of an Acceptance Agreement dated June 30, 1989 and has been operating since that time. In addition to providing for the

disposal of at least 140,000 tons per year of Solid Waste, the electric sales to Central Hudson have resulted in a substantial savings in non-renewable energy resources while producing energy in an environmentally sound manner.

The following table summarizes the past operating history of the Resource Recovery Facility for the years 2012 through 2016.

ANNUAL FACILITY PERFORMANCE - FIVE YEAR HISTORY

	2012	2013	2014	2015	2016
SOLID WASTE THROUGHPUT					
RECEIVED (TONS)	160,830	154,068	154,542	155,033	154,947 ⁴
PROCESSED (TONS) ¹	160,081	153,701	153,701	153,944	150,426 ⁴
BYPASSED (TONS) ²	0	756	0	0	4,432 ⁴
PRODUCTS					
STEAM GENERATION (KLBS)	778,095	735,050	711,211	719,277	707,838 ⁴
NET ELECTRICITY GENERATED (MWH) ³	48,445	33,514	43,086	43,004	36,696 ⁴
ASH RESIDUE (TONS)	56,064	50,460	54,557	54,025	53,155
FERROUS RECOVERED (TONS)	6,979	6,213	6,230	6,593	6,674
UNIT PRODUCTION (PER TON SOLID WASTE)					
STEAM (LB/TON)	4.86	4.79	4.63	4.67	4.71
ELECTRICITY (KWH)	302.6	218.5	280.3	279.3	243.9
ASH %	35.0	32.9	35.5	35.1	35.3
FACILITY AVAILABILITY %					
COMBUSTION UNIT NO. 1	91.6	89.5	91.9	92.8	92.2 ⁴
COMBUSTION UNIT NO. 2	92.6	92.1	92.4	92.8	89.0 ⁴
TURBINE/GENERATOR ⁴	98.4	70.4	97.9	93.9	81.6 ⁴

Abbreviations: klbs – Kilo-pounds
kWh – Kilo-Watt hours
Mwh – Megawatt hours

¹ Waste received less rejected waste and adjusted for changes in pit storage.

² Disposal at other sites due to unavailability of Facility.

³ Delivered to Central Hudson, net of in-house usage.

⁴ There was a 59-day major turbine overhaul, which resulted in no electrical generation during this time and the need to divert 4,432 tons of waste during the extraction and installation of the turbine. The turbine overhaul was done to improve electric generation performance.

Facility Service Area. The primary service area for the Facility is the County. The County and the Agency have entered into commitments under the Disposal Service Agreement for the County to deliver or to cause to be delivered to the Facility, not less than 140,000 tons per year of Solid Waste suitable for processing and the Agency to process or to cause to be processed such waste. Gershman, Brickner & Bratton, Inc. ("GBB"), the Agency Engineer, has concluded that sufficient quantities of Solid Waste will be generated within the Facility's service area throughout the term of the Series 2017 Bonds. See the Consulting Engineer's Report included in the Official Statement as APPENDIX A.

Facility Design and Construction. The Resource Recovery Facility employs mass burn technology. The Resource Recovery Facility receives, stores and burns Processible Waste, produces steam from the hot combustion gases, and recovers ferrous metal from the residual ash. The Resource Recovery Facility's two refuse combustion furnaces utilize a design originally developed by the O'Connor Combustor Corp., which was later acquired by Westinghouse. Mass burn technology has been used successfully in Europe since the early 1900's and is used throughout the world.

Raw wastes are fed directly into combustion chambers of two solid waste combustion furnaces. Each combustion furnace is designed to process 4,500 Btu per pound solid waste at a nominal rate of 256 tons per day and may be operated independently of the other furnace. The Guaranteed Facility Throughput of the Resource Recovery Facility is 450 tons per day of solid waste. See "SOURCES OF PAYMENT AND SECURITY," herein. The hot gases created by the combustion pass through boiler sections and thereby produce steam. The steam in turn drives a 9.2 MW turbine generator that produces electricity. Historically, some steam was extracted from the turbine and transmitted to IBM through the steam transmission line, although the Agency phased out steam sales to IBM due to economic and technical considerations. The electricity is used in the Resource Recovery Facility and transmitted to Central Hudson through the interconnection facilities. The residue remaining after combustion is cooled in a quench tank and processed to recover ferrous metal.

Auxiliary Facilities. In addition to the Facility, the System includes other facilities located on the Facility site including an access road, a scale house and scales, dormant steam transmission and condensate return pipelines from the Facility site to IBM, electrical interconnection facilities from the Facility site to Central Hudson's Sand Dock Substation, certain improvements to Sand Dock Road, connections to the public sewerage and water supply system and an administration building.

Transportation and Disposal of Process Residue and Bypass Waste. An agreement with Panichi Holding Corp., d/b/a Royal Carting Service and Capital Region Landfills, Inc. provides for the transport to and disposal of Process Residue at the Colonie Landfill in Colonie, New York (the "Ash Haul Contract"). The current contract runs through June 30, 2018 and provides for acceptance and disposal of 56,000 tpy of Process Residue from the Facility. Colonie Landfill uses the Process Residue as an alternative daily cover material for Municipal Solid Waste at its landfill. The contract includes alternate landfill sites (Ontario County Landfill and Delaware County Landfill) if needed. The use of Process Residue at these landfills has been approved by the New York State Department of Environmental Conservation ("NYSDEC").

The Agency is required to ensure that all Process Residue is acceptable for disposal at the Colonie Landfill under NYSDEC regulations and the Colonie Landfill operating permit and is responsible for any costs incurred by Colonie Landfill resulting from the delivery of unacceptable materials. The Agency is to be notified of the delivery of any unacceptable materials and afforded the right to inspect and remedy.

The rate of the Ash Haul Contract as of July 1, 2016 is \$39.79 per ton, inclusive of transportation and disposal. The rate is CPI adjusted annually.

The Agency anticipates that it will be able to continue to dispose of its Processed Residue as Municipal Solid Waste daily cover material if this contract is not extended.

Collection and Recycling Practices. The municipalities in the County currently use a variety of solid waste collection mechanisms. Four municipalities (the City of Poughkeepsie, the Villages of Pawling, Red Hook and Tivoli) provide municipal collection of residential solid waste, and three others (the City of Beacon, and the Villages of Millbrook and Wappingers Falls) provide municipal collection services through contracts with private

haulers. In the remaining municipalities, solid waste collection is provided by private haulers through direct arrangements with homeowners or commercial, industrial and institutional establishments. Fifteen transfer stations are operated in the County. They are located in the City of Poughkeepsie, City of Beacon, the Towns of Clinton, Hyde Park, LaGrange, Milan, Pawling, Pleasant Valley, Poughkeepsie, Red Hook, Rhinebeck, Stanford, Union Vale, Wappinger and Washington. These local transfer stations provide service to self-haulers and the waste is subsequently hauled to a Solid Waste Disposal facility. In addition, Royal Carting or an affiliate operates three commercial private transfer stations in the County.

There are three NYS DEC Permitted construction and demolition debris processing facilities within the County: Mid Hudson Structural Concrete Inc., d/b/a Recycle Depot, Watch Hill Holding Corp. d/b/a Royal Carting Service and West Hook Sand & Gravel. All private haulers of solid waste within the County must be licensed to operate by the Deputy Commissioner of the Dutchess County Division of Solid Waste Management. This license is required for any private hauler that collects, transports or disposes of solid waste for compensation. The County's Solid Waste Deputy Commissioner may revoke a license if a private hauler does not comply with the Rules and Regulations of the Department of Solid Waste Management or the specified licensed conditions. Currently there are thirty-five licensed private haulers in the County. The licensing procedures are spelled out in Local Law No. 3 of 2014, Solid Waste Materials Management and Licensing Rules and Regulations.

Pursuant to Local Law No. 3, private haulers collect mandated source separated recyclables. Single stream and commingled containers of recyclables, plastics, metals, paper products, corrugated cardboard and office paper are delivered to ReCommunity Beacon, a privately run single stream facility within the County and other markets in the region. The County reports that more than 109,000 tons of recyclable material, including ferrous metals recovered from the Resource Recovery Facility, were recycled from the waste stream in 2015. Recycling of materials reduces the amount of solid waste which would have been disposed of at the Resource Recovery Facility or landfill sites. A reduction in solid waste due to current recycling efforts and anticipated future recycling are part of the Agency's plan for the System to provide adequate solid waste disposal capacity for the County.

Solid Waste Disposal Practices. A substantial portion of the Processible Waste generated in the County is currently disposed of at the Facility. Certain Non-Processible waste such as non-combustible construction and demolition material, sludges and other non-combustible, non-recyclable waste materials are disposed of at landfills outside the County.

SOLID WASTE AVAILABILITY AND FLOW CONTROL

The State legislation which created the Agency also established the County's authority to provide for solid waste management and disposal. The County, pursuant to the Solid Waste Disposal Service Agreement with the Agency, is obligated to deliver or cause to be delivered to the Facility a minimum of 140,000 tons per year of Solid Waste. To assure waste delivery, the County legislature adopted Local Law No. 1 on January 23, 1984, empowering the County Solid Waste Commissioner to designate one or more facilities to be used for the disposal of all Solid Waste generated in the County, i.e. flow control. Regulations were developed by the County to implement the flow control and licensing provisions of Local Law No. 1, and the County Solid Waste Commissioner enforced Local Law No. 1 through sheriff-power procedures.

In 1994, the Supreme Court ruled in *C&A Carbone, Inc. et al. v. the Town of Clarkstown, New York* that Clarkstown's local flow control ordinance was invalid. Following the Carbone ruling, the County suspended flow control enforcement and acknowledged the Agency's use of "economic flow control" (offering competitive market rate tip fees) in non-binding Resolution No. 370 of 1994 and the August 20, 1998 Third Amendment to the Solid Waste Disposal Service Agreement. Since then, the Facility has each year received greater total tonnage than in 1993. In 2015 and 2016, the Agency applied unrestricted funds to meet expenses, and it last received a net service fee payment from the County for the period through December 2014.

For annual periods since 1998, excluding 2006, the Agency has had contracts ("put or pay contracts") with Panichi Holding Corp. for the delivery of a minimum number of tons of waste to the Facility. Having these contracts has helped the Agency meet the minimum tonnage requirements in its contract with its Facility operators. Panichi is required to bring in at least 130,000 tons of waste to the Agency in 2017 and 2018. There is no assurance that such annual put or pay contracts will be entered into in future years.

During 2006, the Agency did not have a put or pay contract for waste. However, even without a contract it received both more gross tonnage than it had in 2005, and 10,000 more tons from Panichi Holding Corp. than it had under the 2005 put or pay contract. The Agency believes that its ability to attract a sufficient volume of waste with or without a put or pay contract is a function of the convenience to in-County waste haulers of its Facility, the Agency's tip fees and the relative economics to the haulers of waste transport to other facilities, the reliability of the Facility, permit limits on other facilities, and the seasonal variation in waste generation.

In April 2007, the United States Supreme Court upheld the Oneida-Herkimer (N.Y.) Solid Waste Management Authority's flow control system in an action (Docket No. 05-1345) brought by the United Haulers Association, Inc. It did so based in large measure on the fact that the Oneida-Herkimer flow control ordinance benefited a clearly public facility. However, Dutchess County has not announced an intention to re-implement flow control. The Agency will continue to have the benefit of the Disposal Service Agreement with the County.

STATUS OF CURRENT ENVIRONMENTAL PERMITS

The Resource Recovery Facility currently operates under two major permits from the New York State Department of Environmental Conservation ("NYSDEC"): the certificate to operate a Solid Waste Management Facility under 6 NYCRR Part 360 (the "Facility Permit"); and a permit to operate a Source of Air Emissions under 6 NYCRR Part 219 (the "Air Permit").

The original Permit to Construct the Facility was approved by the NYSDEC on October 14, 1983. The Facility Permit was issued as a certificate to operate a solid waste management facility, pursuant to the Permit to Construct on June 29, 1989. The original Facility Permit expired on September 30, 1993 and was subsequently renewed in five-year increments. The current five-year Facility Permit came up for an application renewal on March 17, 2011, a timely application was submitted, and the Facility continues to operate legally under the pre-March 17, 2011 DEC permit pursuant to the N.Y.S. Administrative Procedure Act.

The original Air Permit expired on June 30, 1994. On April 15, 1994, the Agency applied to the NYSDEC for renewal of its Part 219 permit. In a letter dated May 5, 1994, the NYSDEC advised the Agency that no permit renewals were being processed at that time but that the letter would serve as authorization to continue to operate under its current permit conditions until further notice. NYSDEC integrated its air permitting program into the federal Title V Air Operating Permit Program. In accordance with the requirements of this program, the Agency submitted a Title V application on June 9, 1997. On March 5, 1998, NYSDEC advised the Agency that its Title V application was deemed complete for review purposes, including a subsequent renewal to include 40 CFR 60, Subpart BBBB emission standards. The Title V Air Permit was renewed on September 9, 2011 and again on October 11, 2016. The current permit will be up for renewal by October 10, 2021. See "The Solid Waste Management System – Impact of Clean Air Act Amendments" herein.

Since there are no process related discharges to the site drainage system, the Agency filed a Notice of Intent or Termination (NOIT) on 06/21/2007 for a permit renewal of General Permit GP-0-06-002 for the Resource Recovery Facility (facility General Permit no. NYR00A917) located at 98 Sand Dock Road in Poughkeepsie. The NOIT was submitted to obtain continued general permit coverage for the storm water discharges associated with industrial activity under the State Pollutant Discharge Elimination System (SPDES) permit program. The updated General Permit GP-0-06-002 requires additional site activities including update of the facility's Storm Water Pollution Prevention Plan (SWPPP), storm water event sampling, facility updates or termination of activities for the existing salt/sand storage, dry weather flow monitoring and certification, and report submittal to NYSDEC.

The other permit is the registration of hazardous substance bulk storage tanks under 6 NYCRR Part 595. The Agency has registered four tanks under this program.

Impact of Clean Air Act Amendments. On November 15, 1990, Congress passed the 1990 Clean Air Act Amendment to the Clean Air Act of 1977. This amendment, and the Final Emission Guidelines issued under it on December 6, 2000, set new emission guidelines for existing Municipal Waste Combustors ("MWCs") such as the Facility.

To comply with these emission requirements, the Agency undertook a major air pollution control equipment retrofit with a new carbon injection system and spray dry absorber which was completed, permitted and operational by June 2006. The Facility's stack test results for 2015 and 2016 are set forth in the Consulting Engineer's Report contained in APPENDIX A hereto.

Process Residue. The Agency has been testing its ash residue since August 1994. Tests are conducted in accordance with the draft "Sampling and Analysis of Municipal Refuse Incineration Ash" published by the Office of Solid Waste, USEPA; Chapter 9, Sampling Plan, of SW 846 - Test Methods for Evaluating Solid Waste, and test protocol developed by the Agency and approved by NYSDEC. After the first year's tests showed that none of the regulated organic compounds were present in detectable levels and only two of the eight regulated metals were at detectable levels, NYSDEC allowed the Agency to reduce the scope of its ash sampling and testing program to sampling on five consecutive days and to test for lead and cadmium only. None of the test results have showed any metal concentrations above regulatory levels. The process residue from the Resource Recovery Facility is therefore considered non-hazardous and continues to be managed under Subtitle D of RCRA.

Currently, the ash residue is hauled to the Colonie Landfill, Colonie, NY, where it is used as alternative daily cover material. The Agency has received NYSDEC authorization for the use of its ash residue as cover material at the landfill, which has liner and leachate collection systems.

SOLID WASTE PLAN

The December 2012 Solid Waste Management Plan adopted by the County includes a solid waste generation and composition plan and projections of future County solid waste generation.

The composition and quantity of Solid Waste in the Facility's service area varies daily and seasonally, and must be accommodated in the operation of the Resource Recovery Facility. In addition, not all Solid Waste generated in the Facility's service area is acceptable for processing at the Resource Recovery Facility. Noncombustible construction material, demolition debris and large or bulky materials unsuitable for processing are not accepted at the Resource Recovery Facility but must be disposed of in a Bypass Landfill or at other sites.

OPERATIONS, MAINTENANCE AND USEFUL LIFE

The Contractor is responsible for operation and maintenance of the Resource Recovery Facility, the processing of Processible Waste and the production of electricity pursuant to the terms and conditions of the Service Agreement. Pursuant to the Service Agreement, the Contractor is required to operate in compliance with the applicable permits, laws, rules and regulations, forty-four (44) industry standards listed in Appendix C to the Service Agreement, and the Facility's NYSDEC-approved operations and Maintenance Manual. The Contractor is to repair and overhaul the Facility at its expense consistent with prudent industry practices, good engineering practices for waste to energy facilities, and the Codes and Standards listed in the Service Agreement. Electrical requirements within the Resource Recovery Facility are provided by the electricity generated by the Facility; however, back-up power is available if required.

Each furnace is shut down once a year for a period of two weeks for major overhaul. Additional allowances for brief unplanned maintenance shutdowns are factored into the annual Guaranteed Facility Throughput capacity. When one furnace is taken out of service for maintenance, the remaining unit is utilized to process solid waste and produce steam and electricity. The Contractor is entitled to refuse to accept delivery of Processible Waste due to Uncontrollable Circumstances. If a Shutdown occurs due to an Uncontrollable Circumstance, the Contractor is required to pay the Agency any insurance proceeds or other recovery for losses attributable to the Shutdown and the Agency is required to pay to the Contractor the Service Fee and operating costs for work approved by the Agency.

Maintenance records indicate that the Resource Recovery Facility has received a level of continuing preventative maintenance activities, consistent with standard industry practices, to keep the Resource Recovery Facility operational and productive.

The Consulting Engineer's Report concludes that the useful life of the Resource Recovery Facility can be expected to exceed the term of the Series 2017 Bonds, if operated and maintained with normal equipment replacement in accordance with the Service Agreement, and, pursuant to such Agreement, with accepted industry operating and maintenance practices applicable to facilities of this type.

MATERIALS RECOVERY FACILITY

Pursuant to Local Law No. 4 of 1990, adopted by the County Legislature on June 4, 1990 ("Local Law No. 4"), the County has mandated that homeowners (including apartments and condominiums) and businesses must source-separate recyclable materials from their refuse. The law was updated and amended by Local Law No. 3 of 2014. Paper, cardboard, glass, metal and certain plastic containers (single stream recycling items) are placed in specially marked recycling bins or containers. Such recyclables are collected separately from non-recyclable refuse and delivered to ReCommunity Beacon and other facilities for processing.

The Agency formerly operated a Materials Recovery Facility ("MRF") located in a County-owned building on Fulton Street in the Town of Poughkeepsie between December of 1991 and December of 2012. Operation of the MRF ceased due to the opening of the privately-run single stream facility, ReCommunity Beacon, and the need to modernize the MRF building and equipment.

SUMMARY OF PRINCIPAL DOCUMENTS

SOLID WASTE DISPOSAL SERVICE AGREEMENT

The following summarizes certain provisions of the Solid Waste Disposal Service Agreement ("Disposal Service Agreement") between the Agency and the County of Dutchess. This summary is qualified in its entirety by reference to the document itself.

Operation of the Facility. The Disposal Service Agreement is effective through July 1, 2027. The Agency will provide, or will cause the Contractor, pursuant to the Service Agreement, to provide the service of accepting and processing and/or disposing of all Processible Waste delivered to the Facility, at a minimum weekly rate of 2,000 tons, and at a maximum weekly rate of 2,800 tons. The County is obligated to deliver or cause to be delivered to the Facility a minimum of 140,000 tons of Solid Waste per year at a minimum weekly rate of 2,400 tons and a maximum weekly rate of 3,300 tons. In the event that the Agency or the Contractor should for any reason be unable to process the Processible Waste it is required to accept under the Service Agreement, the Agency shall cause such Processible Waste to be delivered to an Alternate Disposal Site. The diversion of such Processible Waste shall be deemed compliance by the Agency of its obligation to provide the service of accepting and processing and/or disposing of Solid Waste and such diversion shall not constitute a basis for reduction, delay or offset of the County's obligation to pay Net Service Fees.

The Agency has agreed to cause the Contractor to operate and maintain the Facility in such manner as to ensure that the Facility is able on a continuous basis (subject to the requirements of sound operating practice) to receive and process solid waste, generate steam and electricity and recover metals and other resources. The Agency is responsible for providing for the disposal of all Non-Processible Waste and Process Residue. The Agency will make an Alternative Disposal Site available for the disposal of Solid Waste and may from time to time change the designation of such site. The Agency has agreed to exercise its best efforts to minimize the costs of such disposal.

Net Service Fees. In consideration for providing the service of accepting and processing and/or disposing of Solid Waste, the Agency has the right to charge the County and the County has the obligation to pay to the Agency, Net Service Fees, calculated according to the following formula:

$$NSF=(BDS + BRF + CSF + AE) \text{ minus } (TF + ER + RMR + OR)$$

BDS = Bond Debt Service, the amount of regularly scheduled principal of and interest on Bonds accrued and to accrue during the calculation period (excluding any amounts due by acceleration);

BRF = Bond Reserve Funds and the Reserve and Contingency Fund, the amounts, if any, required to be deposited during the calculation period in the Debt Service Reserve Fund and the Reserve and Contingency Fund established under the Bond Resolution;

CSF = Contractor Service Fee, the base compensation to the Contractor accrued during the calculation period consisting of the Service Fee, Supplemental Electrical Compensation, any property taxes or assessments directly related to ownership of the Facility and any other amounts provided in the Service Agreement subject to the limitations set forth in subsections 4.01(B) and (C) of the Disposal Service Agreement;

AE = Agency Expenses, the accrued expenses of the Agency for the calculation period, including costs incurred for providing alternate disposal, subject to the limitations described below;

TF = The total of the per ton fees accrued by the Agency for disposal of Solid Waste at the Facility or at the Alternate Disposal Site;

ER = Energy Revenues, the total amount of revenues accrued by the Agency during the calculation period from the sale of energy generated by the Facility;

RMR = Recovered Materials Revenues, the total amount of revenues accrued by the Agency during the calculation period from the sale by the Contractor of Recovered Materials; and

OR = Other Revenues, the total amount of other funds available to the Agency under the Bond Resolution for purposes of meeting its obligations thereunder, including ER and RMR actually received the accruals of which could not be taken into account under (i) and (ii) below, including amounts for the payment of capitalized interest during the calculation period and earnings from the investment of amounts on deposit under the Bond Resolution but excluding amounts on deposit in the Project Fund and the Debt Service Reserve Fund but not excluding earnings on these funds.

For purposes of calculating Net Service Fees, (i) amounts accrued shall include only actual accruals during such calculation period and shall not include amounts accrued in any previous calculation period and (ii) amounts accrued during such calculation period for accounts for which actual payments are more than forty-five days in arrears as of the calculation date shall not be included as accrued amounts.

The Disposal Service Agreement requires the Agency to notify the County of any amount of Net Service Fees payable for a particular calculation period (January through March, April through December). Notice must be given 10 days before the close of each January through March calculation period, and by November 9 during each April through December calculation period. The amount of Net Service Fees for each such calculation period are due and payable by the County on the tenth business day preceding the next Bond Interest Payment Date (January 1 or July 1, as the case may be).

In calculating the CSF component of the Net Service Fee, if any amounts are payable by the Agency to the Contractor under the Service Agreement because of a Shutdown due to a fault of the Agency, such amounts shall be included in the calculation of CSF only if and to the extent such amounts represent operating costs actually incurred by the Contractor and shall not include amounts payable for energy and Recovered Material Revenues that the Contractor would have realized from the disposal of Solid Waste that the Agency was obligated to deliver had a Shutdown not occurred. In the event of a shutdown of the Agency Facility, the County shall in no event be obligated to pay the Agency amounts payable by the Agency to the Contractor as a consequence of the failure of the Agency to otherwise fulfill its obligations to the Contractor under the Service Agreement.

In the event it is determined by an Independent Engineer that the Facility has been substantially inoperable for a period of two years for the purposes of processing Solid Waste accepted by the Agency pursuant to the Disposal Service Agreement, the total of the amounts of CSF and AE, including the costs of providing alternate disposal, included in the calculation of Net Service Fees shall not exceed an amount equal to twice the sum of the average respective amounts of CSF and AE included in such calculation for each calculation period during the preceding three complete operational fiscal years, as adjusted in accordance with the formula for adjusting the

Service Fee for Net Tonnage Processed up to the Guaranteed Annual Tonnage in the Service Agreement, or such greater amount as the County may determine to be reasonable under the circumstances considering, among other things, public health requirements and the availability and cost of alternate disposal options, to the extent permitted by law.

The Net Service Fees shall be deemed to be an operating expense of the County, and the County agrees that, for so long as the service of accepting and processing and/or disposing of Solid Waste is provided in accordance with the Disposal Service Agreement, the obligation of the County to pay Net Service Fees, subject to the limitation noted in the paragraph above, shall be absolute and unconditional and shall not be subject to any defense (other than payment) of any set-off, recoupment, counterclaim, deduction or other right which the County or any other entity may have against the Agency, the Trustee, any owner of Bonds or the Contractor. The County has agreed to take all such action as may be necessary to provide for the timely payment of the Net Service Fees.

The Agency covenanted under the Disposal Service Agreement to establish per ton fees for disposal of Solid Waste at the Facility or at the Alternate Disposal Site at rates reasonably calculated to result in $(BDS + BRF + CSF + AE)$ being not greater than $(TF + ER + RMR + OR)$ for each calculation period. If the Agency fails to receive revenues at such level for any calculation period, the Agency shall thereafter exercise its best efforts to repay the County amounts paid by the County as a result of such failure. In Amendment No. 3 to the Disposal Service Agreement, the County has acknowledged its acceptance of the Agency's establishment of a competitive tip fee, and the County and the Agency agreed that the Agency, in setting the per ton fees shall cooperate with the County in an effort to assure delivery by or on behalf of the County of the annual tonnage of Solid Waste as required under the Disposal Service Agreement.

In the event and to the extent that the County payment of Net Service Fees results from the failure of another person to fulfill a payment obligation to the Agency, the Agency is required to assign to the County its claim for payment from such person. To the extent the County is reimbursed for the payment of such Net Service Fees from a source other than such claim for payment, such claim for payment is to be reassigned by the County to the Agency.

Successor Operators of Facility. In the event that the Contractor is unable to perform its obligations under the Service Agreement or is relieved of its obligation thereunder, the Agency is required to use its best efforts to provide for the continued operation of the Facility for the acceptance and disposal of Solid Waste and for a successor to the Contractor to be designated under the Service Agreement, and the County is required to cooperate with the Agency and provide such assistance to the Agency for such continued operation and in securing such successor operator.

Effect of Breach. Failure on the part of the Agency in any instance or under any circumstance to observe or fully perform any obligation assumed by or imposed upon it by the Disposal Service Agreement or by law shall not make the Agency liable in damages to the County (except to the extent that such damages shall have been paid to the Agency by the Contractor) or relieve the County of its obligations to make payments of Net Service Fees or to fully perform any other obligation required of it under the Disposal Service Agreement for so long as the Agency provides the Solid Waste Disposal Services as provided thereunder. The Agency specifically recognizes that the County is entitled to sue the Agency, and the County specifically recognizes that the Agency is entitled to sue the County, for injunctive relief, mandamus, specific performance or to exercise such other legal or equitable remedies not excluded, to enforce the obligations and covenants of the other under the Disposal Service Agreement. The Agency has covenanted and agreed that the County shall be entitled to require the Agency to enforce the Service Agreement in the event that as a result of the failure of the Agency to enforce the Service Agreement, the Agency is in breach of the Disposal Service Agreement. If the service of accepting and processing and/or disposing of Solid Waste delivered to the Facility or to an Alternate Disposal Site is not provided in accordance with the Disposal Service Agreement as a result of a failure by the Contractor under the Service Agreement, (i) the Agency is required to enforce all such rights and remedies available against the Contractor and all other persons as a consequence of such failure under the Service Agreement as may be requested by the County or otherwise, and (ii) the County is not permitted to claim against the Agency any greater or different rights or remedies than those available to the Agency against the Contractor under the Service Agreement on account of such failure.

Termination. The Agency has no right to terminate the Disposal Service Agreement. So long as any Bonds remain outstanding, the County has no right to terminate the Disposal Service Agreement for any reason whatsoever, including breach or default by the Agency in its obligations; however, the County's obligation to pay Net Service Fees is conditioned upon the provision by the Agency of the service of accepting and processing and/or disposing of Solid Waste.

Termination of Service Agreement. The Agency has covenanted with the County that the Agency will not terminate the Service Agreement without the prior written consent of the County. If the Agency has the right to terminate the Service Agreement as the result of an event of default under the Service Agreement or Uncontrollable Circumstances, then the County shall be entitled under such circumstance (and such circumstance only) to require the Agency to exercise such right of termination.

Amendments. The Disposal Service Agreement may not be amended, waived, modified, supplemented or rescinded without prior written consent of the Trustee (so long as any Bonds remain outstanding) and any such amendment, waiver, modification, supplement or recession without such prior consent shall be void and of no effect.

SERVICE AGREEMENT

THE FOLLOWING SUMMARIZES CERTAIN PORTIONS OF THE SERVICE AGREEMENT BETWEEN THE AGENCY AND WHEELABRATOR DUTCHESS COUNTY LLC. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE DOCUMENT ITSELF.

RESPONSIBILITIES OF THE PARTIES

In the Service Agreement the Contractor agrees that it fully inspected the Facility, and except as to certain specific matters, accepted the Facility in its "as-is" condition as of the Service Commencement date of July 1, 2014.

The Contractor is required to operate and maintain the Facility from the Service Commencement Date, and the Agency is to make the Facility available for the Contractor's performance, provide the Guaranteed Annual Tonnage, pay the Contractor as provided in Article 6 of the Service Agreement, perform as otherwise agreed in the Service Agreement, and do such acts which are necessary to effectuate the Service Agreement.

The Contractor is to accept and process Processible Waste as agreed, produce electricity at or above the Net Electric Generation Guarantee, recover ferrous metals at or above the Ferrous Metal Recovery Efficiency Guarantee, operate the Facility at its own cost in compliance with the Service Agreement, the applicable Permits and all federal, state and local codes, laws, requirements, rules and regulations, the codes and standards listed in Appendix C to the Service Agreement, the NYSDEC approved Agency Operations Maintenance Manual as revised from time to time, the Power Sales Agreement between the Agency and Central Hudson Gas & Electric Co. Inc., and the Performance and Environmental Guarantees in the Service Agreement.

It shall also cooperate with the Agency in public information programs, arrange using reasonable commercial efforts, for the marketing of Recovered Materials as requested by the Agency, perform at its expense all necessary repairs and/or replacements at the Facility, perform as otherwise required in the Service Agreement, and perform such other acts as are necessary to effectuate the Service Agreement.

The Service Agreement requires the Contractor to comply with specific standards for cleanliness, and the control of nuisances and housekeeping at the Facility and the Site on which it is located. Subject to Uncontrollable Circumstances Contractor is to keep the Facility open for the reception of Processible Waste, and provide necessary frontend loader operation, from 6:00 am to 4:00 pm Monday through Saturday, excluding holidays, and during emergencies. The Contractor is to operate and maintain the Facility continuously seven days per week, twenty-four hours per day, every day of the year.

The Contractor is required to keep the Facility in good and safe operating condition, conduct all required overhauls, make all necessary repairs and replacements and maintain an adequate inventory of spare parts, all consistent with prudent industry practice and prudent engineering practices for waste to energy facilities, and the

Codes and Standards listed in Appendix C to the Service Agreement. The Contractor is to establish, maintain and enforce safety procedures for the Facility.

The Contractor is also required to perform specific maintenance, repairs and replacements at the Facility on a timetable which is described in Appendix Q of the Service Agreement.

The Agency may prepare updates to the Facility Condition Report annexed to the Service Agreement, and is entitled to access to the Facility and the Facility's maintenance records for that purpose.

The Agency, the County of Dutchess, the Trustee and regulatory authorities including the DEC, may also visit and inspect the Facility.

The Contractor must keep the Site and the Facility free from liens and encumbrances arising in connection with the acts or omissions of the Contractor or any of its subcontractors or supplier.

The Contractor must maintain, repair and replace the truck scales and the scale house at the Facility. The Agency shall test, calculate and operate the truck scales and the radiation detection equipment. All vehicles transporting Processible Waste and other materials to and from the Facility must be weighed. If the scales do not meet accuracy requirements, the Agency and Contractor will calculate and agree upon an appropriate adjustment of completed weighing records.

The Contractor must return the Facility to the Agency at the end of the contract term in substantially the same condition as it was received, as it was described in the Facility Condition Report, with the work required by Service Agreement Appendix Q having been performed, subject to normal wear and tear, with all of the components being in functional condition and with the Facility and each of its components being capable of meeting all Performance and Environmental Guarantees.

RESPONSIBILITY FOR PROCESSIBLE WASTE

Contractor shall receive, handle, and process all the Processible Waste that the Agency delivers or causes to be delivered, excluding Unacceptable Waste, any Processible Waste delivered at times other than those provided, during any week in excess of 3,500 Tons unless the Facility can accommodate it, in excess of 17,000 Tons in a 5-week period unless the Facility can accommodate it, Processible Waste that the Contractor is unable to accept or process due to an Uncontrollable Circumstance, Processible Waste in excess of the Guaranteed Facility Throughput (154,000 Tons) in any contract year if doing so would cause a violation of an Environmental Guarantee or Performance Guarantee, and any Processible Waste in excess of any limit in the Agency's NYSDEC permit issued pursuant to 6 NYCRR Part 360.

The Contractor is responsible for handling all Processible Waste, Bypass Waste, Unacceptable Waste and Process Residue within the Facility and must use reasonable efforts to minimize the potential for and mitigate the effects of Bypass Waste.

The Contractor transports and disposes of all Unacceptable Waste which has not been returned to the delivering hauler at a cost to the Contractor of not more than \$10,000 per year multiplied by the cost adjustment factor in the Service Agreement.

The Agency provides or pays for the disposal of Bypass Waste due to an Uncontrollable Circumstance. The Contractor pays for Bypass Waste when the bypass is due to Contractor's fault.

The Contractor guarantees that the Process Residue from the Facility will meet all applicable Permit Standards, laws, rules and regulations.

If hazardous waste is delivered to the Facility and not removed by the delivering hauler, the Contractor shall clean up and handle it in accordance with applicable laws and the NYSDEC approved Operations and Maintenance Manual.

The Contractor has designated three sites which will, if they have capacity, accept Processible Waste if the Facility is partially or totally shut down.

GUARANTEED DELIVERY OF PROCESSIBLE WASTE, AND OTHER WASTES

The Agency is required to deliver the Guaranteed Annual Tonnage to the Facility, which is a minimum of 140,000 tons of Processible Waste per contract year reduced for each Ton of Wrongfully Refused Waste, and for each Ton of waste that could not be accepted or processed at the Facility or delivered to the Facility due to an Uncontrollable Circumstance, except for Agency fault.

The Contractor may not accept Processible Waste from any source other than the Agency. However, Contractor-supplied Supplemental Processible Waste may be authorized by the Agency on such terms as it determines, and unless otherwise agreed, Supplemental Processible Waste shall reduce the Guaranteed Annual Tonnage on a Ton for Ton basis.

In addition, the Agency may deliver specific types of nonhazardous Special Waste (packaging products; commercially useless products; packaging, fibers, floor covering, empty containers; waste which contains liquid free oil; confidential documents; contraband and expired pharmaceuticals; treated medical waste; and waste disposed of by the U.S. Department of Agriculture) for which the Contractor is paid 10% over the standard Service Fee. No compensation will, however, be paid if the Agency has accepted contraband or expired pharmaceuticals without charging a tip fee.

The Service Agreement does not restrict the rights of Dutchess County residents to practice or the Agency to require source separation or the recovery and recycling of any material.

ENERGY AND MATERIAL RECOVERY AND GUARANTEES

The Agency is a party to a Power Sales Agreement with Central Hudson Gas & Electric Corporation, Inc., a local utility, under which Central Hudson purchases the electricity generated by the Facility. It is discussed below.

Under the Service Agreement the Contractor is required to meet an Electrical Generation Guarantee (Appendix K to the Service Agreement) of 307 kWh per ton of the Facility's Total Processed Tonnage (TPT) on a quarterly or annual basis. This electrical guarantee may be adjusted upward or downward if the heating value of the Processible Waste is less than 3,300 btu/pound or more than 5,500 Btu/pound.

The Agency is also party to a Contract for Ferrous Metals Pick-Up, Transportation, Processing and Marketing with Upstate Shredding LLC which is discussed below.

The Contractor is required to recover ferrous metals from the Facility wastestream, and to meet a Ferrous Metals Recovery Efficiency Guarantee of 4.0% of the TPT on a quarterly or annual basis (Appendix K to the Service Agreement). This guarantee is subject to adjustment if there is a material reduction in the ferrous metals in the Agency's Processible Waste, but the Contractor must in all events recover at least 85% of the Recovered Materials (ferrous) in the Processible Waste.

The parties may agree to recover non-ferrous metals from the Processible Waste or Process Residue.

SPARE PARTS AND COMMODITY INVENTORY

The Contractor is required to maintain an adequate inventory of spare parts for the Facility. It is also required to annually provide the Agency with a Spare Parts and Commodity Inventory of the operable and non-obsolete items at the Facility which are not owned by the Agency. The Agency may audit the Spare Parts and Commodity Inventory and inspect the items on premises.

During the last contract year the Agency shall, as soon as practical, indicate to the Contractor the items in the Spare Parts and Commodity Inventory which it wants the Contractor to leave at the Facility. The Agency has the

right to purchase from the Contractor any and all items in the Final Spare Parts and Commodity Inventory at fair market value or another agreed price within the month after the end of the Service Agreement.

Agency-owned inventory and commodities (the “Final Agency Inventory”) are being stored at the Facility for the Agency without charge.

PAYMENTS

For its performance under the Service Agreement the Agency pays the Contractor a monthly Service Fee, which includes a portion of the Agency’s revenues from the sale of ferrous metals, and also Supplemental Electrical Compensation which is based on the amount of energy revenue received by the Agency, both annually adjusted. It also pays any property taxes or assessments directly related to ownership of the Facility, and other Pass Through amounts as provided in the Service Agreement.

Except as specifically provided in the Service Agreement, the Contractor pays all cost and expenses for the management and administration, operation, repair and replacement, maintenance, marketing and subcontractor cost at the Facility, including but not limited to the cost of all specified insurance, including deductibles, the charges required to be paid by the Contractor under the Power Sales Agreement, the fees for maintaining the Letter of Credit and Step-Up Letter of Credit, the taxes arising out of the Contractor’s performance of the Service Agreement, the utility charges and charges for consumable chemicals and materials used at the Facility, all management, administration, operating, repair, replacement, maintenance and labor cost, the cost of all machinery, equipment and replacement parts, all supply costs, subcontractor, marketing, and required environmental testing costs, and all costs associated with repair or replacement equipment required due to obsolescence, the bankruptcy of the manufacturer or the shortage of replacement parts.

The Service Fee and Supplemental Electrical Compensation are calculated on a monthly basis in arrears and are subject to the deduction of NonPerformance Payments if the Contractor wrongfully refuses to accept waste or fails to meet the Net Electrical Guarantee, the Ferrous Metals Recovery Efficiency Guarantee or the Environmental Guarantees. Sample Calculations are included in Exhibit M to the Service Agreement.

SERVICE FEE CALCULATION

The monthly Service Fee (SF) is computed as follows:

$$SF = (BSF \times AF \times NAT) \pm (0.25 \times MR) - RF * + PTC - NPP^{**}$$

$$\text{If } RT \leq (0.32 \times NAT) \text{ then } RF = (0.5 \times R)$$

$$\text{If } RT > (0.32 \times NAT) \text{ then } RF = [0.5 \times (RC/RT) \times 0.32 \times NAT] + \{(RC/RT \times [(RT - (0.32 \times NAT))]\}$$

**** NPP** to be computed over various time periods under the Service Agreement

The Service Fee is computed using the following definitions:

(a) Adjustment Factor (AF): The cost of living adjustment provided for in the Service Agreement as applied annually on and after January 1, 2015.

(b) Base Service Fee (BSF): \$68.25 per Ton.

(c) Materials Revenues (MR): The Agency’s Net Recovered Materials Revenue including the cost to dispose of any recovered ferrous material that cannot be sold, or is sold at a net loss to the Agency, whether beneficially used or not.

(d) Net Agency Tons (NAT): Total Tons of Solid waste (including Special Waste except Special Waste which is contraband or expired pharmaceuticals for which the Agency has not received a tip fee) delivered by, or on

behalf of the Agency that is weighed in over the Facility scale less all Bypass Waste and Unacceptable Waste removed from the Facility.

(e) Non-Performance Payment (NPP): The amount owed to the Agency if the Contractor fails to perform as required regarding Wrongfully Refused Waste, or to meet the Electrical Guarantee, the Ferrous Recovery Guarantee, or the Environmental Guarantees.

Non-Performance Payments for Wrongfully Refused Waste are assessed monthly and subject to annual reconciliation. They are calculated using a Service Agreement formula which compensates the Agency for its resulting costs and its lost tip fee, electrical sales and recovered materials revenues.

Any Non-Performance Payments for Contractor's failure to meet the Net Electrical Generation Guarantee are determined quarterly in the March, June, September and December Service Fee Calculations and are subject to annual reconciliation. They are calculated using a Service Agreement Formula and compensate the Agency for its costs and its share of the lost electrical sales revenue.

Any Ferrous Metals Non-Performance Payments are assessed and adjusted on the same schedule as the Net Electrical Generation Penalties. They are based on a Service Agreement formula which compensates the Agency for its resulting costs and its lost share of ferrous metal sales revenues.

(f) Pass Through Costs (PTC): Those Cost Substantiated costs that are specifically provided by the Service Agreement to be borne by the Agency.

(g) Residue Cost (RC): The sum of the total costs for the transportation and disposal or beneficial reuse of Process Residue.

(h) Residue Fee (RF): Payment due by Contractor for its share of Residue Cost (i.e., RC).

(i) Residue Tons (RT): Total wet Tons of Process Residue.

SUPPLEMENTAL ELECTRICAL COMPENSATION

The monthly Supplemental Electrical Compensation (SEC) is computed as follows:

$$\text{SEC} = (\text{TGM} \times \text{AF} \times \text{NAT}) + [0.25 \times (\text{UR} - \text{UE})]$$

Supplemental Electrical Compensation is computed using the following additional definitions:

(a) Turbine/Generator Operations and Maintenance Fee (TGM).

\$0.83 per Ton. A fee to be used for the sole purpose of maintaining and improving the operations of the Turbine/Generator. The Agency may request Cost Substantiation to confirm that these funds have been properly utilized or escrowed.

(b) Utility Expense (UE):

All expenses incurred by the Agency in connection with the sale of energy products.

(c) Utility Revenue (UR):

Total revenue received by the Agency for the energy related products generated by the Facility.

Adjustment Factor

The Base Service Fee, Turbine/Generator Operation Maintenance Fees and other fees and values specified in the Service Agreement are subject to a formula based cost of living adjustment each January 1.

ANNUAL RECONCILIATION AND ADJUSTMENT

Within 120 days following the end of each Contract Year, all records, weight tickets and payments, including NonPerformance Payments, are reconciled by a firm of independent public accountants selected and paid for by the Agency. The Annual Reconciliation may also result in other payments being owed to the Contractor, including a Guaranteed Annual Tonnage Shortfall Payment, an Agency Tonnage Shortfall Payment, a UCC Tonnage Shortfall Payment (a cost of living adjusted \$25 per Ton credit to the Contractor for processing Agency Excess Tons), and reimbursement to the Contractor for its Unacceptable Waste hauling and disposal cost in excess of \$10,000 per year.

If the Annual Reconciliation reveals that the Agency failed to deliver the Guaranteed Annual Tonnage, or there is an Agency Tonnage shortfall, the Contractor is made whole for the Service Fee and Supplemental Electrical Compensation it would otherwise have received.

CONTRACTOR REPORTS

The Contractor is required to submit monthly written reports and supporting documentation, as listed in the Service Agreement, to the Agency with respect to the operation and maintenance of the Facility and the administration of this Agreement, and other documentation which the Agency requests.

CAPITAL IMPROVEMENTS

Capital Improvements to the Facility may result from a Contractor request, an Agency request, or an Uncontrollable Circumstance.

Contractor-requested Capital Improvements require the submission of a project description, cost data, information regarding the impact on the Operations and Maintenance Manual, the need for the improvement and any proposed increases in the Performance or Environmental Guarantees which will result from the improvements.

Contractor requested improvements must meet several criteria listed in the Service Agreement. They are performed at the expense of the Contractor unless the parties otherwise agree. They require the Agency's consent, unless the proposed improvement is reasonably necessary for the Contractor to perform, is being done at Contractor expense, and the Facility's performance will not be impaired.

Agency proposed Capital Improvements and Capital Improvements resulting from the Uncontrollable Circumstances are paid for by the Agency, and the Performance and Environmental Guarantees, Service Fee and Electrical Generation Guarantees are to be adjusted.

INSURANCE, GUARANTEE AND SECURITY

Required Insurance Coverages

The Contractor is required to insure the premises and operations of the Facility and the Site using carriers qualified and admitted to do business in New York and rated "A" or better by A.M. Best. Non-admitted carriers may be used only if admitted carriers are not available and the parties agree. The minimum insurance coverages are as follows:

TYPE	MINIMUM COVERAGE
Disability Insurance	As Required by New York State
Worker's Compensation Insurance	As Required by New York State
Employer's Liability	Bodily Injury by accident: \$1,000,000 each accident. Bodily injury by Disease: \$1,000,000 policy limit. Bodily injury by Disease: \$1,000,000 each employee
Commercial General Liability, with, at a minimum, the following coverages: Premises-Operations; Independent Contractors and Subcontractors: Products/Completed Operations, Broad Form Property Damage; Contractual Liability (Broad Form) including Third Party Coverage; Explosion, Collapse, and Underground; Personal and Advertising Injury	Claims paid from first dollar General Aggregate per location \$2,000,000 Products/completed operations aggregate \$2,000,000 Per occurrence limit \$1,000,000 Personal and Advertising Injury limit \$1,000,000 Medical expense limit (any one person) \$10,000
Comprehensive Automobile Liability	Combined Single Limit of \$1,000,000 per occurrence with coverage provided for (1) owned motor vehicles (2) hired motor vehicles and (3) other non-owned vehicles
Excess Umbrella Liability	From the Service Commencement Date to December 31, 2020; \$25,000,000 limit. From January 1, 2021 through the end of the Term: \$30,000,000 limit. Contractor is responsible for the retention on non-following coverages without contribution from the Agency, County or Trustee.
Property insurance	All risk of Direct Physical Loss or Damage, including flood & earthquake, Ordinance or Law (demolition & increased cost of construction) Comprehensive Boiler & Machinery (equipment breakdown), on a replacement cost basis with agreed

	amount. \$50,000 deductible. Covering all Real and Personal Property including property within care, custody and control of the Contractor
Business Interruption and Extra Expense Insurance, on an Actual Loss Sustained basis including Contingent Business Interruption and soft costs; and Ordinance or Law Increased Period of Restoration	Business Interruption Insurance and Extra Expense Insurance on the Facility caused by the loss of revenues to the Facility arising from a covered loss that results in total or partial suspension of, or interruption in, the operation of the Facility due to an insured peril in an amount not less than that required to provide during any period of up to twelve calendar months the sum of (i) gross revenues required to be produced pursuant to the rate covenant under the Trust Indenture and (ii) amounts required for payment of any reasonable and covered extra expenses incurred by the Agency in connection with such suspension or interruption caused by an insured cause of loss. Subject to a 30-day deductible.

All coverages (except disability, worker's compensation, employer's liability, property and business interruption) shall designate the Agency, the Trustee, the County and the State as additional insureds as their interests may appear. The Agency shall be, however, a named insured on the Commercial General and Excess Umbrella coverages. These coverages shall be primary and without right of contribution. All property, auto, commercial general, and excess umbrella policies are to require advance notice of cancellation to the Agency. Waivers of subrogation are required. Copies of the policies or certificates are to be provided to the Agency, the Trustee and the County, and pre-expiration proof of renewal and premium payment is to be provided to the Agency.

Limitation on Liability

Subject to the exceptions noted below, in any Contract Year, Contractor's liability to the Agency in that Contract Year shall be limited to:

Contract Year	Amount	Contract Year	Amount
7/1/14 – 12/31/14	\$2,310,000	1/1/21 – 12/31/21	\$3,260,000
1/1/15 – 12/31/15	\$3,000,000	1/1/22 – 12/31/22	\$3,310,000
1/1/16 – 12/31/16	\$3,040,000	1/1/23 – 12/31/23	\$3,360,000
1/1/17 – 12/31/17	\$3,080,000	1/1/24 – 12/31/24	\$3,410,000
1/1/18 – 12/31/18	\$3,120,000	1/1/25 – 12/31/25	\$3,460,000
1/1/19 – 12/31/19	\$3,160,000	1/1/26 – 12/31/26	\$3,510,000
1/1/20 – 12/31/20	\$3,210,000	1/1/27 – 12/31/27	\$3,560,000

and for each Contract Year after December 31, 2027, \$3,560,000.

When applying these amounts for multiple Contract Years the aggregate limit of liability is the sum of the values for each applicable Contract Year beginning with the year of the breach.

However, there is no limit on the Contractor's liability to the Agency for the following:

- (i) losses incurred in performing its obligations under the Service Agreement;
- (ii) cost or expense to operate and maintain the Facility in accordance with the Service Agreement;
- (iii) indemnification claims related to liabilities for which there is no limitation of liability;

- (iv) any claims, losses and liabilities to third parties for death, personal injury or damage to property;
- (v) fines, penalties, costs or damages incurred as a result of the failure of the Contractor to meet the Environmental Guarantees, or any violation of environmental laws or resulting from the release of Hazardous Material by the Contractor;
- (vi) losses or liabilities for which Contractor has insurance coverage, or insurance coverage the Contractor should have had;
- (vii) costs or expenses as a result of a Contractor's failure to comply with its maintenance obligations;
- (viii) Contractor fraud;
- (ix) Contractor willful default; or
- (x) costs incurred as a result of the Contractor's violation of any statute, law, regulation or rule.

In no event shall either party be liable for special, incidental, consequential, punitive or similar damages in connection with the performance or non-performance of the Service Agreement.

Rights to Terminate

The Parties may terminate the Service Agreement for an Event of Default or for special circumstances as defined in the Service Agreement.

Events of Default by Contractor

Contractor Events of Default include:

- (a) Except for payment obligations, the failure to timely and substantially fulfill any material obligation under the Service Agreement, unless excused, following written notice of default to the Contractor and the failure of the Contractor to correct such default or to initiate correction within thirty days or, having initiated correction, failing to continue the correction.
- (b) Failure to make a payment due to the Agency within sixty days after written demand and notice that failure to pay will constitute an Event of Default, unless presented to the Independent Engineer for resolution.
- (c) Persistent and repeated failure, as defined in the Service Agreement, to perform its obligations under the Service Agreement.
- (d) Failure of the Contractor or the Guarantor to maintain or restore its solvency.

Event of Default by the Agency

Agency Events of Default include:

- (a) Except for payment obligations, the failure to timely and substantially fulfill any material obligation under the Service Agreement, unless excused, following written notice of default to the Agency and the failure of the Agency to correct such default or initiate correction within sixty days, or having initiated correction, failing to continue the correction.
- (b) Failure of the Agency to make any undisputed payment to the Contractor within sixty days after written demand with notice that failure to pay will constitute an Event of Default, unless presented to the Independent Engineer for resolution.

Termination for Events of Default

A Party electing to terminate the Service Agreement for an Event of Default shall give the other Party not less than thirty days notice unless sooner allowed by the Service Agreement.

If the Agency terminates for an Event of Default, the Contractor shall be liable to the Agency for all damages, including the Agency's expense in procuring a Facility operator, the expense of alternate waste disposal, and the cost to satisfy its Net Bond Indebtedness. The Contractor's liability upon a termination for an Event of Default shall not exceed any limit of liability (discussed above) for the Contract Year in which the termination occurs, or when applying these amounts for multiple Contract Years, the aggregate limit of liability for each Contract Year beginning with the year of the breach plus the aggregate of the limits of liability of each remaining Contract Year, except as to damages for which there is no limit.

If the Contractor terminates for an Event of Default the Agency shall pay the Contractor as liquidated damages (i) any costs, fees and expenses that the Agency owes the Contractor to the date of termination (ii) the amount indicated in Table 1 of Appendix P for the month in which the termination date occurs and (iii) the amount indicated in Table 2 of Appendix P in the month in which the termination date occurs (The "Agency Termination Payments"). The cancellation payment tables (Appendix P to the Service Agreement) are annexed hereto as APPENDIX G.

The calculation of the payments due shall be made initially by the Agency Engineer.

Special Terminations

Constructive Loss of the Facility

The Agency may terminate the Service Agreement if an Uncontrollable Circumstance materially damages the Facility or impairs its operation for at least 183 consecutive days. Upon such termination, the obligations of the parties shall cease except those that accrued prior to the date of the termination. If the Agency does not terminate and the condition continues for a total of 274 consecutive days, the Contractor may terminate. Upon such termination by either party, the obligations of the parties shall cease except those that accrued prior to the date of termination.

Agency Termination for Cost Increases Due to Uncontrollable Circumstances

The Agency may, on 90 days notice to the Contractor, terminate the Service Agreement if an Uncontrollable Circumstance causes the sum of the Service Fee per Ton and the Supplemental Electrical Compensation per Ton to increase more than 15%, or if multiple Uncontrollable Circumstances cause them to increase by more than 20%, during a Contract Year.

Upon such termination, the Agency shall pay the Contractor the amount in Table No. 2 of Appendix P for the month of the termination plus the Contractor's demobilization cost and expenses.

Contractor Termination for Cost Increases Due to Uncontrollable Circumstances

The Contractor may, upon 90 days written notice, terminate the Service Agreement if in a Contract Year the sum of the Service Fee per Ton and the Supplemental Electrical Compensation per Ton earned by the Contractor decreases as a result of an Uncontrollable Circumstance by 15% or more, or if in a Contract Year they increase by 20% or more than they would have been in that Contract Year as the result of multiple Uncontrollable Circumstances which have occurred since the Effective Date.

Upon such termination each party shall pay the other the costs, fees and expenses owed at the date of such termination, and no other payment shall be made.

Agency Right To Terminate For Convenience

The Agency may terminate the Service Agreement on 90 days notice for convenience, except to secure a replacement Facility operator. Upon such termination, the Agency shall pay the Contractor the Agency Termination Payment applicable in the month in which the termination becomes effective, and the Contractor shall bear its demobilization costs.

Transfer of Operations on Termination

If the Service Agreement is terminated by reason of Contractor Default or expires, the Contractor shall continue to operate the Facility and fully cooperate with the Agency for up to four months before and after termination. The Agency shall reimburse the Contractor for its Direct Costs of providing such post expiration or termination cooperation.

At termination or expiration, the Agency shall be entitled to possession of the Facility and the material in the pit, and the Contractor shall provide the Agency without charge a license to use all intellectual property required to operate the Facility, the final Agency Inventory and Agency Spare Parts Inventory, all software, records, data and supplies needed for the operation and maintenance of the Facility, all maintenance and supply contracts and such personnel training as is reasonably required, the Direct Cost of such training to be reimbursed to the Contractor.

Term

The initial term of the Service Agreement is through January 31, 2028, which term may be extended for two (2) one-year periods by the Agency, and then for a six-year and then a five-year term if agreed between the Parties.

Uncontrollable Circumstances

The failure of a party to perform any act required under the Service Agreement if caused by an Uncontrollable Circumstance is excused; but no Uncontrollable Circumstance shall excuse the Agency from timely payment of Debt Service on its bonds or the payment by either party of amounts already due. Each party shall use reasonable efforts to promptly overcome an Uncontrollable Circumstance and its effects.

To the extent that an Uncontrollable Circumstance (other than where Capital Improvements are required by reason of it) results in increased operating and maintenance costs, the Agency shall reimburse the same to the Contractor. If such Uncontrollable Circumstance results in decreased operating and maintenance costs, the Service Fee shall be reduced by the amount of such reduction.

The Agency shall be responsible for any cost of rehabilitation or reconstruction of the Facility caused by an Uncontrollable Circumstance.

A Party acquiring knowledge of an Uncontrollable Circumstance shall give notice to the other Party within twenty-four hours, and within ten days after the end of each month a party affected by an Uncontrollable Circumstance shall give the other written notice of the actual impacts of it and the measures taken to mitigate those impacts.

Contractor Records

The Agency and the County are entitled to access to all records relating to all materials, machinery, equipment and labor used by the Contractor in its performance of the Service Agreement, and the Agency may examine and audit such records upon notice until six months following the termination of the Service Agreement.

Dispute Resolution

The Service Agreement provides for the appointment of an Independent Engineer who shall have initial jurisdiction over payment and performance disputes having a total value of less than \$250,000.00. The determination of the Independent Engineer may be confirmed and entered as a judgment under New York's Civil Practice Law and Rules, Article 75 (Arbitration).

Disputes involving \$250,000.00 or more are to be resolved in the New York State Supreme Court, Dutchess County.

Indemnification

The Contractor is required to indemnify, defend and hold the Agency, State, County and Trustee ("Contractor Indemnified Parties") and their listed representatives harmless from all liability, losses, damages, penalties, fines and charges, including reasonable attorney's fees and expenses, relating to all Claims arising out of the Contractor's negligence, intentional misconduct or failure to perform under the Service Agreement, except to the extent that they are ultimately adjudged to be due to the negligence or willful misconduct of the Contractor Indemnified Party. The Contractor shall also be responsible for investigating, handling, litigating, negotiating and settling claims where an insurer is obligated to defend, even if the Claim is groundless, false or fraudulent.

The Agency is required to indemnify, defend and hold the Contractor and Wheelabrator Technologies, Inc., harmless on the same terms as the Contractor, except there is no reference to Claims resulting from activities taken at the direction of the Agency with respect to the improvement of the Facility or performance under the Power Sales Agreement.

GUARANTEE

Under the terms of the Guarantee Agreement ("Guarantee Agreement") from Wheelabrator Technologies, Inc. ("Guarantor"), a subsidiary of Energy Capital Partners, delivered on April 21, 2014, the Guarantor irrevocably and unconditionally guarantees to the Agency the full and prompt performance by the Contractor of all of the Contractor's obligations under the Service Agreement, including the full and punctual payment of the Contractor's payment obligations (collectively the "Guaranteed Obligations") up to any aggregate limit of the Contractor's liability under the Service Agreement. The Guarantor agrees that if, for any reason whatsoever, any of the Guaranteed Obligations are not paid or performed by the Contractor, after notice and demand to the Contractor, the Guarantor shall within ten business days of notice to it pay or cause to be paid, or commence performance or cause performance to be commenced and diligently continued. The Guarantee continues until the Guaranteed Obligations are indefeasibly performed and paid in full by the Contractor or Guarantor.

The Guarantor's obligations are absolute, and are several and not joint with the Contractor. They are primary obligations on which the Guarantor is the principal obligor, and they are obligations of payment and performance and not of collection. The Agency is not required to exhaust its remedies against the Contractor, initiate suit, or take other enforcement action before pursuing the Guarantor.

Pursuant to the Service Agreement the Contractor's obligations of payment and performance and the Guarantor's obligations are secured by a Letter of Credit in the amount of \$10,000,000.00 issued by BNP Paribas. The Guarantor may change the issuer of the Letter of Credit from time to time provided that the replacement issuer has a comparable credit rating and an office in the State and within 80 miles of the Facility.

When the Contractor has knowledge that the Guarantor's Tangible Net Worth has fallen below \$150,000,000.00, the Contractor is required to provide the Agency with a Step-Up Letter of Credit from a Qualified Commercial Bank in the amount of \$10,000,000.00, and maintain it until the Guarantor's net worth has been demonstrated to be more than \$150,000,000.00 for at least 365 consecutive days.

The Guarantor shall provide the Agency with its unaudited comparative financial statements, certified by its principal financial officer, within 120 days of the end of each fiscal year and within sixty days of the end of the other three fiscal quarters.

To draw on the Letter of Credit, the Agency must submit to BNP Paribas a certification that an Event of Default by the Contractor has occurred under the Service Agreement, that demand has been made on the Guarantor, and that the Guarantor has failed to pay the amount demanded in the time provided by the Guarantee.

POWER SALES AGREEMENT

The following summarizes certain provisions of the Power Sales Agreement. This summary is qualified in its entirety by reference to such agreement.

Sale of Electric Energy. The Agency makes available and sells, and Central Hudson accepts and purchases from the Agency during the term of the Power Sales Agreement, either the Facility's Gross Adjusted Energy Output or Net Adjusted Energy Output, at the Agency's option, subject to the terms, qualifications and provisions of the Power Sales Agreement. The Facility's Net Energy Output is being sold only on an as-available basis. The energy is made available by the Agency at the Interconnection Point. Upon six months' notice to Central Hudson, the Agency may add, and Central Hudson will be required to accept and purchase, the energy produced by (i) additional qualifying generating capacity up to a total of 10 MW or (ii) one additional processing line. Central Hudson is to be reimbursed for the costs resulting from their having to accept such additional energy.

Interconnection, Operation and Maintenance. Central Hudson has made Interconnection with the Facility. The Interconnection is designed to receive 20 MW of electricity. Central Hudson has provided, constructed and installed all Interconnection Equipment as specified in the Power Sales Agreement. The Agency has reimbursed Central Hudson for Interconnection Costs. Electric energy or capacity made available to Central Hudson by the Agency is measured by Metering Devices installed, owned and maintained by Central Hudson. Adjustments are made correcting measurements made by inaccurate or defective Metering Devices. The Agency pays a monthly charge to Central Hudson for Central Hudson's property taxes and operating and maintenance expenses incurred in connection with or properly allocable to the Interconnection Equipment.

Payments by Central Hudson. Central Hudson pays the Avoided Costs to the Agency for each Kilowatt-hour of energy made available by the Agency at the Interconnection, but not less than \$0.06/KWh. The Power Sales Agreement defines Avoided Costs as one of the following rates, at the Agency's option: (i) the State statutory minimum payment to cogeneration facilities, or (ii) a generally applicable rate for purchases of long-term power by Central Hudson from other qualifying cogeneration facilities, as established from time to time by tariff or by order of the Public Service Commission of the State or (iii) a generally applicable rate for purchases of short-term power by Central Hudson from other qualifying cogeneration facilities, as established from time to time by tariff or by order of the PSC. Payments are made on a monthly basis no later than 15 days after the end of the calendar month for which such payment is due. The Agency has opted to receive the rate specified in (iii) above.

Indemnification. Central Hudson indemnifies and holds the Agency harmless from damages, losses or expenses suffered or paid as a result of any and all claims incurred in litigation or otherwise, assessed, incurred or sustained by or against the Agency with respect to or arising out of (i) the acts or omissions of employees, representatives or other agents of Central Hudson or (ii) any and all liabilities for which Central Hudson is to remain liable as provided in the Power Sales Agreement. The amount owing to the Agency under the above indemnification provision will be the amount of the Agency's actual out-of-pocket loss net of any insurance or other recovery. To the extent permitted by law, the Agency will indemnify and hold Central Hudson harmless from damages, losses or expenses suffered or paid as a result of any and all claims incurred in litigation or otherwise, assessed, incurred or sustained by or against Central Hudson with respect to or arising out of the acts or omissions of employees, subcontractors, representatives or other agents of the Agency, provided that the Agency's obligations with respect to indemnification shall be identical to Central Hudson's obligations to the Agency.

Term. The Power Sales Agreement is effective through at least January 13, 2019 unless sooner terminated by the Agency.

Events of Default and Termination. The occurrence of any of the following events constitutes an event of default entitling the non-defaulting party to terminate the Power Sales Agreement without liability: (a) failure to make payments and such failure continues for 20 days after notice demanding payment; (b) failure to observe or perform any other term, covenant, condition or agreement contained in the Power Sales Agreement and such failure continues for 30 days after notice demanding that it be remedied; or (c) bankruptcy or insolvency or failure to meet debts in the ordinary course of business, provided that the Power Sales Agreement shall not be terminated pursuant to this clause if, within 10 days after this receipt of a termination notice from Central Hudson, the Agency, the Agency as debtor in possession or the Agency's trustee, receiver or custodian, whichever is obligee, affirms the Power Sales Agreement in writing. If Central Hudson defaults, the Agency has the right to transmit electricity on Central Hudson's system from the Facility to any electric utility, municipality or other entity the Agency may designate from among such entities interconnected with Central Hudson, to the extent sufficient transmission capacity is available, does not jeopardize the reliability of the Central Hudson system and is consistent with Central Hudson's service obligations under State and federal law. Such transmission is to be provided under Central Hudson third-party transmission arrangements, or under other rates and conditions that may be reasonable under circumstances subject to approval of the regulatory agencies having jurisdiction over wheeling transactions. The Power Sales Agreement shall, unless otherwise terminated, continue in effect through at least January 13, 2019. The Agency may terminate the Power Sales Agreement by giving notice to Central Hudson at least 180 days prior to January 13, 2018. Either party may terminate by giving notice 180 days prior to January 13, 2019.

Force Majeure. Neither Central Hudson nor the Agency is liable under the Power Sales Agreement for inability to perform its obligations from any unforeseeable cause which is beyond such party's reasonable control and without the fault or negligence of the party claiming Force Majeure and which, by the exercise of due diligence, the party is unable to prevent or overcome. The Power Sales Agreement definition of Force Majeure includes, but is not limited to, acts of God, strikes, wars, riots, arrests and restraints of rules and people, explosions, fires, floods, lightning or accidents to equipment or machinery. The settlement of labor disputes is to be entirely within the discretion of the party having the difficulty.

Other Agreements

The Agency is party to a contract for the transportation and beneficial use of its Process Residue with Panichi Holding Corp. and Capital Region Landfills Inc., the operator of the Colonie Landfill. Under this contract, the Agency's Process Residue is hauled to the Colonie Landfill, located near Albany, New York, where it is used as alternative daily cover for landfill waste. The use of the Agency's Process Residue as alternative daily cover is approved under a Beneficial Use Determination issued by the New York State DEC. This Contract is effective through June 30, 2018.

The Agency's contract with Upstate Shredding for the pickup, transportation, processing and marketing of the ferrous materials which are recovered from the Facility's Process Residue is effective through February 28, 2020. During 2016 this Contract resulted in revenues to the Agency of \$449,776.

The Agency's "Put or Pay" contract with Panichi Holding Corp., d/b/a Royal Carting Service to have Panichi supply the Agency with Processible Solid Waste for the Agency Facility is effective through December 31, 2018. Under this contract Panichi Holding is required to provide the Agency with 130,000 tons of Processible Waste per year.

SUMMARY OF THE GENERAL RESOLUTION AND CERTAIN PROVISIONS OF THE SERIES 2017 RESOLUTION

The following summarizes certain provisions of the General Resolution and the Series 2017 Resolution. This summary is qualified in its entirety by reference to the General Resolution and the Series 2017 Resolution.

GENERAL RESOLUTION

DEFINITIONS AND CONSTRUCTION

General Resolution Constitutes a Contract: Obligation of General Resolution and Bonds. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the General Resolution by those who shall hold the same from time to time: (i) the General Resolution shall be deemed to be and shall constitute a contract among the Agency, the Trustee and the Owners from time to time of the Bonds; (ii) the pledge of the Funds, Accounts, Revenues, Assigned Documents and other moneys, rights and interests made herein and the covenants and agreements set forth herein to be performed by and on behalf of the Agency shall be for the equal and ratable benefit, protection and security of the Owners of any and all of the Bonds, all of which regardless of the time or times of their issue or maturity shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof, except as expressly provided in or permitted by the General Resolution; and (iii) the Bonds shall be special obligations of the Agency payable solely from the moneys, rights and interests pledged therefore in the General Resolution.

Pledge Effected by Resolution. There are hereby pledged for the payment of the Principal Amount or Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the General Resolution, and the Bond owners are hereby granted an express Lien on, the following items (some of which no longer apply to the Agency's operations): (i) the unexpended proceeds of the Bonds held by the Trustee under the General Resolution, (ii) all of the Agency's right to receive and enforce payment of the Revenues and all of the Agency's right to Revenues held by it prior to delivery thereof to the Trustee, (iii) all rights and remedies of the Agency under and pursuant to the Disposal Service Agreement, the Service Agreement, the Energy Sales Agreements, the Service Guarantee, the Recovered Materials Sales Agreements (not applicable to the Agency's current operations), the Recyclables Sales Agreements (not applicable to the Agency's current operations), the MRF Service Agreement (not applicable to the Agency's current operations), the MRF Disposal Service Agreement (not applicable to the Agency's current operations), any Landfill Capacity Agreement (not applicable to the Agency's current operations), together with all extensions and renewals of the terms thereof, if any, and all right, title and interest of the Agency therein, including, but without limiting the generality of the foregoing, the present and continuing right (A) to make claim for, collect, receive and receipt for any of the moneys, income, revenues, issues, profits and other amounts payable or receivable thereunder, (B) to bring actions and proceedings thereunder or for the enforcement thereof, (C) to do any and all things which the Agency or any other person is or may become entitled to do under the Disposal Service Agreement, the Service Agreement, the Energy Sales Agreements, the Service Guarantee, the Recovered Materials Sales Agreements, the Recyclables Sales Agreements (not applicable to the Agency's current operations), the MRF Service Agreement (not applicable to the Agency's current operations), the MRF Disposal Service Agreement (not applicable to the Agency's current operations), any Landfill Capacity Agreement (not applicable to the Agency's current operations), and such other agreements as shall become subject to the Lien of the General Resolution, (iv) all moneys and securities from time to time held by the Agency in the Operating Fund under the terms of the General Resolution, (v) all moneys and securities from time to time held by the Trustee under the terms of the General Resolution for the benefit of the owners of the Bonds, including, without limitation, the Project Fund, the Revenue Fund, the Operating Fund, the Debt Service Fund, the Debt Service Reserve Fund and the General Reserve Fund, including all moneys therein, investments thereof, and income and gain realized thereon; subject, however, to the application thereof to the uses and in the manner set forth in the General Resolution, (vi) any and all other Property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder by the Agency or by anyone on its behalf or with its written consent in favor of the Trustee, which is authorized by the General Resolution to receive any and all such Property at any and all times and to hold and apply the same subject to the terms hereof; PROVIDED, HOWEVER, that, (a) Excepted Payments and Unassigned Rights are not assigned, (b) so long as no Event of Default shall have occurred and be continuing, the Agency shall have the right, without the consent of the Trustee, to exercise all rights of the "Agency" (however denominated in such

Assigned Document) under any Assigned Document, and (c) whether or not an Event of Default shall have occurred hereunder the Agency shall retain, but not to the exclusion of the Trustee, all rights to receive notice under any Assigned Document and all other rights with respect to which rights have been granted to both the Agency and the Trustee under any Assigned Document; subject in all cases to the pledges made to the owners of the Prior Lien Bonds and to the provisions of the General Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth herein. It is the intention of the Agency that, to the fullest extent permitted by law, the pledge shall be valid and binding from the time when it is made, that the Revenues, moneys, securities and other funds so pledged and then or thereafter received by the Agency shall immediately be subject to the Lien of such pledge without any physical delivery or further act, and that the Lien of such pledge and the obligation to perform the contractual provisions herein contained shall have priority over any or all other obligations and liabilities of the Agency with the exception only of the pledges made to the owners of the Prior Lien Bonds, and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice thereof.

Custody and Investment of Funds

Creation of Funds and Accounts. Except as provided in the General Resolution, the Agency has established and created with the Trustee the following trust Funds and Accounts within such Funds; which Funds and Accounts shall, except as provided in the General Resolution, be held, maintained and administered by the Trustee on behalf of the Agency in accordance with the General Resolution:

- (i) the Project Fund, within which there shall be created the Costs of Issuance Account;
- (ii) the Revenue Fund;
- (iii) the Operating Fund;
- (iv) the Debt Service Fund, consisting of:
 - (A) the Interest Account,
 - (B) the Principal Account, and
 - (C) the Redemption Account;
- (v) the Debt Service Reserve Fund;
- (vi) the Reserve and Contingency Fund;
- (vii) the General Reserve Fund; and
- (viii) the Rebate Fund

The Trustee may establish such Accounts or sub-Accounts with respect to each Series of Bonds as it shall determine to be necessary or desirable.

The Operating Fund, and any Account within the Operating Fund, shall be held, maintained and administered by the Agency in accordance with the terms of the General Resolution. The Agency may establish such Accounts or sub-Accounts within the Operating Fund with respect to each Series of Bonds as it shall determine to be necessary or desirable. All moneys held by the Agency in the Operating Fund shall, notwithstanding any ability under law to invest in obligations or securities other than Qualified Investments, be invested in Qualified Investments.

Moneys to be Held in Trust. All moneys deposited with, paid to or received by the Trustee for the account of the Agency shall be held by the Trustee, and all moneys held by the Agency (including all Revenues, other than Excepted Payments, and all moneys held in the Operating Fund) shall be held by the Agency, in trust for the benefit of the Owners of the Bonds and shall be subject to the Lien of the General Resolution and held for the security of all Owners of the Bonds until paid in full; subject, however, in each case to use and application thereof as provided herein, and provided, however, that any moneys which have been deposited with, paid to or received by

the Trustee (i) for the redemption of a portion of the Bonds, notice of the redemption of which has been given, or (ii) for the payment of Bonds or interest thereon due and payable otherwise than upon acceleration by declaration, shall be held in trust for and subject to a Lien in favor of only the Owners of such Bonds so called for redemption or so due and payable.

Project Fund. There shall be deposited in the Project Fund any and all amounts required to be deposited therein pursuant to the provisions of any Series Resolution and all amounts otherwise required to be deposited therein pursuant to the General Resolution or to any Assigned Document. In particular, the net income, interest or gain received and collected from investments in the Project Fund shall be retained in the Project Fund.

The Trustee shall apply the amounts in the Project Fund to pay the following items of cost and expenses in connection with each Project and for no other purpose: (A) the cost of preparing the plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof), (B) all costs of acquiring (including options to acquire), constructing and installing the Project (including architectural, engineering and supervisory services with respect thereto), (C) all fees, taxes, charges and other expenses for recording or filing, as the case may be, any agreements contemplated hereby, the General Resolution, any Series Resolution, any financing statements and any title curative documents that the Agency or the Trustee may deem desirable in order to perfect or protect the title to any Project and any security interest contemplated by the General Resolution or any Series Resolution, (D) any fees or expenses in connection with any actions or proceedings that the Agency or the Trustee may deem desirable in order to perfect or protect the title to any real property being acquired, (E) the cost of all insurance maintained with respect to the Project during the Project Development Period for the Project, (F) any taxes and assessments with respect to such Project during the Project Development Period for the Project, (G) interest payable on the Series of Bonds issued to finance the Project during the Project Development Period for the Project, (H) the cost of all Credit Enhancement fees maintained with respect to the Series of Bonds issued to finance the Project, (I) all legal, accounting, financial advisory, investment banking, rating agency, blue sky and any other fees, discounts, costs and expenses incurred in connection with the preparation, printing, reproduction, authorization, issuance, execution, sale and distribution of the Series of Bonds issued to finance any portion of a Project, the Series Resolution relating thereto, the Assigned Documents, the General Resolution and all other documents in connection herewith, with the acquisition of title to (or options to acquire title to) the Project and with any other transaction contemplated by the General Resolution and the Series Resolution relating to the Series of Bonds issued to finance the Project, and (J) the fees and expenses of the Trustee (as Trustee, Bond Registrar and Paying Agent), including its initial or acceptance fee, counsel fees and those of any additional paying agents under the General Resolution and the Series Resolution relating to the Series of Bonds issued to finance the Project incurred during the Project Development Period for the Project.

The Trustee is authorized and directed to issue its checks or to otherwise transfer funds for each disbursement from the Project Fund (except any fees payable to the Trustee) upon receipt of a written requisition therefore submitted to the Trustee and signed by an Authorized Representative of the Agency. Such requisition shall state with respect to each payment to be made: (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment or reimbursement is due, (iii) the amount to be paid, (iv) that each item of cost or expense to which such requisition relates is a proper charge against the Project Fund, is unpaid or unreimbursed, and has not been the basis of any previous disbursement from Bond proceeds, (v) that there is no condition, event or act which constitutes an Event of Default under the General Resolution or which, with notice or lapse of time or both would constitute such an Event of Default, and (vi) that payment of the amounts specified in the requisition, when added to all other payments made from the Project Fund from the proceeds of Bonds (other than for issuance costs), will not result in less than the required percentage of the proceeds of such Bonds disbursed from the Project Fund being used to provide property constituting "solid waste disposal facilities" within the meaning of the Code.

Upon the filing of the certificate of an Authorized Representative of the Agency and the written opinion of the Independent Engineer in accordance with the General Resolution, the balance in the Project Fund of the moneys intended to finance such Project which are in excess of the amount, if any, stated in such certificate as required for the payment of any remaining part of the Costs of a Project shall be deposited by the Trustee in the following order:

(1) to the extent that the amount in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, in the Debt Service Reserve Fund;

- (2) to the extent of any remaining amounts, in the Redemption Account of the Debt Service Fund.

Thereafter, upon payment of all the costs and expenses incident to the Project as evidenced by a certificate of an Authorized Representative of the Agency delivered to the Trustee, any balance in the Project Fund shall be deposited in the Redemption Account of the Debt Service Fund. The Trustee shall pay from the Costs of Issuance Account, or, if the amount in such Account is insufficient therefore, from the balance of the Project Fund, any costs of issuance not otherwise paid or provided for. When all costs of issuance of the Bonds have been paid or provided for, the Trustee shall transfer any excess moneys in the Costs of Issuance Account to the Project Fund.

All Net Proceeds of insurance and of any award in Condemnation relating to the System shall be paid into the Project Fund. The Trustee, upon receipt of a certificate of an Authorized Representative of the Agency that payments are required for such purpose, shall apply so much as may be necessary of the Net Proceeds of such insurance or Condemnation award to the payment of the costs of such replacement, repair, rebuilding or restoration of the System, either on completion thereof or as the work progresses, at the option of the Agency. The Agency shall not be obligated to restore the System, and the Net Proceeds of the insurance or any Condemnation award shall not be so applied if the Agency shall provide the Trustee with a certificate of an Independent Engineer to the effect that in the opinion of such Independent Engineer it is not practical to restore the System within one (1) year from the date of damage or condemnation, in which case such Net Proceeds shall be deposited in the Redemption Account of the Debt Service Fund.

Any surplus Net Proceeds remaining in the Project Fund after the completion of all payments for the restoration, repair, relocation or reconstruction of the System with respect to any event of damage, destruction or condemnation, (i) if no Bonds shall be Outstanding, shall be paid over to the Agency free and clear of any pledge or lien hereunder, or (ii) if Bonds shall be Outstanding, shall be deposited in the Redemption Account of the Debt Service Fund.

In the event of the failure of the Agency to meet the requirements of the preceding paragraphs, all amounts deposited into the Project Fund pursuant to the General Resolution shall be deposited in the Redemption Account of the Debt Service Fund.

Revenue Fund. All Revenues and other moneys payable to the Agency pursuant to any Assigned Document and any other moneys which are required to be deposited in the Revenue Fund shall be promptly (and in no event later than two (2) weeks after receipt thereof) paid over or caused to be paid over by the Agency to the Trustee for deposit to the credit of the Revenue Fund if expressly so provided in the General Resolution or otherwise.

Subject to the provisions of and unless otherwise provided in the General Resolution, moneys in the Revenue Fund shall be deposited by the Trustee not less often than monthly and in the following order of priority:

- (1) into the Operating Fund, an amount certified by an Authorized Representative of the Agency as necessary to make the amount on deposit therein (exclusive of moneys then on deposit needed to pay unbilled expenses) equal to the Operating Fund Requirement for the next calendar month;

- (2) into the Debt Service Fund, the amount which shall cause the amount in such fund to equal Accrued Debt Service;

- (3) into the Debt Service Reserve Fund, the amount required which shall cause the amount in such fund to equal the Debt Service Reserve Fund Requirement;

- (4) into the Reserve and Contingency Fund, the amount required which shall cause the amount in such fund to equal the Reserve and Contingency Fund Requirement;

- (5) into the General Reserve Fund, the amount required by equal to the balance remaining in the Revenue Fund.

Debt Service Fund. (a) the Trustee shall promptly deposit the following receipts in the Debt Service Fund:

(1) Any amounts required pursuant to the General Resolution or any Series Resolution to be deposited therein from the proceeds of the Bonds, which shall be credited to the Interest Account.

(2) Excess amounts in the Project Fund required to be deposited in the Redemption Account of the Debt Service Fund pursuant to the General Resolution which shall be credited to a special subaccount of the Redemption Account of the Debt Service Fund as provided in the General Resolution.

(3) Any other amounts required to be paid to the Debt Service Fund for payment of Principal Amount and interest due on the Bonds, which shall be credited to the Principal Account and Interest Account, respectively, of the Debt Service Fund.

(4) Payments made by the Facility Operator (or by the Guarantor under the Service Guarantee in respect of such payments) under Article 10.4 of the Service Agreement.

(5) All amounts of net income or gain received from the investments of moneys in the Debt Service Fund.

(6) Any amount attributed to insurance proceeds or any Condemnation award which have been transferred to the Redemption Account from the Project Fund.

(7) All other amounts when and if required by any Assigned Document or by any subsequent agreement with respect to a Project or by the General Resolution to be paid into the Debt Service Fund, which shall be credited (except as provided in the General Resolution) to the Redemption Account of the Debt Service Fund.

Except as otherwise expressly provided in the General Resolution, moneys in the Debt Service Fund shall be used solely for the payment, when due, of Debt Service Payments on the Bonds, including payments pursuant to a Liquidity Facility or for the purchase or redemption of Bonds as provided in the General Resolution.

The Trustee shall on each Interest Payment Date on the Bonds pay or cause to be paid out of the Interest Account in the Debt Service Fund the interest due on the Bonds. Interest due on the Bonds shall be paid by the Trustee by check or draft mailed to each Owner of the Bonds, except that payment of interest on redemption of Bonds shall be made only upon presentation and surrender of such Bonds as provided in the General Resolution. The Trustee shall pay out of the Interest Account of the Debt Service Fund or the Revenue Fund any amounts required for the payment of accrued interest upon any purchase or redemption (including any mandatory Sinking Fund Installment redemption) of Bonds.

The Trustee shall on each Principal Payment Date pay or cause to be paid to each Owner of Serial Bonds out of the Principal Account of the Debt Service Fund, the Principal Amount, if any, due on such Serial Bonds, upon the presentation and surrender thereof as provided in the General Resolution.

The Trustee shall on each Principal Payment Date pay or cause to be paid to each Owner of Term Bonds out of the Principal Account of the Debt Service Fund, the Redemption Price of such Term Bonds, upon the presentation and surrender thereof as provided in the General Resolution.

The Agency shall receive a credit in respect of Sinking Fund Installments for any Term Bonds which are subject to mandatory Sinking Fund Installment redemption and which are delivered by the Agency to the Trustee on or before the forty-fifth (45th) day next preceding any Principal Payment Date which prior to said date have been purchased pursuant to the provisions of the General Resolution or redeemed (otherwise than through the operation of the Principal Account) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment. Each Term Bond so delivered, canceled or previously purchased or redeemed shall be credited by the Trustee at one hundred percent (100%) of the Principal Amount thereof against the obligation of the Agency on such Term Bonds of such maturity and the Principal Amount of such Term Bonds to be redeemed by operation of

the Principal Account on the due date of such Sinking Fund Installment shall be reduced accordingly, and any excess over such Principal Amount shall be credited against future Sinking Fund Installments in direct chronological order.

The Agency shall on or before the forty-fifth (45th) day next preceding each Principal Payment Date furnish the Trustee with a certificate of an Authorized Representative of the Agency indicating whether or not and to what extent the provisions of this the preceding paragraph are to be availed of with respect to such Sinking Fund Installment payment, stating, in the case of the credit provided for, that such credit has not theretofore been applied against any Sinking Fund Installment and confirming that immediately available cash funds for the balance of the next succeeding prescribed Sinking Fund Installment payment will be paid on or prior to the next succeeding Principal Payment Date.

The Trustee shall take all action required by the General Resolution or any Series Resolution to effect the timely redemption of Term Bonds subject to mandatory Sinking Fund Installments and shall call, in the manner provided in Article III of the General Resolution, for redemption of such Term Bonds in a Principal Amount equal to the Sinking Fund Installment then due with respect to such Bonds (accrued interest on such Bonds being payable from the Interest Account of the Debt Service Fund or the Revenue Fund). Said call for redemption shall be made even though at the time for mailing of the notice of such redemption sufficient moneys therefore shall not have been deposited in the Principal Account of the Debt Service Fund.

The Trustee shall take all action required by the General Resolution or any Series Resolution to effect the timely redemption of Bonds subject to redemption hereunder or thereunder and shall call for redemption of such Bonds in the manner provided in Article III of the General Resolution.

Subject to the provisions of the General Resolution, amounts in the Redemption Account of the Debt Service Fund shall be applied, as promptly as practicable, at the written direction to the Trustee from an Authorized Representative of the Agency, to the purchase of Bonds at prices not exceeding the Redemption Price thereof applicable on the next redemption date upon which Bonds are subject to redemption at the option of the Agency plus accrued interest. Any amount in the Redemption Account of the Debt Service Fund not so applied to the purchase of Bonds by forty-five (45) days prior to the next date on which the Bonds are so redeemable, shall be applied to the redemption of Bonds on such redemption date; provided that if such amount aggregates less than \$100,000, it need not then be applied to such redemption. The Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the General Resolution.

Investment earnings on amounts in the Redemption Account of the Debt Service Fund not required to be retained therein for the redemption or purchase of Bonds shall be deposited in the Revenue Fund. Amounts in said Redemption Account of the Debt Service Fund to be applied to the redemption of Bonds shall be applied on or after such redemption date to the payment of the Redemption Price of the Bonds being redeemed upon presentation and surrender of the requisite Bonds as provided in the General Resolution.

Moneys in the Debt Service Fund or the Revenue Fund prior to the transfer thereof to the Debt Service Fund shall be used by the Trustee, upon request of an Authorized Representative of the Agency, to purchase Bonds on the most advantageous terms obtainable with reasonable diligence, provided that no such purchase shall be made:

- (1) if an Event of Default under the General Resolution of which the Trustee has notice as provided in the General Resolution has occurred and is continuing; or
- (2) between the date notice of redemption has been given in accordance with the General Resolution and the redemption date specified therein, of Bonds which have been noticed for redemption pursuant to such notice; or
- (3) if the amount expected to be on deposit in the Debt Service Fund, after giving effect to such purchase, is less than the amount required for the payment of the Principal Amount or Redemption Price of Bonds theretofore matured or called for redemption, plus interest thereon to the date of maturity or the redemption date, as the case may be, in all cases where such Bonds have not been presented for payment; or

(4) at a price in excess of that specified by the Agency in its request to the Trustee, plus accrued interest to the date of purchase.

In connection with purchases of Bonds out of the Debt Service Fund as provided in the preceding paragraphs, the Trustee shall negotiate or arrange for such purchases in such manner (through brokers or otherwise, and with or without receiving tenders) as it shall in its discretion determine after notice to and upon the advice of the Agency. The payment of the purchase price shall be made out of the moneys deposited in the Redemption Account of the Debt Service Fund and the payment of accrued interest shall be made out of moneys deposited in the Interest Account of the Debt Service Fund or the Revenue Fund.

If on any Interest Payment Date, redemption date or Principal Payment date, the amount of money in the Debt Service Fund shall be less than the amount of the interest, the Redemption Price or the Principal Installment then due and payable on the Bonds, as the case may be, in each case after giving effect to all deposits made from the Revenue Fund pursuant to the General Resolution, the Trustee shall make up the deficiency by transferring moneys from the General Reserve Fund, from the Reserve and Contingency Fund, and from the Debt Service Reserve Fund.

Moneys deposited in the Debt Service Fund from excess amounts in the Project Fund in accordance with the provisions of the General Resolution (i) shall be held by the Trustee in a special subaccount of the Redemption Account, (ii) shall be used (A) to buy Bonds, (B) to redeem Bonds to the greatest extent possible and at the earliest possible redemption date (except that the Agency shall not be required to redeem Bonds if such redemption requires the payment of a call premium) or (C) to pay that portion of the annual payment principal Amount due on the Bonds which bears the same ratio to the total annual Principal Amount due as the original amount transferred bears to the original face amount of the Bonds, (iii) shall, until used to redeem or purchase Bonds pursuant to (ii), be invested in Qualified Investments at a "yield" that does not exceed the "yield" on the Bonds (within the meaning of, and determined in accordance with, Section 148 of the Code) and (iv) may not be used for the payment of interest on the Bonds. Unexpended Net Proceeds of any Series of Bonds remaining after the Completion Date deposited in the Redemption Account shall be held by the Trustee in a special subaccount in the Redemption Account and applied towards the Redemption Price of the Bonds. Until used to make Debt Service Payments on the Bonds, such amounts shall, if required by the Agency, be invested in Qualified Investments at a "yield" that does not exceed the "yield" on the Bonds (within the meaning of, and determined in accordance with Section 148 of the Code). On the Completion Date for any Project, the Trustee shall, to the extent that the amount on deposit in the Interest Account representing proceeds of the Series of Bonds relating to such Project when taken together with all prior withdrawals from the Interest Account exceeds the interest accrued on the Bonds to the Completion Date for such Project, transfer such excess to the Redemption Account of this Debt Service Fund to the extent of any remaining excess.

Debt Service Reserve Fund. On or before each Bond Payment Date, the Trustee shall transfer from the Revenue Fund into the Debt Service Reserve Fund the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement. The Trustee shall notify the Bond Insurer of any such deposits to the Debt Service Reserve Fund.

If on any Interest Payment Date, date of redemption or Principal Payment Date the amount of money in the Debt Service Fund shall be less than the amount of the interest, the Redemption Price or the Principal Installment then due and payable on the Bonds, as the case may be, in each case, after giving effect to all deposits into the Debt Service Fund made from the Revenue Fund and taking into account any transfers of money into the Debt Service Fund from the General Reserve Fund and the Reserve and Contingency Fund as required by the General Resolution, the Trustee shall transfer moneys from the Debt Service Reserve Fund to the Debt Service Fund to the extent necessary to satisfy any such deficiency. The Trustee shall reimburse the Debt Service Reserve Fund from the Revenue Fund hereof for any such transfer and, to the extent the amount in the Revenue Fund is insufficient therefore, from the General Reserve Fund and from the Reserve and Contingency Fund.

If on the Principal Payment Date in any Bond Year, the amount in the Debt Service Reserve Fund is more than the Debt Service Reserve Fund Requirement, the excess shall be transferred to the Revenue Fund for application as provided in the General Resolution. The Trustee shall, at the times and in the amounts directed by the Agency, transfer from the Debt Service Reserve Fund to the Revenue Fund investment earnings from the Debt Service Reserve Fund for the purpose of making the calculation required by the General Resolution. The Trustee

shall notify the Bond Insurer of any transfers from the Debt Service Reserve Fund pursuant to the preceding paragraph.

Operating Fund. Not later than the fifteenth (15th) day of each calendar month, the Trustee shall transfer from the Revenue Fund into the Operating Fund an amount certified by an Authorized Representative of the Agency as necessary to make the amount on deposit therein (exclusive of moneys then on deposit needed to pay unbilled expenses) equal to the Operating Fund Requirement for the next calendar month.

The Agency may withdraw moneys from the Operating Fund to pay reasonable and necessary Operating Expenses. Amounts in the Operating Fund which the Agency at any time determines to be in excess of the requirements of such Fund shall be transferred to the Revenue Fund.

Reserve and Contingency Fund. On or before each Bond Payment Date, the Trustee shall transfer from the Revenue Fund into the Reserve and Contingency Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Reserve and Contingency Fund Requirement.

If on any interest payment date, redemption date or Principal Payment Date, the amount of money in the Debt Service Fund shall be less than the amount of the interest, the Redemption Price or the Principal Installment then due and payable on the Bonds, as the case may be, in each case, after giving effect to all deposits into the Debt Service Fund made from the Revenue Fund and taking into account any transfers from the General Reserve Fund, the Trustee shall transfer moneys from the Reserve and Contingency Fund to the Debt Service Fund to the extent necessary to satisfy any such deficiency.

Subject to the provisions of the preceding paragraph, if on the fifteenth (15th) day of each calendar month, the amount of money in the Operating Fund shall be, after giving effect to all deposits into the Operating Fund and taking into account any transfers from the General Reserve Fund less than the Operating Fund Requirement, the Trustee shall transfer from the Reserve and Contingency Fund the amount, if any, necessary to make the amount on deposit therein equal to the Operating Fund Requirement. If at any time there is a deficiency in the Debt Service Reserve Fund, after giving effect to all deposits into the Debt Service Reserve Fund made from the Revenue Fund and taking into account any transfers from the General Reserve Fund, the Trustee shall transfer moneys from the Reserve and Contingency Fund to the Debt Service Reserve Fund to the extent necessary to satisfy any such deficiency.

The Trustee shall reimburse the Reserve and Contingency Fund from the Revenue Fund for any such transfer from the Reserve and Contingency Fund to the Debt Service Fund, the Operating Fund or the Debt Service Reserve Fund and, to the extent the amount in the Revenue Fund is insufficient therefore, from the General Reserve Fund as provided in the General Resolution.

Subject to the provisions of the foregoing paragraphs, moneys remaining in the Reserve and Contingency Fund may be applied to the acquisition or replacement of land and depreciable property of and to make extraordinary repairs, replacements, renovations or improvements to any component of the System. All payments from the Reserve and Contingency Fund to defray such extraordinary costs shall be made by the Trustee, upon receipt by the Trustee of a certificate of the Agency signed by an Authorized Representative thereof setting forth in reasonable detail the payments so to be made and that such payments are properly payable from funds held by the Trustee in the Reserve and Contingency Fund.

If on the Principal Payment Date in any Bond Year, the amount in the Reserve and Contingency Fund is greater than the Reserve and Contingency Fund Requirement, the excess shall be transferred to the Revenue Fund for application as provided in the General Resolution.

General Reserve Fund. On or before each Bond Payment Date, the Trustee shall transfer from the Revenue Fund into the General Reserve Fund an amount equal to the balance remaining in the Revenue Fund at the close of business on such Bond Payment Date after giving effect to the transfers specified in the General Resolution. The moneys in the General Reserve Fund shall be applied in the following order of priority:

(1) to the extent moneys in the Revenue Fund are insufficient to make a payment as provided in the General Resolution, moneys in the General Reserve Fund shall be applied to such payment; the priority of payments within this clause shall be the same as the priority of such payments under from the Revenue Fund;

(2) so long as there is no Event of Default hereunder, any amounts remaining in the General Reserve Fund on January 5 of each year shall be paid to the Agency to be used for any other lawful purpose.

Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bond Owner or any other person other than as set forth in the General Resolution.

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Officer of the Agency, shall deposit in the Rebate Fund on the first day of each Bond Year after the first Bond Year, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the prior Bond Year. The amount deposited in the Rebate Fund pursuant to the previous sentence shall be deposited from amounts withdrawn from the Revenue Account, and to the extent such amounts are not available in the Revenue Account, directly from earnings on the Accounts.

Amounts on deposit in the Rebate Fund shall be invested in the same manner as amounts on deposit in the Funds and Accounts, except as otherwise specified by an Authorized Officer of the Agency to the extent necessary to comply with the covenant set forth in the General Resolution, and except that the income or interest earned and gains realized in excess of losses suffered by the Rebate Fund due to the investment thereof shall be deposited in or credited to the Rebate Fund from time to time and reinvested.

In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Officer of the Agency, shall withdraw such excess amount and deposit it in the Revenue Account.

The Trustee, upon the receipt of written instructions and certification of the Rebate Amount from an Authorized Officer of the Agency, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series of Bonds for which a Rebate Amount is required, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to each Series of Bonds for which a Rebate Amount is required as of the date of such payment, and (ii) not later than sixty (60) days after the date on which all Bonds of a Series for which a Rebate Amount is required have been paid in full, one hundred percent (100%) of the Rebate Amount as of the date of payment.

Investment of Funds and Accounts. Amounts in the Project Fund, the Revenue Fund, the Operating Fund, the Debt Service Fund, the Reserve and Contingency Fund and the Debt Service Reserve Fund and any Account thereof, shall, if and to the extent then permitted by law, be invested and reinvested in Qualified Investments. The Trustee may make any and all such investments from or through its own bond department. All investments shall be made by the Trustee at the written request of an Authorized Representative of the Agency, except that the Trustee may at any time sell or otherwise reduce to cash a sufficient amount of such investments whenever the cash balance in any such Fund or Account is insufficient for the purposes thereof. Any such investments shall be held by or under control of the Trustee and shall be deemed at all times a part of the Fund or Account for which such moneys are invested. Such investments of amounts in the Project Fund shall mature in such amounts and at such times as may, in the reasonable judgment of such Authorized Representative of the Agency, be necessary to provide funds when needed to make payments from such Fund. Such investments of amounts in the Operating Fund, the Debt Service Fund, the Reserve and Contingency Fund or the Revenue Fund shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payment from such Funds or any Account within such Funds, provided, however, there shall be at all times, except to the extent provided in the General Resolution, cash or Qualified Investments on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement and, provided further, that the Qualified Investments on deposit in the Debt Service Reserve Fund shall have an average weighted term to maturity of not greater than five years.

Any investment authorized by the preceding paragraph is subject to the condition that no use of the proceeds of any Bonds or of any other moneys shall be made which, if such use had been reasonably expected on the date of issue of such Bonds, would have caused such Bonds to be "arbitrage bonds" within the meaning of such quoted term in Section 148 of the Code; and the Trustee shall be entitled to rely on any investment direction given to it by the Agency pursuant to this, without liability to the Agency, any Bondowner or any other Person in the event that any such investment shall cause all or any of the Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) of the Code.

So long as the Agency shall hold the Operating Fund, it shall comply with the provisions of the General Resolution and such provisions to the extent related to the Operating Fund shall apply to the Trustee only when the Trustee holds such Operating Fund.

Earnings and Losses. Except as may be otherwise expressly provided in the General Resolution, interest earned, profits realized and losses suffered by reason of any investment of amounts held in any Fund or Account under the General Resolution shall be credited or charged, as the case may be, to such Fund or Account for which such investment shall have been made.

Prior to each Bond Payment Date, the Trustee shall notify the Agency of the amount of such net investment income or gain received and collected or losses suffered subsequent to the last such payment and the amount then available in the Interest Account and the Principal Account of the Debt Service Fund.

In computing the value of the assets of the Funds (or any Account thereof), investments shall be deemed a part thereof. Except as provided in the General Resolution, investments on deposit in such Funds and Accounts shall be valued at least monthly for all purposes under the General Resolution at par, if purchased at par, or Amortized Value (or at the repurchase price in the case of repurchase agreements), or at the redemption price thereof, if then redeemable at the option of the owner.

The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of the General Resolution. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency.

Liability for Investment Losses. Neither the Trustee nor the Agency shall be liable for any loss arising from, or any depreciation in the value of, any obligations in which moneys of the Funds and Accounts shall be invested in accordance with the General Resolution. The investments authorized by the General Resolution shall at all times be subject to the provisions of applicable law, as amended from time to time.

Non-presentment of Bonds. Subject to the provisions of the General Resolution, in the event any Bond shall not be presented for payment when the Principal Amount or Redemption Price thereof becomes due, either at maturity or at the date fixed for prior redemption thereof or otherwise, if moneys sufficient to pay such Bond shall be held by the Trustee for the benefit of the Owner thereof, all liability of the Agency to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged. Thereupon, the Trustee shall hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such moneys for any claim under the General Resolution or on, or with respect to, said Bond. If any Bond shall not be presented for payment within the period of two (2) years following the date when such Bond becomes due, whether by maturity or call for prior redemption or otherwise, the Trustee shall return to the Agency the funds theretofore held by it for payment of such Bond. Thereafter, any Bondowner shall apply directly to the Agency for payment due with respect to such Bond and, subject to the defense of any applicable statute of limitations, such payment shall be made to any such Bondowner entitled thereto.

Valuation of Accounts and Funds. Notwithstanding anything to the contrary contained the General Resolution, the Trustee shall determine, as of the last day of each fiscal quarter of the Agency of each year, the value of the amounts held in each Account and Fund in accordance with the procedures set forth in the General Resolution.

In the event the Trustee shall determine that the market value of the investments in the Debt Service Reserve Fund has declined as determined pursuant to the General Resolution, the Agency shall deposit an amount equal to such loss of market value into the Debt Service Reserve Fund by no later than the last day of the fiscal quarter succeeding the date on which such loss of market value is determined.

PARTICULAR COVENANTS

No Personal Liability of Agency Members. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the General Resolution shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any director, officer, member, agent or employee thereof in his or her individual capacity, and no member, director, officer, employee or agent of the Agency or any natural person executing the Bonds shall be liable for the payment of the Principal Amount of, premium, if any, Sinking Fund Installments for or interest on the Bonds or for claim based thereon or hereunder or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

Authority of Agency; Validity of Resolution and Bonds. The Agency represents that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized by the General Resolution, to adopt the General Resolution and to pledge the Revenues in the manner and to the extent set forth in the General Resolution; that all action on its part for the issuance of the Bonds authorized by the General Resolution and the execution and delivery of the General Resolution has been duly and effectively taken; and that such Bonds in the hands of the Owners thereof are and will be valid and enforceable special obligations of the Agency according to the import thereof, except as enforcement of such obligations may be limited by applicable bankruptcy law and creditors' rights.

Payment of Principal, Premium, if any, and Interest. The Agency covenants that it will promptly pay the Debt Service Payments with respect to every Bond issued under the General Resolution, at the place, on the dates and in the manner provided herein and in said Bonds. All Debt Service Payments on the Bonds shall be payable solely from Revenues and as otherwise provided in the General Resolution. Nothing in the Bonds or in the General Resolution shall be construed as pledging any funds or assets of the Agency other than those pledged hereby. Neither the State nor any political subdivision thereof, including without limitation the County, shall in any event be liable for the payment of any Debt Service Payment on any of the Bonds or for the performance of any pledge, obligation or agreement undertaken by the Agency.

Performance of Covenants. The Agency and the Trustee by its execution of the Trustee's Acceptance in the form attached to the General Resolution, each covenants that it will faithfully observe and perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be observed or performed contained in the Resolution, in any and every Bond executed, authenticated and delivered to thereunder and in the Service Agreement and the Disposal Service Agreement.

Further Assurances. The Agency and the Trustee each covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such resolutions supplemental to the General Resolution and such further acts, instruments and transfers as the other may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the Property and rights assigned and pledged by the General Resolution and the amounts pledged by the General Resolution to the payment of the Principal Amount of, premium, if any, Sinking Fund Installments for and interest on the Bonds.

Inspection of System Books. The Agency covenants and agrees that all books and documents in its possession relating to the System owned by the Agency and the Revenues shall at all times be open to inspection during normal business hours by such accountants or other agents of the Trustee as the Trustee may from time to time designate.

Rights under Assigned Documents. The Assigned Documents, duly executed counterparts of which have been filed at the Office of the Trustee, set forth the covenants and obligations of the Agency, the County, the Facility Operator and the Guarantor including provisions that subsequent to the issuance of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, such Assigned Documents, may not be, except as may otherwise be expressly provided in the Bond Resolution, effectively amended, changed,

modified, altered or terminated without the written consents provided therein, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the County, the Facility Operator and Guarantor thereunder. The Trustee may and is granted the right so to enforce, in its name or in the name of the Agency, all rights of the Agency and all covenants and obligations of the other parties to the Assigned Documents under and pursuant to the Assigned Documents (except with respect to rights reserved to the Agency under the General Resolution). Nothing in this paragraph shall permit any reduction in the payments required to be made by the County, the Facility Operator and the Guarantor pursuant to any Assigned Document or any alteration in the terms of payment thereof. All covenants and agreements on the part of the Agency shall be for the benefit of the Owners from time to time of the Bonds and may be enforced in the manner provided by the General Resolution on behalf of such Owners by the Trustee.

Priority of Lien of Resolution. The Agency represents that the General Resolution is or will be a first Lien upon the property comprising the Trust Estate as of the date of the Agency's acquiring an interest in such property, and the Agency covenants not to create or suffer to be created any Lien over the Lien of the General Resolution upon the Trust Estate or any part thereof, except and as otherwise specifically provided in the Disposal Service Agreement and the General Resolution.

Enforcement of Duties and Obligations of the County, the Facility Operator and the Guarantor. The Agency covenants that it shall cooperate with the Trustee in the taking of all legally available action to cause the County, the Facility Operator and the Guarantor to fully perform all respective duties and acts and to fully comply with the respective covenants of each such person required by the Assigned Documents in the manner and at the times provided in the Assigned Documents.

Recording and Filing. The Agency covenants that it shall cooperate with the Trustee in causing all financing statements and other instruments as may be required by law from time to time to be kept, recorded or filed in such manner and in such places as may be required by law in order to fully create, preserve, protect, perfect and maintain the Lien of, and the security interests created by, the General Resolution.

Operation and Maintenance of the System. The Agency shall at all times operate or cause to be operated the System owned or operated by it properly and in a sound and economical manner and shall maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted. Nothing contained in the General Resolution shall, however, require the Agency to construct, operate, maintain, preserve, repair, replace, renew or reconstruct a component of the System if there shall have been filed with the Trustee (i) the Certificate of an Authorized Officer stating that in the opinion of the Agency abandonment of operation of such component is economically justified and is not prejudicial to the interests of the Agency or the Bondowners, and (ii) the Certificate of an Independent Engineer concurring with said opinion.

Tax Covenant. The Agency shall take any and all such actions and refrain from taking such actions as may be required to maintain the tax-exempt status from Federal income taxation under the Code of the interest on the Tax-Exempt Bonds of any Series issued pursuant to the General Resolution. Nothing in the General Resolution shall be construed to require the Agency to covenant that the interest payable on any Series of Bonds which are not issued as Tax-Exempt Bonds will be similarly exempt from Federal income taxation.

Completion of Projects. The Agency covenants that it will take all necessary and appropriate action to cause the completion of each Project in accordance with the provisions of the Series Resolution relating to the Bonds issued to finance such Project. The completion of each Project shall be evidenced by the filing with the Trustee of a certificate of an Authorized Representation of the Agency and the written opinion of an Independent Engineer in such form specified in the Series Resolution.

Sufficiency of Revenues. The Agency covenants that it will fix, collect and maintain tipping fees, user fees or other similar charges for the disposal of Solid Waste in the System which will produce for the current Bond Year Revenues which, when taken together with investment earnings to be transferred during the current Bond Year from the Debt Service Reserve Fund and the General Reserve Fund to the Revenue Fund pursuant to the General

Resolution, and amounts on deposit in the Reserve and Contingency Fund and available under the General Resolution, will be at least equal to the sum of (i) all Operating Expenses of the Agency contained in the Budget for such Bond Year plus (ii) an amount equal to 110% of the Debt Service Requirement for such Bond Year plus (iii) an amount necessary to fund the Debt Service Reserve Fund to the Debt Service Reserve Requirement and the Reserve and Contingency Fund to the Reserve and Contingency Fund Requirement.

On or before December 1 in each year the Agency shall complete a review of its financial condition for the purpose of estimating whether the Revenues will be sufficient to provide all of the payments as specified in the preceding paragraph. Such review shall be evidenced by a certificate of the Agency signed by an Authorized Representative thereof, which shall be filed with the Trustee on or before December 20 and shall set forth a reasonably detailed statement of the actual and estimated Revenues, Operating Expenses and other pertinent information for such year upon which such determination was made. For the purposes of determining the adequacy of estimated Revenues for the current Bond Year, the Agency shall be entitled to include in such estimated Revenues any Revenues actually received in the preceding Bond Year exceeding the aggregate of the payments specified in the preceding paragraph with respect to such preceding Bond Year. If such Revenues may not be sufficient to provide the payments in the preceding paragraph, the Agency shall promptly charge and establish such tipping fees, user fees or other similar charges and take such other action as shall be necessary and sufficient to comply with the covenants set forth in the preceding paragraph as evidenced by a certificate of the Agency signed by an Authorized Representative thereof and filed with the Trustee.

Annual Certificate of an Independent Engineer. On or before December 1 of each year the Agency shall cause to be delivered to the Trustee a certificate of an Independent Engineer stating to the best knowledge of such Independent Engineer (i) that no Default or Event of Default exists under the Service Agreement or, of there exists any such Default or Event of Default, specifying the nature and status thereof, (ii) whether the System is in existence and in the condition required by the General Resolution and the Service Agreement and (iii) the number of days that the Facility was shut down during the preceding portion of the Bond Year.

Budget. The Agency shall deliver to the Trustee and the Bond Insurer a copy of its Budget, certified by an Authorized Representative of the Agency, promptly after adoption thereof and any amendment thereto.

Annual Certification of Landfill Capacity. On or before December 1 of each year the Agency shall cause to be delivered to the Trustee a certificate of an Independent Engineer stating to the best knowledge of such Independent Engineer that landfill capacity is available sufficient to accept the Guaranteed Annual Tonnage for the succeeding Bond Year and further setting forth the basis for his conclusion.

Issuance of Additional Bonds. The Agency shall not issue Additional Bonds unless:

- (a) no Event of Default shall have occurred and be continuing;
- (b) the Disposal Service Agreement shall be in full force and effect and shall obligate the County to deliver Solid Waste for disposal in the amount specified by the Independent Engineer in clause (c) below and to pay increased Net Service Fees in the event, and to the extent, that such an amount of Solid Waste is not delivered or Revenues are not sufficient to meet the amount specified in clause (e) below;
- (c) the Independent Engineer shall deliver a certificate to the Trustee stating to the best knowledge of such Independent Engineer the Guaranteed Annual Tonnage (excluding Recyclables) of the System after giving effect to the completion of the Project to be financed by such Additional Bonds;
- (d) the Revenues, as shall be evidenced by the Certificate of an Authorized Officer of the Agency delivered to the Trustee for any twelve (12) consecutive months of the eighteen (18) months immediately preceding the month in which such Additional Bonds are delivered have been in an amount at least equal to the Operating Expenses incurred in such period, plus the amount paid as Debt Service Payments during such twelve-month period; and

- (e) the Revenues which, as shall be evidenced by the Certificate of an Independent Engineer delivered to the Trustee, are estimated to be received in each of the first five full Bond Years following the estimated completion of the acquisition or construction of the Project to be financed from the proceeds of such Bonds, together with amounts on deposit in the Reserve and Contingency Fund or otherwise available to the Agency (but not including amounts on deposit in the Debt Service Reserve Fund or amounts derived from the issuance of Bonds or other obligations of the Agency), will be sufficient to provide an amount equal to the estimated Operating Expenses in each such Bond Year plus 110% of the Debt Service Payments for each such Bond Year.

Subject to the conditions above, Additional Bonds may be issued to pay for any judgment or settled claim in an amount in excess of \$1,000,000.

Additional Rights and Duties of the Agency. The Agency shall have the right to enter into one or more construction or sales agreements for the construction or installation of any Project authorized pursuant to a Series Resolution. The Agency shall also have the right to enter into service agreements or management contracts providing for the operation, management or maintenance of any Project authorized pursuant to a Series Resolution.

In connection with each contract or agreement entered into in accordance with the preceding paragraph, the Agency shall obtain an opinion of Bond Counsel to the effect that the execution, delivery and performance of such contract or agreement will not adversely affect the tax-exempt status of the interest payable on any of the Tax-Exempt Bonds.

Recycling. The Agency acknowledges that recycling is an essential component of the System and the Agency shall, consistent with its obligations to the Bondowners and to the County to dispose of Solid Waste produced in the County, undertake to support, encourage and implement procedures and facilities to encourage recycling of Solid Waste.

EVENTS OF DEFAULT; REMEDIES OF BONDOWNERS

Events of Default. Each of the following events is hereby defined as and shall constitute, for the purposes of the General Resolution, an "Event of Default" or "Default" thereunder:

- (a) Failure by the Agency to duly and punctually pay the interest on any Bond; or
- (b) Failure by the Agency to duly and punctually pay the Principal Amount or Redemption Price of any Bond, whether at the stated maturity thereof, upon proceedings for redemption thereof or upon the maturity thereof by declaration; or
- (c) Failure of the Agency to perform or observe any other of the covenants, agreements or conditions to be performed or observed by the Agency in the General Resolution or in the Bonds contained, and (i) the continuance thereof for a period of thirty (30) days after written notice of default given by the Trustee or by the Owners of not less than twenty-five percent (25%) in aggregate Principal Amount of Bonds then Outstanding to the Agency, or (ii) if by reason of the nature of such failure the same cannot be remedied within the said thirty (30) days, the Agency fails to proceed with reasonable diligence after receipt of said notice to cure the same; or
- (d) The Agency shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; or
- (e) Failure of the Disposal Service Agreement to be in full force and effect for any reason whatsoever; or
- (f) Failure of the County to duly and punctually pay the Net Service Fees when due.

Acceleration; Enforcement of Remedies. Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% in the aggregate Principal Amount of Bonds Outstanding shall, declare the Principal Amount of and any premium on all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable.

Upon the happening and continuance of any Event of Default, then and in every case the Trustee may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate Principal Amount of the Bonds Outstanding shall, consistent with the provisions of the General Resolution, proceed to protect and enforce its rights and the rights of the Owners of Bonds under the Act, the Bonds, the Assigned Documents and the General Resolution forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in any of the foregoing agreements or in aid of the execution of any power granted therein or in the Act or for the enforcement of any legal or equitable rights or remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of the duties of the Trustee under the General Resolution. In the enforcement of any right or remedy under the General Resolution, any Assigned Document or the Act, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any Event of Default becoming, and any time remaining, due from the Agency, the County, the Facility Operator or Guarantor for Principal Amount, Sinking Fund Installments, Redemption Price, interest or otherwise with respect to the Bonds under any of the provisions of the General Resolution, the Bonds or any of the other agreements hereinabove set forth, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the General Resolution, the Assigned Documents and the Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of Bonds, and to recover and enforce judgment or decree against the Agency, but solely as provided in the General Resolution and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys pledged therefore) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of such Trustee and the Owners of Bonds allowed in any judicial proceedings relative to the Agency, the County, the Facility Operator or the Guarantor or their creditors or Property.

Protection of Security. Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Owners of not less than twenty-five percent (25%) in aggregate Principal Amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised by its counsel shall be necessary or reasonable (i) to protect or assure the legality or validity of the Bonds, the General Resolution, the Assigned Documents or any other agreement constituting direct or indirect security for the Bonds, or (ii) to prevent any impairment of the security under the General Resolution provided for the Owners of Bonds by any acts which may be unlawful or in violation of the General Resolution, the Assigned Documents or of any resolution authorizing Bonds, and such suits and proceedings as the Trustee may be advised by its counsel shall be necessary or reasonable to preserve or protect its interests and the interests of the Owners of the Bonds; but no such request shall be otherwise than in accordance with the provisions of law and of the General Resolution or be prejudicial to the interests of the Owners of Bonds not making such request.

Application of Revenues and Other Moneys to the Payment of Bonds After Default. All moneys received by the Trustee pursuant to any right given or action taken with respect to the Bonds under the provisions of the General Resolution relating to Events of Default or any Assigned Document shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Agency and the Trustee, together with all other moneys and obligations held by the Trustee in all Funds and Accounts under the General Resolution which have been pledged to the payment of the Bonds, be deposited in the Revenue Fund and all moneys so deposited in such Fund and available for payment of the Bonds shall be applied, subject to the next succeeding paragraph, as follows:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such

installment, to the persons entitled thereto, without any discrimination or privilege;
and

SECOND: To the payment to the persons entitled thereto of the unpaid Principal Amount or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the General Resolution), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the Principal Amount due on such date, to the persons entitled thereto without any discrimination or privilege.

If the Principal Amount of all the Bonds shall have become or have been declared due and payable, such moneys shall be applied to the payment of the Principal Amount and interest (at the rate or rates expressed thereon) then due and unpaid upon the Bonds without preference or priority of Principal Amount over interest or of interest over Principal Amount, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for Principal Amount and interest, to the persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied after an Event of Default, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date on the Bonds unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the Principal Amounts to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any Bonds until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the Principal Amount of, premium, if any, and interest due and payable on the Bonds shall have been paid after an event of Default and all expenses and charges of the Trustee and the Agency with respect to the Bonds have been paid, any balance remaining in the Revenue Fund shall be paid to the Agency.

All moneys received by the Trustee to be credited to Sinking Fund Installments due and becoming due on the Bonds shall be applied, as to any Bond subject to mandatory Sinking Fund Installments, pro rata to each such Sinking Fund Installment.

Majority of Owners of Bonds Control Proceedings. Anything in the General Resolution to the contrary notwithstanding, the Owners of a majority in aggregate Principal Amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken pursuant to the General Resolution or for any other proceedings provided for thereunder with respect to the Bonds, provided, that, (i) such direction shall not be otherwise than in accordance with the provisions of law and of the General Resolution; (ii) such direction shall not be contrary to the limitations contained in the General Resolution; (iii) in the sole judgment of the Trustee, such direction is not unduly prejudicial to the interests of the Bondowners not joining in such direction; and (iv) nothing in this paragraph shall impair the right of the Trustee in its discretion to take any other action under the General Resolution which it may deem proper and which is not inconsistent with such direction.

Action of Individual Owner of Bonds Restricted. No Owner of Bonds shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the General Resolution provided for hereunder with respect to the Bonds, or the execution of any trust under the General Resolution or for any remedy under the General Resolution so provided, unless (i) such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, (ii) the Owners of at least twenty-five percent (25%) in aggregate Principal Amount of Bonds then Outstanding shall have filed a written request with the Trustee, and

shall have offered it reasonable opportunity, either to exercise the powers granted in the General Resolution provided for thereunder with respect to the Bonds, or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, (iii) such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and (iv) the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no Owner of any Bond shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the security created by the General Resolution for the benefit of the Bonds, or to enforce any right under the General Resolution for the benefit of the Bonds, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of the General Resolution for the benefit of the Bonds shall be instituted, had and maintained in the manner provided in the General Resolution and any recovery shall be for the equal and ratable benefit of the Owners of the Bonds.

Right to Payment of Owners of Bonds. Nothing in the General Resolution or in the Bonds contained shall affect or impair the right of any Owner of Bonds to payment of the Principal Amount or Redemption Price, if applicable, of and interest on any Bond at and after the maturity thereof, or the obligation of the Agency to pay the Principal Amount or Redemption Price, if applicable, of and interest on each of the Bonds to the respective Owners thereof at the time, place, from the source and in the manner herein and in said Bonds expressed or to institute suit for the enforcement of any such payment on or after such date; provided, however, that no Owner of any Bond may institute or prosecute such suit or enter judgment therein, would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of the General Resolution on the Trust Estate for the equal and ratable benefit of all Owners of Bonds.

Waivers of Events of Default. (a) No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by the General Resolution to the Trustee and the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the General Resolution or any Assigned Document, or before the completion of the enforcement of any other remedy under the General Resolution or any Assigned Document. No such waiver shall extend to or affect any other existing or any subsequent Event of Default.

The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding; except that there shall not be waived without the consent of the Owners of all Bonds Outstanding (i) any Event of Default in the payment of the Principal Amount of any Outstanding Bonds at the date of maturity specified therein or (ii) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such Event of Default shall have occurred or all arrears of payments of Principal Amount when due, as the case may be, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver, then and in every such case the Agency, the Trustee and the Owners of the Bonds shall be restored to their former positions and rights under the General Resolution, respectively, but no such waiver, discontinuance, abandonment or determination shall extend to any subsequent or other Default, or impair any right consequent thereon.

AMENDMENTS OF GENERAL RESOLUTION

Limitation on Modifications. The General Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of the General Resolution.

Supplemental Resolutions and Series Resolutions Effective Upon Filing with the Trustee. At any time or from time to time, the Agency may adopt a Series Resolution, which, upon filing with the Trustee of a copy thereof, shall be fully effective in accordance with its terms to authorize Bonds of a Series and, in connection therewith, to specify and determine the matters and things referred to in the General Resolution, and also any other

matters and things relative to such Bonds which are not contrary to or inconsistent with the General Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

For any one or more of the following purposes, and at any time or from time to time, a Supplemental Resolution of the Agency may be adopted, which, upon the filing with the Trustee of a copy thereof, shall be fully effective in accordance with its terms:

- (i) To cure any formal defect, omission or ambiguity in the General Resolution or in any description of Property subject to the lien hereof, if such action is not adverse to the interests of the Bondowners; or
- (ii) To grant to or confer upon the Trustee for the benefit of the Bondowners or the Owners of any Series of Bonds any additional rights, remedies, powers, agency or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the General Resolution as theretofore in effect; or
- (iii) To add to the covenants and agreements of the Agency in the General Resolution, other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the General Resolution as theretofore in effect; or
- (iv) To add to the limitations and restrictions in the General Resolution, other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the General Resolution as theretofore in effect; or
- (v) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the General Resolution, of the Revenues or other income from or in connection with the System or of any other moneys, securities or funds, or to subject to the Lien or pledge of the General Resolution additional revenues, Properties or collateral; or
- (vi) To authorize the issuance of Bonds and prescribe the terms, forms and details thereof not inconsistent with the General Resolution and, in connection therewith, to create such additional Funds and Accounts, and to effect such amendments of the General Resolution as may be necessary for such issuance, provided, that, no Supplemental Resolution shall be inconsistent with the limitations set forth in the provisions of the General Resolution relating to Additional Bonds.
- (vii) To give effect to the delivery of any Credit Enhancement and to effect any changes necessary in order that such Credit Enhancement may be issued, provided such changes are not adverse to the interests of the Bondowners.
- (viii) To effect any changes necessary in order that the initial rating assigned to any Series of Bonds by any Rating Agency shall be an investment grade rating, provided such changes are not adverse to the interests of the Bondowners.

Before the Agency shall execute and deliver any Supplemental Resolution without the consent of the Bondowners, there shall have been filed with the Trustee an opinion of Independent Counsel stating that such Supplemental Resolution is authorized or permitted by the General Resolution and complies with its terms and that upon execution and delivery it will be valid and binding upon the Agency in accordance with its terms.

Supplemental Resolutions with the Consent of Bondowners and the Bond Insurer. Subject to the terms and provisions contained in the General Resolution and not otherwise, the Owners of not less than 66-2/3% in aggregate Principal Amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution and delivery by the Agency of any Supplemental Resolution as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein. Nothing therein contained shall permit, or be construed as permitting, (i) a change in the terms of redemption or maturity of the Principal Amount of or the interest on any Outstanding Bond, or a reduction in the Principal Amount or Redemption Price of any Outstanding Bond or the rate of interest thereon, without the consent of the Owner of such Bond, or (ii) the creation of a lien upon or pledge of Revenues or other income from or in connection with the System ranking prior to the lien or pledge created by the General Resolution, or (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a

reduction in the aggregate Principal Amount of the Bonds required for consent to such Supplemental Resolution, without the prior written consent of the Owners of 100% in aggregate Principal Amount of the Bonds then Outstanding. If at any time the Agency shall determine to execute and deliver with the Trustee any Supplemental Resolution for any of the purposes set forth above, it shall cause notice of the proposed Supplemental Resolution to be mailed, postage prepaid, to all Bondowners. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution, and shall state that a copy thereof is on file at the Office of the Trustee for inspection by all Bondowners.

Within one year after the date of the mailing of such notice, the Agency may execute and deliver with the Trustee such Supplemental Resolution in substantially the form described in such notice only if there shall have first been filed with the Agency (i) the written consents of Owners of not less than 66-2/3%, or 100%, as the case may be, in aggregate Principal Amount of the Bonds then Outstanding and the Bond Insurer, if required, and (ii) an opinion of Independent Counsel stating that such Supplemental Resolution is authorized or permitted by the General Resolution and complies with its terms, and that upon execution and delivery it will be valid and binding upon the Agency in accordance with its terms. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the General Resolution shall be conclusive evidence that the consents have been given by the Owners of the Bonds and the Bond Insurer described in such certificate or certificates. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefore (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation in writing (in form and substance satisfactory to the Trustee) with the Trustee prior to the execution and delivery of such Supplemental Resolution.

If the Owners of not less than the percentage of Bonds required by the General Resolution shall have consented to and approved the execution thereof as therein provided, no Owner of any Bond shall have any right to object to the execution and delivery of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Agency and the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Upon the execution and delivery of any Supplemental Resolution pursuant to the provisions of the General Resolution, the General Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the General Resolution of the Agency, the Trustee, the Bond Insurer and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the General Resolution, subject in all respects to such modifications and amendments. A copy of any such amendment shall be sent to the Rating Agencies.

AMENDMENTS OF VARIOUS AGREEMENTS

Amendments of Assigned Documents Not Requiring Consent. In general, the Agency and the Trustee may, without the consent of or notice to the Bondowners, consent to any amendment, change or modification of the Assigned Documents as may be required for the purpose of curing any formal defect, omission or ambiguity in any such Assigned Document or in connection with any change therein which in the judgment of the Trustee is not materially adverse to the interests of the Trustee or the Owners of the Bonds. The Service Agreement and the Energy Sales Agreement may be amended without the consent of the Bondowners if, in connection with any amendment, change or modification the Agency shall have delivered to the Trustee (a) a written opinion of an Independent Engineer to the effect that such amendment, change or modification will not have an adverse effect upon Revenues, and (b) an opinion of Independent Counsel who is satisfactory to the Trustee to the effect that such amendment, change or modification will not legally impair the obligations of the Facility Operator or the Agency under the Service Agreement or of the Guarantor under the Service Guarantee or of the County under the Disposal Service Agreement. The Trustee shall have no liability to any Owner of Bonds or any other person for any action taken by it in good faith pursuant to this paragraph.

Amendments of Assigned Documents Requiring Consent of Owners of Bonds. Except as provided in the General Resolution, the Agency and the Trustee shall not consent to any amendment, change or modification of the Assigned Documents and publication or mailing of notice and the written approval or consent of the Owners of not less than 66-2/3% in aggregate Principal Amount of the Bonds at the time Outstanding given and procured as specified in the General Resolution, provided, however, if such amendment, change or modification would not be materially adverse to the interests of the Owners of any Series of Bonds, the written approval or consent of the Owners of such Series of Bonds shall not be required. If at any time any proposed amendment, change or modification shall be requested by the Agency and the Guarantor, the Trustee shall cause notice of such proposed amendment, change or modification to be published or mailed as provided in the General Resolution. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Office of the Trustee for inspection by all Owners of the Bonds.

DEFEASANCE; DISCHARGE OF LIEN

Defeasance of Bonds. If the Agency shall pay or cause to be paid to the Owners of any Series of Bonds or of all Outstanding Bonds the Principal Amount, redemption premium, if any, and interest thereon, at the times and in the manner stipulated therein and in the General Resolution, then the Lien on the Trust Estate hereby created for the benefit of the Owners of the Bonds so paid shall be released, discharged and satisfied. In such event, except as otherwise specifically provided herein, the Trustee shall pay or deliver to the Agency all moneys or securities held by it pursuant to the General Resolution which are not required for the payment of such Bonds. The Agency may pay or cause to be paid any Series of Bonds without at the same time paying or causing to be paid all Series of Outstanding Bonds. If the Agency does not pay or cause to be paid, at the same time, all Outstanding Bonds, then the Trustee shall not return those moneys and securities held under the General Resolution as security for the benefit of the Owners of Bonds not so paid.

Any Outstanding Bond and installments of interest with respect thereto shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if: (i) there shall have been deposited with the Trustee sufficient moneys and/or Government Obligations, in accordance with the following paragraph, to pay the Principal Amount of the Bond when due or to redeem the Bond on the earliest possible redemption date thereof at the Redemption Price specified in the General Resolution, (ii) in the event such Bond is to be redeemed prior to maturity in accordance with the General Resolution, all action required by the provisions of the General Resolution to redeem the Series of Bonds of which the Bond is a part shall have been taken or provided for to the satisfaction of the Trustee and notice thereof in accordance with the General Resolution hereof shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) provision shall have been made for the payment of all fees and expenses of the Trustee and of any additional Paying Agents with respect to the Series of Bonds of which the Bond is a part which will accrue to the date of payment or redemption, and (iv) all other payments required to be made under the General Resolution shall have been made or provided for.

For the purposes of clause (i) of the preceding paragraph, the Trustee shall be deemed to hold sufficient moneys to pay the Principal Amount of an Outstanding Bond not then due or to redeem an Outstanding Bond prior to the maturity thereof only if there shall be on deposit with the Trustee and available for such purpose an amount of cash and/or a principal amount of Government Obligations, maturing or redeemable at the option of the owner thereof not later than (i) the maturity date of such Bond or (ii) the first date following the date of computation on which such Bond may be redeemed pursuant to the General Resolution (whichever may first occur), which, together with income to be earned on such Government Obligations prior to such maturity date or redemption date, equals, according to the conclusive determination of the Trustee, the Principal Amount or Redemption Price of such Bond, together with all interest thereon which has accrued and which will accrue to such maturity or redemption date. The Agency shall deliver a certificate of an independent certified public accountant setting forth computations necessary to show whether the amount of cash and/or principal amount of such Government Obligations is equal to such amount.

Upon the defeasance of any Series of Bonds or of all Outstanding Bonds, the Trustee shall hold in trust, for the benefit of the Owners of such Bonds, all such moneys and/or Government Obligations and shall make no other or different investment of such moneys and/or Government Obligations.

When all of the Outstanding Bonds and all other amounts payable under the General Resolution shall have been paid in full or provision for such full payment of all Outstanding Bonds and such other amounts payable shall have been made, the Trustee and the Agency shall take all appropriate action to cause the Lien of the General Resolution upon the Trust Estate to be discharged and canceled.

Discharge of the General Resolution. Notwithstanding the fact that the Lien and pledge of the General Resolution upon the Trust Estate may have been discharged and canceled, the General Resolution and the rights granted and duties imposed hereby, to the extent not inconsistent with the fact that the Lien upon the Trust Estate may have been discharged and canceled, shall nevertheless continue and subsist until the Principal Amount or Redemption Price of and interest on all of the Bonds shall have been fully paid or the Trustee shall have returned to the Agency all funds theretofore held by the Trustee for payment of any Bonds not theretofore presented for payment.

THE TRUSTEE AND PAYING AGENT

Appointment of Trustee and Acceptance of Duties. Manufacturers and Traders Trust Company is appointed as Trustee under the General Resolution. The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under any Assigned Document, or to enter any appearance in or in any way defend any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder or under any Assigned Document, until it shall be indemnified to its satisfaction against any and all reasonable costs and expenses, outlays, counsel fees and other disbursements, and against all liability not due to its misconduct, negligence or bad faith, and no provision of the General Resolution or any of the agreements contemplated hereby shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee, prior to the occurrence of an Event of Default known to it and after the curing of all Events of Default known to it which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the General Resolution and the Assigned Documents. In case an Event of Default known to it has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it hereby and use the same degree of care and skill in their exercise, as a prudent man would exercise under the circumstances in the conduct of his own affairs.

The Trustee may be removed at any time without cause by an instrument which (i) is signed by the Owners of not less than fifty percent (50%) in aggregate Principal Amount of the Bonds then Outstanding, (ii) specifies the date on which such removal shall take effect and the name and address of the successor Trustee, and (iii) is delivered to the Trustee, the Agency and the Bond Insurer. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the General Resolution or any Assigned Document. So long as no Event of Default shall have occurred and be continuing, the Agency may remove the Trustee without cause and appoint a successor trustee meeting the requirements set forth in the General Resolution.

LITIGATION AND CLAIMS

In the opinion of Van DeWater & Van DeWater, LLP, counsel to the Agency in connection with the Series 2017 Bonds, and general counsel to the Agency through January 18, 2017, there is no litigation pending or, to the best of their knowledge, threatened, 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 Series 2017 Bonds or the collection of the revenues pledged to the payment of the Series 2017 Bonds, (iii) contests or affects the validity of the Series 2017 Bonds or the Resolution, (iv) in any way contests or affects the collection or the pledge of the revenues pledged to the payment of the Series 2017 Bonds or contests the powers of the Agency or any agency for the issuance of the Series 2017 Bonds, the adoption of the Resolution or the application of the proceeds of the Series 2017 Bonds for the purposes and in the manner described herein, or (v) may result in any material adverse change to the Solid Waste System or the financial condition of the Agency, except as described below.

Lawsuit by former Operator.

A lawsuit was commenced by Covanta Hudson Valley Renewable Energy, LLC (“Covanta”) against the Agency by the filing of a Summons & Complaint on June 25, 2014 in New York State Supreme Court, County of Dutchess. In its Complaint, Covanta alleged causes of action for breach of contract, specific performance, quantum meruit, account stated, and breach of good faith and fair dealing against the Agency. The Agency filed an Answer and an Amended Answer, asserting various counterclaims against Covanta. On October 6, 2014, Covanta amended its Complaint to include additional account stated causes of action against the Agency. The Agency filed an Answer to the Amended Complaint, and an Amended Answer to the Amended Complaint, where the total sum claimed in the counterclaims against Covanta is \$6,797,101.90. In December 2014, the parties entered into two partial settlement agreements with respect to a portion of the account stated causes of action against the Agency. On May 18, 2015, Covanta moved for summary judgment on its account stated and breach of contract causes of action, and to dismiss the Agency’s counterclaims. In its motion for summary judgment, Covanta sought a damages award in the amount of \$4,381,005.60, plus daily interest in the amount of \$482.48 per day from May 1, 2015 through the date of payment.

The Agency opposed Covanta’s motion and cross-moved to amend its Answer and to compel discovery. On April 8, 2016, the Court issued a Decision and Order granting Covanta’s motion for summary judgment on its breach of contract and account stated causes of action, dismissed the Agency’s counterclaims, and denied the Agency’s cross-motions as academic. On April 20, 2016, the Agency filed a Notice of Appeal, appealing to the Appellate Division of the Supreme Court, Second Department, from the Decision and Order. The Appeal was perfected on October 19, 2016 and oral argument is anticipated to take place in April 2018. Proceedings in the lower court have been stayed pending a determination of this appeal.

Claim by Town of Poughkeepsie.

The Town of Poughkeepsie has asserted a contractual claim against the Agency for Host Community fees. There is no litigation pending. The Agency is contesting the claim, but is also pursuing a settlement. The Town most recently issued an invoice dated February 27, 2017, seeking payment from the Agency for 2016 in the amount of \$225,639, with an additional claim in the amount of \$1,883,550 for years 2008 to 2015.

LEGALITY FOR INVESTMENT AND DEPOSIT

According to the Act, the Series 2017 Bonds are securities in which all public officials and public bodies of the State and its political subdivisions and all banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies and insurance associations and other persons carrying on an insurance business, all executors, administrators, guardians, trustees and other fiduciaries, and all other persons in the State who are authorized to invest in bonds or other obligations of the State may legally and properly invest funds, including capital in their control or belonging to them. The Act also provides that the Series 2017 Bonds are securities which may be deposited with and received by a state or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

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”), except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a “substantial user” of the facilities financed or refinanced by the Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel observes, however, that interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. 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). A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 Issuer has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or 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 the accuracy of these representations and 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 Bond Counsel’s attention 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.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future 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, in whole or in part, 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, presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or 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 the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for

federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE UNDERTAKINGS

AGENCY UNDERTAKING

In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission (“Rule 15c2-12”), certain information regarding the Agency is required to be filed with the Trustee and with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) System for municipal securities disclosures. In order to assist the Underwriter in complying with the requirements of Rule 15c2-12, the Agency will enter into a Continuing Disclosure Agreement, dated the date of the initial delivery of the Series 2017 Bonds (the “Continuing Disclosure Agreement”). See “APPENDIX H – FORM OF CONTINUING DISCLOSURE AGREEMENT - AGENCY.”

The Agency is currently in compliance with its continuing disclosure obligations and intends to timely file with EMMA the annual operating data and financial information required by the Continuing Disclosure Agreement.

COUNTY UNDERTAKING

Because the County has agreed to pay Net Service Fees to the Agency in accordance with the Disposal Service Agreement, the County will enter into a Continuing Disclosure Agreement, dated the date of the initial delivery of the Series 2017 Bonds (the “Continuing Disclosure Agreement”), and file certain information regarding the County with the Trustee and the MSRB through its EMMA System using the Agency’s CUSIP #267046 and the County’s CUSIP #267039. See “APPENDIX I – FORM OF CONTINUING DISCLOSURE AGREEMENT - COUNTY.”

The County filed its 2011 audited financial statements two (2) days after the applicable deadline. Otherwise, the County is in compliance in all respects with all previous undertakings made pursuant to Rule 15c2-12 during the last five years.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2017 Bonds are subject to the approving opinion of Orrick Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Agency. Copies of the approving opinion of Bond Counsel in substantially the form included herein as APPENDIX E will be available at the time of delivery of the Bonds and will be printed on the Bonds. Certain legal matters will be passed upon for the Agency by Van DeWater & Van DeWater, LLP, Poughkeepsie, New York, and for the Underwriter by Harter Secrest & Emery LLP, Rochester, New York.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Hopewell Junction, New York, (the “Municipal Advisor”) is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the Town in connection with this transaction.

UNDERWRITING

Piper Jaffray & Co. (the “Underwriter”) has agreed, subject to certain conditions precedent, to purchase from the Agency the Series 2017 Bonds at a purchase price, exclusive of accrued interest, of \$13,540,106.32, reflecting an Underwriter’s discount of \$90,136.38. The Underwriter has agreed to reoffer the Series 2017 Bonds at the public offering price or prices or yields as set forth on the inside cover page of this Official Statement.

The Bonds may be offered and sold to certain dealers at prices lower than or yields higher than the public offering price or yields, and prices or yields may be changed, from time to time, by the Underwriter. The Underwriter’s obligations are subject to certain conditions and it will be obligated to purchase all the Series 2017 Bonds if any are purchased.

RATING

The Series 2017 Bonds have been rated “A+” by Standard & Poor’s on the date of the initial issuance and delivery of the Series 2017 Bonds. Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions made by such rating agency. There is no assurance that any rating will continue for any given period of time or will not be revised downward, suspended or withdrawn entirely by the rating agency if, in its judgment, circumstances warrant. Any lowering, suspension or withdrawal of the rating might have an adverse effect upon the market price or marketability of the Series 2017 Bonds. The underwriter and the Agency undertake no responsibility after the issuance of the Series 2017 Bonds to assure the maintenance of any of the ratings, or to oppose any revision or withdrawal thereof.

INDEPENDENT ACCOUNTANTS

The financial statements of the Agency for the years ended December 31, 2016 and 2015 are presented in APPENDIX B to this Official Statement. The financial statements have been audited by RBT CPA’s, LLP, independent accountants, as set forth in their report dated March 28, 2017.

RBT CPAs, LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RBT CPAs, LLC also has not performed any procedures relating to this Official Statement.

ADDITIONAL INFORMATION AND EXPERTS

In this Official Statement, information concerning the Agency has been furnished by the Agency. Information concerning the County has been furnished by the County. Information concerning the Facility has been furnished in the Consulting Engineer’s Report prepared by Gershman, Brickner & Bratton, Inc., independent consulting engineer.

The references herein to the Consulting Engineer’s Report of GBB, as independent consulting engineer, have been approved by said firm, but do not purport to be complete in all respects, and said report included herein as APPENDIX A, should be read in its entirety for complete information with respect to the subjects discussed therein. The Consulting Engineer’s Report of GBB has been included in reliance upon the conclusions of such firm therein and upon its experience as experts in preparing consulting engineer feasibility reports for similar facilities.

The reference herein to the Bond Resolution, the Solid Waste Disposal Service Agreement, the Service Agreement, the Guarantee, the Power Sales Agreement and other documents are brief summaries of certain

provisions thereof. The summaries do not purport to be comprehensive or definitive and such summaries, references and descriptions are qualified in their entirety by references to each such document. For a full and complete statement of their respective provisions, copies of such documents are available at the offices of the Agency, 96 Sand Dock Road, Poughkeepsie, New York 12601, telephone: (845) 463-6020.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Bonds.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY

By: /s/ Joseph A. Small

Joseph A. Small

Title: Chairman

DATED: April 19, 2017
Poughkeepsie, New York

APPENDIX A

Consulting Engineer's Report

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**SOLID WASTE
MANAGEMENT
CONSULTANTS**

April 19, 2017

Ms. Lindsay Carille, Interim Executive Director
Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, NY 12601

Re: \$12,130,000 Dutchess County Resource Recovery Agency (Agency)
Solid Waste System Revenue Refunding Bonds, Series 2017 (the "Agency Bonds")
Review of Authority's Resource Recovery Facility (Facility) and Operations

Dear Ms. Carille,

Gershman, Brickner and Bratton, Inc. (GBB) has prepared this letter at the request of the Agency, in connection with the issuance of its Agency Series 2017 Bonds, which have a term of 10 years. We hereby consent to this letter being appended to and summarized in the Official Statement of the Agency dated April 19, 2017 (the "Official Statement") relating to the Agency Bonds.

The opinions stated in this letter are based on a physical inspection of the facility, interviews with Agency employees and our review of the following documents:

1. The projected Agency cash flows and related assumptions prepared by the Agency contained in the Official Statement in the table entitled "Dutchess County Resource Recovery Agency Cash Flow Projections";
2. The Service Agreement between the Agency and Wheelabrator Dutchess (Operator), who is the operator of the Facility, dated July 15, 2014 (Service Agreement);
3. The Solid Waste Disposal Agreement between Dutchess County (County) and the Agency, dated 1984, as amended;
4. Dutchess County Rules and Regulations, Section 12.03, dated August 5, 2014;
5. The Dutchess County Solid Waste Master Plan, 2012-2022;
6. The Solid Waste Disposal Agreement between Panichi Holding Corp. and the Agency dated January 1, 2017;
7. Agreement for Ferrous Metals Pick-Up, Transportation, Processing and Marketing between the Agency and Upstate Shredding, Dated February 28, 2015;
8. Agreement for MSW ash residue disposal by and among the Agency, Panichi Holding Corp., and Capital Region Landfills, Inc., Dated January 1, 2013;
9. Amendment to the Agreement for MSW ash residue disposal by and among the Agency, Panichi Holding Corp., and Capital Region Landfills, Inc., Dated August 12, 2016;

Gershman, Brickner & Bratton, Inc.

2010 Corporate Ridge, Suite 510
McLean, Virginia 22102
Phone: 703-573-5800
www.gbbinc.com

10. Environmental Operating Permits including:

- a. Certificate to operate a Solid Waste Management Facility under 6 NYCRR Part 360 (the "Facility Permit")
- b. A permit to operate a Source of Air Emissions under 6 NYCC Part 219 (the "Air Permit")

GBB conducted a facility inspection on December 5th and 6th, 2016. GBB prepared a Facility Inspection Report dated February 3, 2017, documenting its physical inspections, and its review of documents, permit reports, materials related to the site, and the buildings and equipment that comprise the Facility. The Facility Inspection Report observed the following:

- The external physical condition of all process equipment including the MSW bridge crane, rotary combustors, boilers, environmental control equipment, turbine generator and air-cooled condenser;
- The observable physical condition of all support and ancillary facilities at the Facility, such as the buildings, tipping floor and pit, maintenance shop, offices, truck scale and scale house, access roads, etc.; and
- The capabilities and capacities of the Operator's equipment and staff as related to the Service Agreement.

Based on the information reviewed, our experience with similar facilities and our experience with this Facility, we offer the following opinions:

- The Agency has taken reasonable and effective actions to provide an operational Facility that functions consistently with the County's Solid Waste Management Plan and relying primarily on the acceptable performance of the Operator.
- The Agency projects in its Solid Waste Master Plan that the amount of municipal solid waste (MSW) generated in the County is expected to be sufficient to allow the County to meet its 140,000 TPY waste delivery obligation to the Agency through the term of the Series 2017 Bonds. Even if the County meets its current recycling goals, the reduction in overall volume of MSW will not materially adversely impact this obligation. See Attachment A for details of this conclusion.
- Based on GBB's 2016 Facility inspection, and review of previous inspections by others, the Facility is being reasonably operated and maintained and has no major operational deficiencies. The Facility should continue to operate in a reasonable state of repair, working order and operating condition in accordance with Article Three, Operations and Maintenance of the Service Agreement. It will be necessary for the Operator to continue to make capital improvements and address areas of concern described in the GBB 2016 Facility Inspection Report.

- It is reasonable to expect that through the term of Series 2017 Bonds, the facility operator can meet the performance guarantees and other operational requirements of the Service Agreement. This conclusion assumes that the Facility is operated and maintained in accordance with the Service Agreement and acceptable standards for maintenance, repair and replacement of similar facilities. The Operator does have considerable long-term experience operating this and other similar facilities.
- No default or Event of Default exists as of this date under the Service Agreement between the Agency and operator. Performance of the obligations of the operator is guaranteed by Wheelabrator Technologies, Inc. as Guarantor pursuant to the Parent Company Guaranty. There have been no changes to the parties to, or the terms of, the Service Agreement or the Guaranty.
- The facility complies with the terms of applicable environmental and solid waste laws, regulations and permits.
- It is reasonable to assume that the Agency will be able to contract for sufficient landfill capacity for the disposal of Facility Process Residue and Bypass Waste through the term of the Series 2017 Bonds. Details in Attachment B – Landfill Certification
- At the current 150,000 plus tons per year operating level, the projected operating revenues of the Facility, with the continued support of County Net Service Fees, should be adequate for the foreseeable future to satisfy the Agency's obligations under the Bond Resolution to (i) pay the Agency's operating and maintenance expenses, (ii) meet the 110% Debt Service Coverage Requirement and (ii) meet the Agency's reserve requirements.
- The Agency's actions and incentive pricing policies, as supported by County Net Service Fees, have been effective in attracting sufficient solid waste to operate the Facility and are expected to provide the needed flexibility to attract sufficient waste to continue Facility operations at current levels for the foreseeable future.
- The useful life of the Facility can be expected to exceed the term of the Series 2017 bonds if it is operated and maintained with normal equipment replacement in accordance with the Service Agreement and accepted industry operating and maintenance practices applicable to similar facilities.

Ms. Lindsay Carille

April 19, 2017

Page 4 of 13

- The assumptions provided as part of and used in the preparation of the projected cash flows are reasonable, and the projected cash flows appear to incorporate such assumptions into the underlying calculations. The estimates of revenues and expenses, as shown in the projected cash flows, are reasonable. Discussion of the cash flow assumptions can be found in Attachment C.

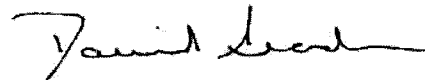
If you have any questions or need additional information, please contact Matt Clark at 612-868-2128 or mclark@gbbinc.com.

Respectfully Submitted,

Gershman, Brickner & Bratton, Inc.



Matt Clark, P.E.
Vice President



David Seader
Special Principal Associate

Attachment A – Dutchess County Municipal Solid Waste (MSW) Delivery Obligation

Pursuant to the Solid Waste Disposal Agreement, Dutchess County is obligated to deliver to the Resource Recovery Facility (Facility) a minimum of 140,000 ton/year of MSW. In the past, the County has met that obligation, delivering an average of over 154,000 ton/year. In the future, the ability of the County to fulfill its obligation to the Agency will depend on two related assumptions: (1) the generation of sufficient MSW in the County, and (2) the ability of the Facility to attract enough of that waste to the Facility to meet its requirement.

Waste Generation. Generally, the amount of MSW generated in any jurisdiction is correlated with its population, waste generation rate, and level of diversion as a result of reduce/reuse/recycling programs. The current and future population estimates are listed below in Table A-1. The population figure for 2010 is taken from the 2010 U.S. Decennial Census. The population figure for 2015 was taken from the U.S. Census, American Community Survey, 2015. Future year projections were based on projections contained in Moving Dutchess 2, Poughkeepsie-Dutchess County Transportation Council, 2016, which used N.Y. State Department of Labor/Cornell University projected growth rates for the County of 0.3 percent per year.

Table A-1 – Dutchess County Population Estimates

Year	Population
2010	297,488
2015	296,928
2020	301,409
2025	305,957

For the past two years for which there are data (2014-2015), the waste generated in the County is as follows in Table A-2

Table A-2 – Dutchess County MSW Generation, 2014-2015 (1)

Year	2014	2015
Total MSW Generated (Tons)	295,975	299,468
Waste Generation Rate (Ton/Capita)	--	1.01
Amount Recycled (Tons)	107,664	108,925
Recycling Rate(2)	36.4 percent	36.4 percent
MSW Available to the Facility (Tons)	188,311	190,543

(1) Source: Dutchess County Division of Solid Waste, Annual Summary, 2014 & 2015

(2) Recycling from MSW only; does not include C&D and ash used as Alternative Daily Cover and other materials

The estimated waste generation rate of 1.01 ton/capita in 2015, the latest year for which population data are available, is consistent with the national average. A conservative figure of 1.00 ton/capita has been used in the waste generation projections in Table A-3 for 2020 and 2025. The New York State Department of Environmental Conservation estimated the statewide waste generation rate at 0.75 ton/capita in its 2010 solid waste master plan, Beyond Waste. Given the statewide average, future generation rates in the County may decrease somewhat as more citizens reduce and reuse more of their household goods.

The current County recycling rate of 36.4 percent may increase in the future, reflecting increased County-wide recycling activities and programs. For projection purposes, a recycling rate of 38 percent was used in Table A-3 for 2020 and 2025. The recycling rate estimated in 2010's Beyond Waste was only 28 percent, but statewide goals and programs will put upward pressure on those results in the future.

Table A-3 –Dutchess County Waste Generation Projections, 2015-2025

Year	2015	2020	2025
MSW Tons Generated (@1.0 ton/capita)	299,468	301,409	305,957
Tons Recycled (@38 percent)	108,925	114,535	116,264
Tons Available to Facility	190,543	186,874	189,693

The conclusion is that at projected waste generation and recycling rates there will be sufficient potential waste in future years for the County to fulfill its obligation to the Agency for waste delivery at a minimum of 140,000 per year. Should waste generation rates drop significantly or recycling rates increase significantly, the Agency could find that it needs to adjust its tipping fees to attract waste from beyond the County.

Flow Control. To meet its delivery obligation, it is not sufficient for the County to generate sufficient quantities of MSW. The Agency must also keep the Facility economically attractive to haulers, so that they deliver their loads to the Facility. In the absence of mandated flow control, the Agency must set its tipping fee at a rate low enough to persuade haulers to deliver to the Facility -- so-called economic flow control. Economic decisions by haulers are primarily based on the tipping fees of competitive facilities -- landfills and waste-to-energy facilities -- but also on the cost of transporting waste, the turn-around times at the various facilities and other financial considerations. It is the total cost per ton to the hauler that governs economic flow control.

The current weighted-average tipping fee at the Facility is approximately \$74.00 per ton. By comparison, Tables A-4 and A-5 display the tipping fees and hauling distances of competing facilities within a 150-mile radius of the Facility.

Table A-4 – Regional Competing Landfills

Name	State	One Way Distance (mi) (1)	Posted Tip Fee (\$/ton)
Rapp Road Waste Management Facility	NY	81	\$80/ton
Colonie Sanitary Landfill	NY	95	\$70/ton
Fulton County Landfill	NY	120	\$55/ton
Finch Municipal Solid Waste Facility	NY	130	\$70/ton
Broome County Landfill	NY	150	\$45/ton
Fairless Landfill	PA	150	Unavailable
IESI Bethlehem Landfill	PA	130	\$45/ton
Chrin Brothers Sanitary Landfill	PA	140	\$75/ton
Alliance Landfill	PA	119	\$74/ton
Grand Central	PA	110	\$87/ton
Keystone Sanitary Landfill	PA	110	\$55/ton
Burlington County LF	NJ	150	\$80.61/ton
Middlesex County LF	NJ	110	\$71.25/ton
Warren County Regional LF	NJ	120	\$96.00/ton

(1) Approximate one-way driving mileage from Poughkeepsie, NY estimated by GBB using computer mapping tools

Table A-5 – Regional Competing Waste-to-Energy Facilities

Name	State	One Way Distance (mi) (1)	Posted Tip Fee (\$/ton) (2)
Bristol Resource Recovery Facility (Bristol)	CT	75	\$65/ton
Southeastern Connecticut Resource Recovery Facility (Preston)	CT	130	\$60/ton
Wheelabrator Bridgeport, L.P. (Bridgeport)	CT	70	\$60/ton
Wheelabrator Lisbon Inc. (Lisbon)	CT	130	\$65/ton
Pioneer Valley Resource Recovery Facility (Agawam)	MA	122	\$75/ton
Covanta Warren Energy Resource Company Facility (Oxford)	NJ	120	\$70/ton
Essex County Resource Recovery Facility (Newark)	NJ	90	\$88/ton
Union County Resource Recovery Facility (Rahway)	NJ	109	\$70/ton
Covanta Hempstead (Westbury)	NY	100	\$85/ton
Huntington Resource Recovery Facility (East Northport)	NY	115	\$75/ton
MacArthur Waste-to-Energy Facility (Ronkonkoma)	NY	119	\$85/ton
Wheelabrator Hudson Falls L.L.C. (Hudson Falls)	NY	130	\$70/ton
Wheelabrator Westchester, L.P. (Peekskill)	NY	30	\$70/ton
Wheelabrator Falls Inc. (Morrisville)	PA	150	\$68/ton

(1) Approximate one-way driving mileage from Poughkeepsie, NY estimated by GBB using computer mapping tools

(2) Source: 2012-2013 Waste-to-Energy in the US Yearbook and Directory, 9th edition; average tip fee

Although some of the landfills have lower tipping fees than the Facility, all are over 80 miles from Poughkeepsie, making them cost non-competitive. Similarly, while the regional waste-to-energy facilities have comparable tipping fees, they also have transport costs that make them non-competitive. Mindful of these cost data, the Agency has the ability to adjust its tipping fees in the future to maintain its cost advantage over the competing regional facilities and attract sufficient MSW to the Facility to fulfill the County's waste delivery obligation.

Attachment B: Landfill Certification Letter



December 29, 2016

**Ms. Lindsay Carille, Executive Director
Dutchess County Resource Recovery Agency
96 Sand Dock
Poughkeepsie, NY 12601**

**Mr. Anthony Argenio, Bank Officer
Corporate Trust Administration
Manufacturers and Traders Trust Company
One M&T Plaza – 7th Floor
Buffalo, NY 14203**

**Re: Section 6.19 General Bond Resolution
Dutchess County Resource Recovery Agency
Solid Waste System Revenue Bonds – Series 2007**

Dear Ms. Carille and Mr. Argenio,

In accordance with Section 6.19 of the Dutchess County Resource Recovery Agency (Agency) Solid Waste System Revenue Bonds General Resolution adopted by the Agency on August 6, 1998, as supplemented and accepted by Manufacturers and Traders Trust Company, I hereby certify that, to the best of my knowledge, sufficient landfill capacity is reasonably available to accept the Guaranteed Annual Tonnage of Solid Waste during the Bond Year starting January 1, 2017, as discussed in the Official Statements issued in connection with the sale of the Dutchess County Resource Recovery Agency Revenue Bonds Series 2007.

This opinion is based on municipal solid waste landfill capacity data obtained from the New York Department of Environmental Conservation (NYDEC), Division of Materials Management, from which the 2015 Annual Landfill Reports were used to estimate that as of December 31, 2016, there is an existing permitted disposal capacity of approximately 172 million tons in the state of New York. The permitted landfill capacity is estimated to be equivalent to 19.2 years of disposal capacity in the State of New York; based on estimated annual actual landfill disposal of 9.0 million tons.

Gershman, Brickner & Bratton, Inc.

**8550 Arlington Blvd, Suite 304
Fairfax, Virginia 22031**

**Phone: 703-573-5800 Toll Free: 800-573-5801 Fax: 703-698-1306
www.gbbinc.com**

Ms. Lindsay Carille
April 19, 2017
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Ms. Carille and Mr. Argenio
December 29, 2016
Page 2 of 2

If you have any questions on this certification, please contact me at 612-868-2128 or mclark@gbbinc.com.

Sincerely,
Gershman, Brickner & Bratton, Inc.

A handwritten signature in black ink, appearing to read "M. J. Clark", written in a cursive style.

Matthew J. Clark
Vice President

Attachment C: Assumption for Cash Flow Projections Generated by Agency

The Agency made the following assumptions for the projections of cash income contained in the draft POS:

1. Inflation

The escalation factor used in the relevant Agency agreements is the annual change in the Consumer Price Index, All Urban Consumers, Northeast, Size Class B/C. Over the past ten years, that index has increased by an annual average of 1.7 percent. Over the past 20 years, the index has risen by an annual average of 2.1 percent. In its Economic Outlook: 2016 to 2026, the Congressional Budget Office expects upward price pressures to return inflation to historic levels. For that reason, the 20-year average price escalation of 2.1 percent was used in the projections.

2. Tonnage Received

Over the past four years, the Facility has received an average of over 154,000 tons per year of municipal solid waste (MSW). Given the availability of waste and economic flow control (see Attachment A), the projections assume that the Agency will be able to attract the minimum requirement of 140,000 ton per year MSW in the future. The Solid Waste Disposal Agreement, which expires on December 31, 2018, requires Royal Carting to deliver a minimum of 130,000 tons per year of MSW. Giving the economic flow control considerations for Royal Carting, the Agency believes that Royal Carting will extend the agreement over the succeeding nine years. The Agency is currently in discussions with Royal Carting to extend the Solid Waste Disposal Agreement. The continuation of that agreement is a key determinant of the financial viability of the Facility.

3. Residual Tonnage

The Agency pays the hauler for the full cost of the transport and disposal of the residual ash tonnage, which in the past few years has been about 35 percent of the tonnage received. Through reductions to its Service Fees, the Operator repays the Agency for 50 percent of the residual disposal cost up to 32 percent of the tonnage and for 100 percent of the cost for any tonnage above 32%. These repayments and penalties are incorporated in the Operator's Service Fee line item. The Operator is responsible for all residual tonnage of Unacceptable Waste (MSW that is not processible at the Facility) that has not been returned to the delivering hauler. Historically the Unacceptable Waste has been less than 1% of waste received. This tonnage is deducted from the Net Annual Tonnage.

4. Electricity Production

Following last year's turbine overhaul, the Agency believes that the Operator will be able to generate the mandated minimum electrical yield of 307 kwh per ton of waste processed, or 47,278 Mwh per year. The next scheduled turbine overhaul is expected to occur in 2022, during

which the turbine will be out of production for about 30 days, limiting output to 43,338 Mwh for that year.

5. Ferrous Metal Recovered Tonnage

The Service Agreement with the operator guarantees a minimum yield of recoverable ferrous metal of 4 percent of the incoming MSW. In the past two years, the yield has been 4.3 percent. The Agency assumes that (1) the yield can be sustained with proper operation of the Facility, and (2) that the current composition of the MSW received will remain the same over the projection period. Therefore, at an estimated average level of MSW received of 154,000 tons per year, an estimated annual tonnage of 6,600 has been used in the projections.

6. Tipping Fees

For 2017, the Agency has set a gate fee for spot waste of \$82.50 per ton. Municipalities have a discounted rate of \$79.00 per ton. The bulk of the waste received is subject to the Solid Waste Delivery Agreement, which offers Royal Carting a discounted fee of \$68 to \$74 per ton, depending on the volume delivered. The estimated weighted average tipping fee for 2017 is \$74.00 per ton, assuming 8,000 tons of spot waste, 6,000 tons of municipal waste and 140,000 tons of contractual waste are received in 2017. The estimated weighted average tipping fee is projected to increase each year by inflation and assumes the ratio of spot waste, municipal waste and contractual waste remains constant.

7. Residual Disposal Cost

According to the Ash Residue Disposal Agreement with Royal Carting, the Agency pays a fee per ton for the disposal of the Facility ash at \$37.95 (2012) adjusted in July of each year by the increase in CPI. The current charge is \$39.79 per ton; with inflation, the agency projects the weighted 2017 charge to be \$40.79 per ton. The current agreement expires on June 30, 2018. The Agency believes that the contract could be extended, renegotiated or replaced with pricing similar to that in the current contract.

8. Electricity Sales Pricing

The Agency currently has a power sales agreement with Central Hudson Gas and Electric Corporation. Currently, the Agency receives a minimum payment of \$0.06 per kilowatt hour (kwh), and will continue to do so through the remainder of the term of the power sales agreement, which expires January of 2019. After that time, the Agency can sell into the NYISO day-ahead marketplace (LBMP).

Projecting the sales price of electricity in the NYISO market over the next ten years is not straightforward, given the wealth of uncertain variables that will go into future pricing calculations. These considerations include fuel prices for a variety of fuels, the generation mix of energy providers over time, the influence of renewable energy sources, the effects of

demand-side management/energy conservation measures, uncertainties around federal energy incentives, etc.

The method used to estimate future electrical pricing was to find what the NYISO pricing of the Facility's output would have been in 2016 and to project that forward using national trend data from the U.S. Energy Information Agency. The 2016 pricing includes the pricing for energy and for capacity. The 2016 energy component was taken from the NYISO Market and Operations Report, January 11, 2017, which was \$.0343 per kwh for the year. The capacity payment component for 2016 was calculated using ICAP data for the full year (NYISO ICAP Resources (Zone G-J), 2016). The weighted average capacity payment for Zone G – Hudson Valley – was \$.008164 per kwh. That number was "grossed up" using a load factor and reserve requirement factor. It was first divided by the assumed load factor for Zone G (2015 New York State Plan, NYS Energy Planning Board, Upstate (A-G) Load Factor (2010-2012)) of 62 percent and then multiplied by 17.4 percent, which was the then-current Installed Reserve Margin for New York State (Installed Capacity Requirements for the Period May 2016 through April 2017, NYS Reliability Council). The resulting capacity payment was \$ 0.0155. Together, the energy and capacity payments totaled \$0.0497 per kwh.

Projecting the 2016 price forward over the projection period was accomplished by using the trend of the U.S. national generation prices forecasted in the U.S. Energy Information Agency, 2017 Energy Outlook, Electric Supply, Disposition, Prices and Emissions Table; and applying the year-over-year percentage increases to the 2016 local price. The resulting future values of electricity average above \$0.05 per kwh over the remainder of the projection period, varying from \$0.05142 per kwh in 2019 to \$0.05733 per kwh in 2027.

9. Ferrous Metal Revenue

The price paid to the Agency for the recovered ferrous metal is based on the *American Metals Market* No. 1 Heavy Melt Steel index. The pricing of ferrous recovered at the Facility has been highly variable over the past several years. The current (January 19, 2017) value of that index would yield a price to the Agency of \$136.08 per ton. Unable to obtain a projection or history of that index, GBB used another index, the *Wall Street Journal* Shredded Obsolete Scrap index, which tracks the history of Agency's recovered metal pricing quite well. The average recent values of that index for 2017 would yield a price to the Agency of \$111.71 per ton. Given the volatility of pricing for the metal, a conservative value of \$110.00 per ton was used throughout the projection period.

The current agreement with Upstate Shredding LLC for the disposal and marketing of recovered ferrous metal expires February 28, 2020. The Agency believes that the contract could be extended, renegotiated or replaced with pricing similar to that in the current contract.

10. Interest Income

This represents interest earned on reserve funds deposited on account of the Agency. A conservative estimate of \$2,000 per year was used in the projections.

11. Other Income

This source of income is highly variable, depending on the particular circumstances of any given year (e.g., sale of equipment, grants received, etc.). To be conservative, the only source of other income used in the projections was the receipt of employee contributions to their retirement fund, estimated to be \$23,000 per year over the course of the projection period.

12. Operator Fee

The Services Agreement with the Operator calls for a basic fee of \$68.25 (2014) per ton of incoming waste, adjusted annually for inflation by CPI; plus a series of bonuses and penalties based on various performance parameters. The Agency projects the total fee due to the Operator for 2017 to be \$69.49 per ton, increasing in future years by CPI.

13. Debt Service

Estimates of the annual debt service for the projection period 2017 through 2026 were provided by the Underwriter and assume successful execution of the proposed Series 2017 refunding bonds.. The projected debt service is assumed to average approximately \$1.61 million a year over the life of the bonds. The debt service projections are preliminary and are subject to change.

14. Reserve and Contingency Fund Availability

The Reserve and Contingency Fund is defined as an amount equal to ten percent (10 percent) of the debt service requirement for the current bond year (January 1 – December 31). The current balance of the Reserve and Contingency Fund is \$166,665. Given the provision of the Net Service Fee in the Solid Waste Disposal Service Agreement, this amount is adequate to meet the debt service coverage ratio Bond requirement of 1.10.

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APPENDIX B

**Dutchess County Resource Recovery Agency Audited Financial Statements For The Years
Ended December 31, 2016 and 2015**

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ANNUAL FINANCIAL REPORT

**DUTCHESS COUNTY RESOURCE
RECOVERY AGENCY**

December 31, 2016 and 2015

Audited for:

Board of Directors
**DUTCHESS COUNTY RESOURCE
RECOVERY AGENCY**

Audited By:

RBT CPAs, LLP
2768 South Road Suite 101
Poughkeepsie, New York 12601
(845) 485-5510

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
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**LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS
INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, New York 12601-5444

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Dutchess County Resource Recovery Agency ("the Agency"), a component unit of Dutchess County, New York, as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 an opinion on these financial statements based on our audit. 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 of 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Resource Recovery Agency as of December 31, 2016, and the changes in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of Dutchess County Resource Recovery Agency, as of and for the year ended December 31, 2015, were audited by Sedore & Company, C.P.A.'s, P.C., whose partners merged with RBT CPAs, LLP, effective July 1, 2016. Sedore & Company, CPAs, P.C.'s report, dated March 18, 2016, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Other Post-Employment Benefits Plan, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 3-7, 30, 31, and 32, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017, on our consideration of the Dutchess County Resource Recovery Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dutchess County Resource Recovery Agency's internal control over financial reporting.

RBT CPAs, LLP

Poughkeepsie, New York
March 28, 2017

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Our discussion and analysis of the Dutchess County Resource Recovery Agency (the "Agency") financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2016. Please read this discussion and analysis along with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Tipping fee revenues decrease in 2016 in the amount of \$370,570. This was primarily due to required plant repairs which caused the need to divert 4,430 tons of waste.

The decrease in Energy revenues in 2016 of \$426,484 was due to a maintenance and repair project on the Facility's turbine to improve the turbine's ability to generate electricity. During this period there was no electrical generation.

Service fees decreased overall by \$423,368 due to Operator payment for contractual non-performance fees. These fees are recorded as non-operating revenue.

The reduction of principal balances of our bonds caused a decrease in overall interest expense in the amount of \$48,750 for the year.

In 2016 net service revenue decreased by \$398,955 due to the non-performance revenue and a reduction of \$703,974 in the Agency's administrative expenses, primarily due to a \$416,975 decrease in legal, engineering and other professional fees and a decrease in other administrative costs of \$54,551.

	<u>2016</u>	<u>2015</u>	<u>2014 Current Operator</u>	<u>2014 Former Operator</u>	<u>2016 & 2015 Variance over (under)</u>
Tonnage received at RRF	<u>150,424</u>	<u>154,966</u>	<u>77,434</u>	<u>77,108</u>	<u>(4,542)</u>
Total tonnage received	<u>150,424</u>	<u>154,966</u>	<u>77,434</u>	<u>77,108</u>	<u>(4,542)</u>
Energy sales	<u>\$ 2,250,400</u>	<u>\$ 2,676,884</u>	<u>\$ 1,264,112</u>	<u>\$ 1,283,059</u>	<u>\$ (426,484)</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Overview of the Financial Statements

Statement of Net Position

The statements of net position present the assets, liabilities, deferred inflows of resources, and net position of the Agency at the end of each year. The purpose of the statements of net position is to present to the readers of the financial statements a fiscal snapshot of Dutchess County Resource Recovery Agency. From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the Agency. They are also able to determine how much the Agency owes vendors, employees and others. Finally, the statements of net position provide a picture of the Agency's financial position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for use by the Agency.

Statement of Net Position – Summary:

	<u>2016</u>	<u>2015</u>
Assets:		
Current and other assets	\$ 10,280,723	\$ 10,623,945
Capital assets, net of accumulated depreciation	<u>20,072,973</u>	<u>21,939,206</u>
Total Assets	<u>30,353,696</u>	<u>32,563,151</u>
Deferred Outflows of Resources	<u>159,795</u>	<u>90,410</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 30,513,491</u>	<u>\$ 32,653,561</u>
Liabilities:		
Long-term debt outstanding	\$ 13,220,000	\$ 14,240,000
Other liabilities	<u>8,428,067</u>	<u>8,686,014</u>
Total Liabilities	<u>21,648,067</u>	<u>22,926,014</u>
Deferred Inflows of Resources	<u>50,602</u>	<u>57,053</u>
Net Position:		
Net Investment in Capital Assets	5,782,371	6,667,153
Restricted Funds	4,156,761	5,065,998
Unrestricted	<u>(1,124,310)</u>	<u>(2,062,657)</u>
Total Net Position	<u>8,814,822</u>	<u>9,670,494</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 30,513,491</u>	<u>\$ 32,653,561</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Statements of Revenue, Expenses, and Changes in Net Position

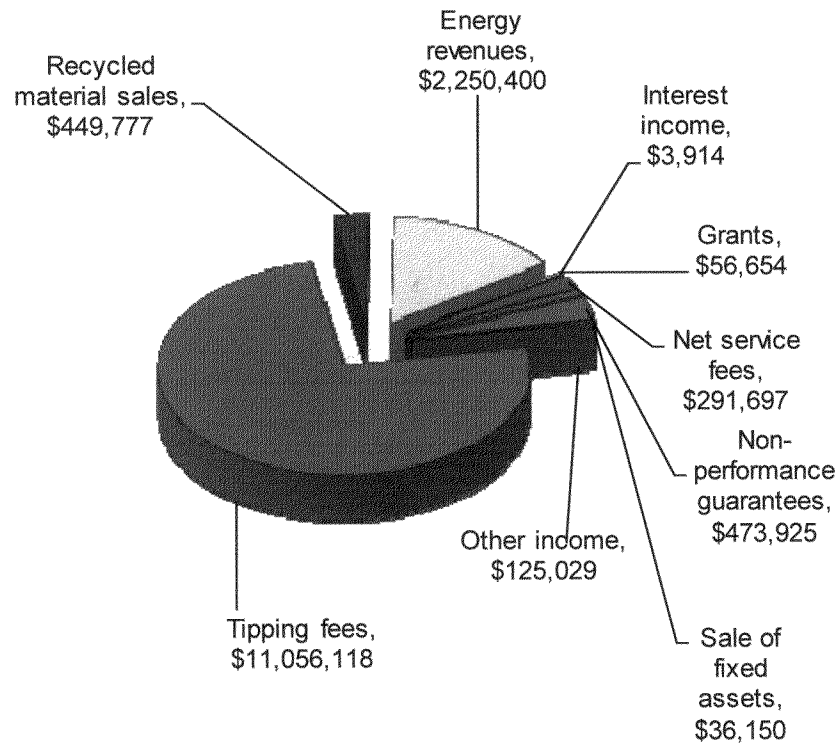
Changes in net position, as presented on the statements of net position, are based on the activity presented in the statements of revenue, expenses and changes in net position. The purpose of the statement is to present the revenue received by the Agency, both operating and non-operating, and the expenses paid by the Agency, operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the Agency.

Statements of Revenue, Expenses, and Changes in Net Position – Summary:

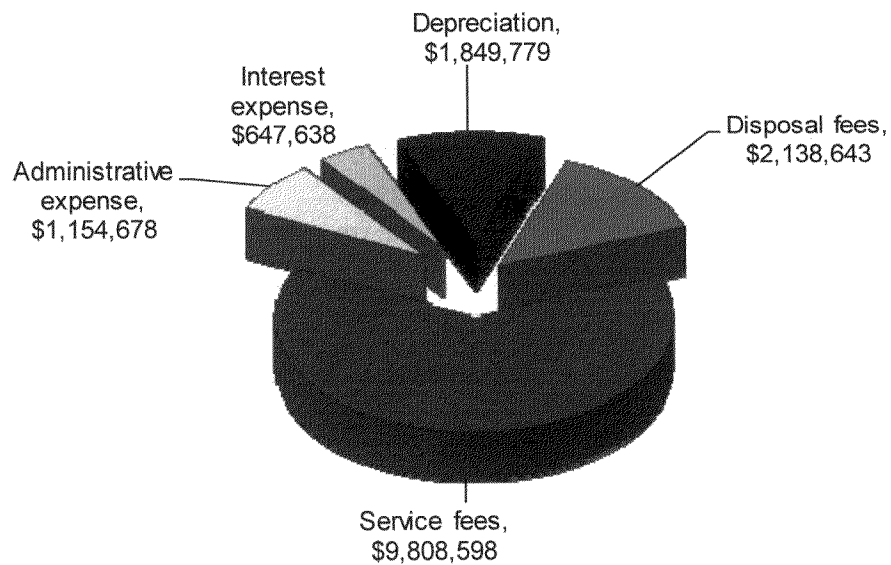
	<u>2016</u>	<u>2015</u>	<u>Variance over (under)</u>
Operating Revenue:			
Tipping fees	\$ 11,056,118	\$ 11,426,688	\$ (370,570)
Recycled Materials Sales	449,777	545,093	(95,316)
Energy revenues	<u>2,250,400</u>	<u>2,676,884</u>	<u>(426,484)</u>
Total Operating Revenue	<u>13,756,295</u>	<u>14,648,665</u>	<u>(892,370)</u>
Expenses:			
Disposal fees	2,138,643	2,131,108	7,535
Service fees	9,808,598	9,758,041	50,557
Administrative expense	1,154,678	1,858,652	(703,974)
Interest expense	647,638	696,388	(48,750)
Depreciation	<u>1,849,779</u>	<u>1,939,820</u>	<u>(90,041)</u>
Total Expenses	<u>15,599,336</u>	<u>16,384,009</u>	<u>(784,673)</u>
Operating Loss	<u>(1,843,041)</u>	<u>(1,735,344)</u>	<u>(107,697)</u>
Other Income (Expense):			
Net service fees	291,697	690,652	(398,955)
Interest income	3,914	5,037	(1,123)
Grants	56,654	-	56,654
Non-Performance Guarantee Payments	473,925	-	473,925
Other Income (Expense)	125,029	-	125,029
Sale of fixed asset	<u>36,150</u>	<u>-</u>	<u>36,150</u>
Total Other Income	<u>987,369</u>	<u>695,689</u>	<u>291,680</u>
Change in Net Position	<u><u>\$ (855,672)</u></u>	<u><u>\$ (1,039,655)</u></u>	<u><u>\$ 183,983</u></u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

DCRRA - ACTUAL 2016 REVENUES



DCRRA - ACTUAL 2016 EXPENSES



**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Statements of Cash Flows

The final statement presented by the Agency is the statements of cash flows. The statements of cash flows present detailed information about the cash activities of the Agency during the year. The first section of the statements of cash flows deals with operating cash flows and shows the net cash provided by the operating activities of the Agency. The second section reflects the cash flows from capital and related financing activities and shows capital construction and capital asset acquisition, and the third section reflects principal/interest on capital debt.

	<u>2016</u>	<u>2015</u>
Net cash (used)/provided by operating activities	\$ 412,664	\$ 1,314,816
Net cash provided by non-capital financing activities	530,579	105,543
Net cash used in capital and related financing activities	<u>(1,606,949)</u>	<u>(1,639,476)</u>
Net (decrease) in cash and cash equivalents	(663,706)	(219,117)
Cash and cash equivalents at beginning of year	<u>6,344,224</u>	<u>6,563,341</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,680,518</u></u>	<u><u>\$ 6,344,224</u></u>

Additional Information

The report is compiled for the use of the Agency's Governing Board, management, appropriate officials of the State of New York and members of the public interested in the Agency's affairs. Questions with regard to this financial report or requests for additional information may be addressed to the Executive Director, Dutchess County Resource Recovery Agency.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,363,248	\$ 3,117,084
Cash and Cash Equivalents, Restricted (Note 3)	2,317,270	3,227,140
Accounts Receivable, Less Allowance of \$15,000 in 2016 and 2015	1,756,980	1,714,827
Due from Related Party	982,349	690,652
Prepaid Expenses	21,385	35,384
TOTAL CURRENT ASSETS	8,441,232	8,785,087
NON-CURRENT ASSETS		
Cash and Cash Equivalents, Restricted (Note 3)	1,839,491	1,838,858
Property, Plant and Equipment, Net of Accumulated Depreciation (Note 4)	20,072,973	21,939,206
TOTAL NON-CURRENT ASSETS	21,912,464	23,778,064
TOTAL ASSETS	30,353,696	32,563,151
DEFERRED OUTFLOWS OF RESOURCES		
NYS Employee Retirement System (Note 6)	159,795	90,410
TOTAL DEFERRED OUTFLOWS	159,795	90,410
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 30,513,491	\$ 32,653,561
LIABILITIES		
Current Liabilities:		
Bonds Payable, Current Portion (Note 5)	\$ 1,020,000	\$ 975,000
Accounts Payable	239,826	288,828
Accrued Expenses Payable	4,185,690	4,548,077
Accrued Interest Payable	323,819	348,194
Due to Other Governments	1,883,551	1,883,551
TOTAL CURRENT LIABILITIES	7,652,886	8,043,650
Non-current liabilities:		
Post Employment Benefit Obligations (Note 7)	698,115	624,781
Bonds Payable, Less Current Portion (Note 5)	13,220,000	14,240,000
Net NYS Employee Retirement System Liability (Note 6)	77,066	17,583
TOTAL NON-CURRENT LIABILITIES	13,995,181	14,882,364
TOTAL LIABILITIES	21,648,067	22,926,014
DEFERRED INFLOWS OF RESOURCES		
NYS Employee Retirement System (Note 6)	10,001	-
Deferred Capital-related Revenues	40,601	57,053
TOTAL DEFERRED INFLOWS	50,602	57,053
NET POSITION		
Net Investment in Capital Assets	5,792,372	6,667,153
Restricted	4,156,761	5,065,998
Unrestricted	(1,134,311)	(2,062,657)
TOTAL NET POSITION	8,814,822	9,670,494
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 30,513,491	\$ 32,653,561

See Notes to the Financial Statements

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating Revenues:		
Tipping Fees	\$ 11,056,118	\$ 11,426,688
Recycled Material Sales	449,777	545,093
Energy Revenues	2,250,400	2,676,884
Total Operating Revenues	13,756,295	14,648,665
Operating Expenses:		
Disposal Fees	2,138,643	2,131,108
Service Fees	9,808,598	9,758,041
Administrative Expenses	1,154,678	1,858,652
Interest Expense	647,638	696,388
Depreciation	1,849,779	1,939,820
Total Operating Expenses	15,599,336	16,384,009
Operating (Loss)	(1,843,041)	(1,735,344)
Non-Operating Revenues:		
Net Service Fees	291,697	690,652
Non Performance Guarantee Payments	473,925	-
Grants	56,654	-
Interest Income	3,914	5,037
Other Income	125,029	-
Gain on Sale of Fixed Assets	36,150	-
Total Non-Operating Revenues	987,369	695,689
Change in Net Position	(855,672)	(1,039,655)
Net Position, January 1, as originally stated	9,670,494	10,691,649
Implementation of GASB 68 Adjustment	-	18,500
Net Position, January 1, as restated	9,670,494	10,710,149
TOTAL NET POSITION, END OF YEAR	\$ 8,814,822	\$ 9,670,494

See Notes to the Financial Statements

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Cash Flows from Operating Activities:		
Receipts from customers	\$ 13,714,142	\$ 14,809,463
Payments to suppliers	(12,951,276)	(13,016,794)
Payments to employees and benefits	(350,202)	(477,853)
Net cash provided by operating activities	412,664	1,314,816
Cash Flows from Non-capital Financing Activities		
Net service fee received	-	105,543
Funds received from non-operating activities	530,579	-
Net cash provided by non-capital financing activities	530,579	105,543
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	36,150	-
Principal paid on capital debt	(975,000)	(925,000)
Interest received	3,914	5,037
Interest paid on capital debt	(672,013)	(719,513)
Net cash (used) by capital and related financing activities	(1,606,949)	(1,639,476)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(663,706)	(219,117)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,344,224	6,563,341
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,680,518	\$ 6,344,224
Presented as:		
Cash – Unrestricted	\$ 3,363,248	\$ 3,117,084
Cash – Restricted	2,317,270	3,227,140
Total	\$ 5,680,518	\$ 6,344,224

See Notes to the Financial Statements

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOW (CONT'D.)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Reconciliation of Operating (Loss) to Net Cash Provided		
By Operating Activities		
Operating Loss	\$ (1,843,041)	\$ (1,735,344)
Adjustments to Reconcile Operating (Loss) to		
Net Cash Provided by Operating Activities:		
Depreciation	1,849,779	1,939,820
Interest Expense	647,638	696,388
Changes in Assets and Liabilities:		
Accounts Receivable	(42,153)	160,798
Prepaid Expenses	13,999	3,598
Deferred Outflows - Retirement System	(69,385)	(71,910)
Accounts Payable	(49,635)	16,625
Non-Capital-Related Accrued Expenses Payable	(237,356)	(1,525)
Net Employee Retirement System Liability	59,483	17,583
Post Employment Benefit Obligations	73,334	56,335
Deferred Inflows - Retirement System	10,001	-
Due to Other Governments	-	232,448
NET CASH PROVIDED		
BY OPERATING ACTIVITIES	\$ 412,664	\$ 1,314,816

See Notes to the Financial Statements

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

The Dutchess County Resource Recovery Agency ("Agency") was established as a public benefit corporation to perform the function of solid waste management within the County of Dutchess, State of New York. 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.

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

The Reporting Entity

The Agency is considered a component unit of the financial reporting entity known as Dutchess County. Inclusion in the financial reporting entity, Dutchess County, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". The Dutchess County Executive, and/or Members of the County Legislature appoint all of the Agency's Board Members. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14, as amended.

Basis of Accounting and Measurement Focus

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

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

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

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

Cash and Cash Equivalents

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

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015

1. Organization and Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment

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

Debt Issuance Costs

Costs incurred relating to the issuance of Agency bonds and bond anticipation notes are expensed as incurred, in accordance with GASB Statement No.65.

Equity Classifications

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

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

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

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Income Taxes

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

Insurance

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

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015

1. Organization and Summary of Significant Accounting Policies (Continued)

Post-Employment Benefit Obligations

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

Use of Estimates

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

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes in order to conform with the presentation in the current year's financial statements.

Subsequent Events

The Agency has evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2016 through March 28, 2017, the date on which the financial statements were available to be issued.

2. Cash, 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 Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

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.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015**

2. Cash, Cash Equivalents and Investments (Continued)

As of December 31, 2016 and 2015, the Agency had cash deposited in various banks aggregating approximately \$350,000 and \$350,000, respectively, which are classified as Risk Category A, the lowest risk, as defined by the Governmental Accounting Standards Board (the GASB), as insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the entity's agent in the entity's name. As of December 31, 2016 and 2015, the Agency had additional cash and cash equivalents and investments of approximately \$7,169,892 and \$7,833,073 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 Risk Category B, as defined by the GASB.

Risk Category B	<u>2016</u>	<u>2015</u>
Bank Balance	\$ 3,986,666	\$ 4,158,644
U.S. Government Money Market	<u>3,183,226</u>	<u>3,674,429</u>
Total Risk Category B	<u><u>\$ 7,169,892</u></u>	<u><u>\$ 7,833,073</u></u>

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.

3. Restricted Assets

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 2007 Series bonds. The Reserve and Contingency Fund is funded in an amount at least equal to 10% of the debt service payments required for the current year. However, since these funds are not anticipated to be used in the subsequent year, they have been classified as restricted noncurrent assets on the balance sheet.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015

3. Restricted Assets (Continued)

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1, bond principal and interest payments, amounted to \$2,317,125 at December 31, 2016 and \$2,714,884 at December 31, 2015, and are included in Restricted Current Cash and Cash Equivalents.

Restricted Assets are summarized as follows:

	2016	2015
Current- Restricted Assets		
Series 2007	\$ 1,343,745	\$ 1,835,571
Energy Revenues and Debt Service Funds	973,525	1,391,569
Total Current - Restricted Assets	<u>\$ 2,317,270</u>	<u>\$ 3,227,140</u>
Non-Current Restricted Assets		
Series 2007 Bonds	\$ 1,839,491	\$ 1,838,858
Total Non-Current - Restricted Assets	<u>\$ 1,839,491</u>	<u>\$ 1,838,858</u>

4. Property, Plant and Equipment

Activities involving Property, Plant and Equipment for the year ended December 31, 2016, are as follows:

	2015	Increases	Decreases	2016
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	63,774,179	-	-	63,774,179
Equipment	192,671	-	(53,709)	138,962
	64,484,441	-	(53,709)	64,430,732
Less: Accumulated Depreciation	<u>(42,545,235)</u>	<u>(1,866,231)</u>	<u>53,709</u>	<u>(44,357,757)</u>
Property, Plant, Equipment Net	<u>\$ 21,939,206</u>	<u>\$ (1,866,231)</u>	<u>\$ -</u>	<u>\$ 20,072,975</u>

Depreciation was recorded in the amount of \$1,866,231 and \$1,926,968 less amortization of deferred revenues associated with the funding of capital improvements of \$16,452 and \$16,452, resulting in \$1,849,779 and \$1,939,820 depreciation expense for the years ended 2016 and 2015, respectively.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015**

5. Bonds Payable

Bond Terms - 2007 Tax-Exempt Forward Series

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 made 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.

Bonds payable, with interest payable semiannually on January 1 and July 1, consist of the following as of December 31, 2016 and 2015:

Interest Rate	Issue Date	Maturity Date	Outstanding December 31, 2016	Outstanding December 31, 2015
Serial Bonds				
5.00%	2007	2016	\$ -	\$ 975,000
5.00%	2007	2017	1,020,000	1,020,000
5.00%	2007	2018	1,070,000	1,070,000
5.00%	2007	2019	1,125,000	1,125,000
4.25%	2007	2020	1,180,000	1,180,000
4.25%	2007	2021	1,230,000	1,230,000
4.25%	2007	2022	1,285,000	1,285,000
4.50%	2007	2023	1,340,000	1,340,000
4.50%	2007	2024	1,400,000	1,400,000
4.50%	2007	2025	1,465,000	1,465,000
4.50%	2007	2026	1,530,000	1,530,000
4.50%	2007	2027	1,595,000	1,595,000
			14,240,000	15,215,000
			(1,020,000)	(975,000)
Bonds Payable - Long Term			\$ 13,220,000	\$ 14,240,000

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015**

5. Bonds Payable (Continued)

Annual Amortization and sinking fund requirements for Bonds Payable:

Year ended December 31,	Principal	Interest	Total
2017	\$ 1,020,000	\$ 622,138	\$ 1,642,138
2018	1,070,000	569,888	1,639,888
2019	1,125,000	515,013	1,640,013
2020	1,180,000	461,813	1,641,813
2021	1,230,000	410,600	1,640,600
2022-2026	7,020,000	1,174,695	8,194,695
2027	1,595,000	35,888	1,630,888
Totals	\$ 14,240,000	\$ 3,790,035	\$ 18,030,035

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

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as Restricted Assets in Note 3, which are subject to minimum funding requirements. At December 31, 2016 and 2015, these reserves exceeded their funding requirements.

6. Employee Retirement Systems

Pension Plan:

A. Plan Description

The Agency is required to participate in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan System (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015**

6. Employee Benefit Plans (Continued)

B. Funding Policy

The Systems are generally noncontributory. Tiers I-IV are noncontributory after ten years of participation and tier V is required to contribute 3% of their salary, and tier VI is required to contribute a minimum of 3.5% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by those employers to the pension accumulation fund.

The Agency is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$41,623, \$62,345, and \$56,027, respectively. The Agency's contributions made to the System were equal to 100% of the contributions required for those years.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Agency reported a liability of \$77,066 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as April 1, 2015. 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, 2016, the Agency's proportion was .0004802 percent of the Employers' Retirement System liability.

For the year ended December 31, 2016, the Agency recognized pension expense of \$41,721. At December 31, 2016, the Agency 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
Differences between expected and actual experience	\$ 389	\$ 9,135
Changes of Assumptions	20,551	-
Net difference between projected and actual investment earnings on pension plan investments	45,720	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,512	866
Employer contributions subsequent to the measurement date	41,623	-
Total	<u>\$ 159,795</u>	<u>\$ 10,001</u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$41,635 reported as deferred outflows 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 ended December 31, 2016. 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:

2017	\$	28,779
2018	\$	28,779
2019	\$	28,779
2020	\$	21,834

Actuarial Assumptions

The total pension liability at March 31, 2016, was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2015, valuation were as follows:

Inflation	2.5%
Salary increases - ERS	3.8%
Investment rate of return	7.0%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected 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 of the target asset allocation percentage and by adding expected inflation.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.30%
International equity	8.55
Private equity	11.00
Real estate	8.25
Absolute return strategies	6.75
Opportunistic portfolio	8.60
Real assets	8.65
Bonds and mortgages	4.00
Cash	2.25
Inflation-indexed bonds	4.00

Discount Rate

The discount rate used to calculate the total pension liability 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 these 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 following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption (Continued)

	<u>1%</u> <u>Decrease</u> <u>(6.5%)</u>	<u>Current</u> <u>Assumption</u> <u>(7.5%)</u>	<u>1%</u> <u>Increase</u> <u>(8.5%)</u>
Agency's proportionate share of the net ERS pension liability/(asset)	<u>\$ 173,777</u>	<u>\$ 77,066</u>	<u>\$ (4,652)</u>

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2016, were as follows:

	<u>Dollars in Thousands</u>
	<u>Employees'</u> <u>Retirement</u> <u>System</u>
Employers' total pension liability	\$ 172,303,544
Plan net position	<u>156,253,265</u>
Employers' net pension liability	<u>\$ 16,050,279</u>
Ratio of plan net position to the employers' total pension liability	90.7%

7. Post-Employment Benefits

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, the Agency recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The Post-Employment Benefits Liability as of December 31, 2016 and 2015, is \$698,115 and \$624,781, respectively.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015**

7. Post-Employment Benefits (Continued)

Benefit Obligation at Normal Cost

	<u>2016</u>	<u>2015</u>
Actuarial Accrued Liability (AAL)		
Retired and Active Employees	\$ 1,027,127	\$ 1,027,127
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,027,127</u>	<u>\$ 1,027,127</u>

Annual Required Contribution (ARC)

	<u>2016</u>	<u>2015</u>
Past Service Costs	Not Available	Not Available
Normal Costs	Not Available	Not Available
Annual Required Contribution (ARC)	<u>\$ 116,331</u>	<u>\$ 116,331</u>
Percent of annual OPEB cost contributed	33.8%	48.7%

Year Ended December 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 112,655	34.9%	\$ 698,115
12/31/2015	112,986	50.1%	624,781
12/31/2014	110,077	26.1%	568,446

Plan Description

The Agency provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the Agency. The Agency administers its own plan, but does not issue separate, stand-alone financial statements. Currently, there are six retirees receiving post-employment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for life of the retiree based on the retiree's years of service at retirement. A summary of benefits is as follows:

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

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015

7. Post-Employment Benefits (Continued)

Funding Policy

The Agency is paying postemployment benefits for six retirees, based on billed health insurance premiums. This is considered pay-as-you-go funding. Currently there is no legislative authorization which would enable the Agency to establish a trust that could be used to accumulate and invest assets necessary to pay the accumulated liability.

Annual Other Post-employment Benefit Cost

For the years ended December 31, 2016 and 2015, the Agency's OPEB cost (expense), before the consideration of current health insurance premiums of retirees, amounted to \$112,655 and \$112,986, respectively, which was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45, adjusted by interest accrued on the net OPEB obligation and timing adjustments. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded liabilities over an open period of 30 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value for plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Agency last performed a valuation as of December 31, 2011 and is currently completing a December 31, 2016 valuation. The Agency does not anticipate any material change in its Annual Required Contribution for 2016.

Actuarial Methods and Assumptions

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

In the last actuarial valuation, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 2.5% baseline discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 2.5% rate. The valuation assumes a prescribed schedule of percentage increases in premiums over the next seventy years.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015**

8. Commitments

Solid Waste Disposal Service Agreement

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

Operations Service Agreement

The Agency has entered into an operations service agreement with a commercial corporation wherein the corporation has agreed to operate the resource recovery plant, and the Agency is required to provide the plant with a guaranteed amount of solid waste, provide an ash landfill, and pay fees to the corporation. The 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 has contracted to pay to the operator \$68 per net ton of solid waste processed, \$0.83 per ton of net Agency processed tonnage for turbine generator maintenance fees plus adjustments based upon changes in labor and material price indexes calculated on each, plus 25% of net revenues from electric and metals recycling sales.

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 plant, adjusted based upon changes in labor and material price indexes. During 2016, the Agency caused to have delivered 150,424 tons, and 154,966 tons in 2015, 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 are effective through January 1, 2008 and include provisions for an automatic renewal for two consecutive 5-year periods, plus extensions, currently expiring January 1, 2019.

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.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015**

8. Commitments (Continued)

Landfill Agreement

Effective January 1, 2013, the Agency entered into a contract with a hauler and a landfill for the transportation and disposal of ash residue. The contract period is through June 30, 2014 with provisions for renewal at the Agency's option for four one year periods and provisions for fee increases accordingly. During 2016, the Agency renewed the contract for an additional year, through June 30, 2017.

9. Economic Dependency

As described in Note 11 – Related-Party Transactions, 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. However, no approvals have yet been made for payment of 2015 or 2016 fees due the Agency by the Legislature. For the years ended 2016 and 2015, respectively, the Agency recorded net service revenue of \$291,697 and \$690,652.

10. Contingencies

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. 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 – Annual Reconciliations

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 amounts shown to be due to and due from Operator. The Agency and the former Operator have yet to agree to and accept the annual reconciliations for the years 2008 through 2014. Any amounts due to or from the former Operator were expected to be settled concurrently with the expiration of their contract in June 2014. Settlement of certain parts of the reconciliations have been reached as of the date of the audit report. However, other parts have been subject to litigation, as described below. The Agency contracted with a new Operator beginning July 2014. The Agency and the current Operator have agreed upon and accepted the 2016 annual reconciliation.

Litigation

The Agency is a defendant in a lawsuit regarding liabilities due to the former plant operator from the Agency. The outcome of this litigation could result in a material effect on the financial condition of the Agency. The initial decision of the court was not in the Agency's favor; however, the Agency has appealed the decision and proceedings prior to the appeal have been stayed at the lower court level. At the time of the financial statement date, this matter has yet to have been resolved.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2016 AND 2015**

10. Contingencies (Continued)

The Town of Poughkeepsie has a claim against the Agency regarding Host Community Benefit payments due the Town. The Agency is contesting the Town's claims, but is also engaging in potential settlement of the liability. This amount is represented as "Due to Other Governments" on the Agency's statement of net position.

11. Related-Party Transactions

As more fully described in **Note 9 - Economic Dependency**, Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$291,697 and \$690,652 during 2016 and 2015, respectively. At December 31, 2016 and December 31, 2015, respectively, the Agency was owed \$982,349 and \$690,652 by Dutchess County, reported as Due from Related Party.

During 2016 and 2015, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$98,620 and \$140,624, respectively.

12. Subsequent Events

The Agency is pursuing a refunding of the 2007 series debt. It is anticipated that the process will be completed early in the 2017 year, and will provide the Agency with savings on their future debt obligations.

13. New Reporting Standards

In June 2015, GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. When implemented, this Statement will require the recording of the Agency's net OPEB liability. The Agency is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is expected to have a substantive effect on the Agency's net position.

GASB has also issued Statements 69-74 and 76-84, none of which are expected to have any substantive effects on the Agency's net position.



**LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS**

**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 Board of Directors
Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, New York 12601-5444

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Dutchess County Resource Recovery Agency, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Dutchess County Resource Recovery Agency's basic financial statements, and have issued our report thereon dated March 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dutchess County Resource Recovery Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dutchess County Resource Recovery Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Dutchess County Resource Recovery Agency'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dutchess County Resource Recovery Agency'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 or other matters 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 Dutchess Country Resource Recovery Agency'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 Dutchess County Resource Recovery Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Poughkeepsie, New York
March 28, 2017

REQUIRED SUPPLEMENTAL INFORMATION

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2016**

The schedule of funding progress presents the results of OPEB valuations for the past three actuarial valuations for OPEB:

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2016	12/31/2014	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 209,503	490.27%
12/31/2015	12/31/2014	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 282,986	362.96%
12/31/2014	12/31/2014	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 309,899	331.44%
12/31/2013	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 344,260	298.36%
12/31/2012	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 351,292	292.39%
12/31/2011	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 333,459	308.02%
12/31/2010	8/1/2009	\$ -	\$ 701,700	\$ 701,700	0%	\$ 360,022	194.90%
12/31/2009	8/1/2009	\$ -	\$ 639,300	\$ 639,300	0%	\$ 376,763	169.68%

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF PROPORTIONAL SHARE
OF NET PENSION LIABILITY
DECEMBER 31, 2016**

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Agency's proportion of the net pension liability (asset)	0.00048020%	0.00052050%
Agency's proportionate share of the net pension liability (asset)	\$ 77,066	\$ 17,583
Agency's covered-employee payroll	\$ 189,322	\$ 269,736
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.71%	6.52%
Agency plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

*The amounts presented for each fiscal year were determined as of the System's measurement date

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2016**

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Contractually required contribution	\$ 62,345	\$ 56,026
Contributions in relation to the contractually required contribution	<u>\$ 62,345</u>	<u>\$ 56,026</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 189,322	\$ 269,736
Contributions as a percentage of covered-employee payroll	32.93%	20.77%

*The amounts presented for each fiscal year were determined as of the plan's fiscal year end

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

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**DUTCHESS COUNTY RESOURCE
RECOVERY AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
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DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, New York 12601-5444

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Dutchess County Resource Recovery Agency, ("Agency"), a component unit of Dutchess County, New York, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 of 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 auditors' 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 opinion.

Poughkeepsie Office

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Resource Recovery Agency as of December 31, 2015 and 2014, and the results of its operations and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2015, the Agency adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2*. 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, Schedule of Funding Progress for Other Post-Employment Benefits Plan, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 5-9, 32, 33, and 34, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of the Dutchess County Resource Recovery Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dutchess County Resource Recovery Agency's internal control over financial reporting.

Sedace & Company, CPA's

Poughkeepsie, New York
March 18, 2016

**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 Board of Directors
Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, New York 12601-5444

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Dutchess County Resource Recovery Agency, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Dutchess County Resource Recovery Agency's basic financial statements, and have issued our report thereon dated March 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dutchess County Resource Recovery Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dutchess County Resource Recovery Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Dutchess County Resource Recovery Agency'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 entity'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 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.

Poughkeepsie Office

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As part of obtaining reasonable assurance about whether Dutchess County Resource Recovery Agency'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 did not disclose an instance of noncompliance or other matters 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 Dutchess Country Resource Recovery Agency'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 Dutchess County Resource Recovery Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sedace & Company, CPA's

Poughkeepsie, New York
March 18, 2016

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Our discussion and analysis of the Dutchess County Resource Recovery Agency (the "Agency") financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2015. Please read this discussion and analysis along with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Tipping fee revenues increased in 2015 in the amount of: \$ 334,826

Three major revenue sources decreased for the year as follows:

Recycled metal sales	(719,179)
Energy sales rate adjustments (based on market oil prices)	(521,050)
Net service fee revenue	(308,787)

Net decrease in major revenue sources for 2015 \$ (1,214,190)

Service fees expense decreased in 2015 by \$1,132,673. This was primarily due to the reduced contract pricing with the new Operator who began operations in July of 2014. The new operator's performance and contract favorably benefited the Agency.

The reduction of principal balances of our bonds caused a decrease in overall interest expense.

The decrease in net service fees is primarily due to a reduction in expenditures generated by the Agency as a result of using the new Operator for the entire 2015 fiscal year. The net service fee due is a direct result of the reduction in major revenue sources above.

	<u>2015</u>	<u>2014 Current Operator</u>	<u>2014 Former Operator</u>	<u>2013</u>	<u>2015 & 2014 Variance over (under)</u>
Tip fee (\$/ton)	\$ 68	\$ 68	\$ 80	\$ 80	
Tonnage received at RRF	154,966	77,434	77,108	154,068	424
Total tonnage received	154,966	77,434	77,108	154,068	424
Energy sales	\$ 2,607,302	\$ 1,264,112	\$ 1,283,059	\$ 2,010,841	\$ 60,131

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Overview of the Financial Statements

Statement of Net Position

The statements of net position present the assets, liabilities, deferred inflows of resources, and net position of the Agency at the end of each year. The purpose of the statements of net position is to present to the readers of the financial statements a fiscal snapshot of Dutchess County Resource Recovery Agency. From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the Agency. They are also able to determine how much the Agency owes vendors, employees and others. Finally, the statements of net position provide a picture of the Agency's financial position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for use by the Agency.

Statement of Net Position – Summary:

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 10,623,945	\$ 10,422,329
Capital assets	21,939,206	23,895,478
Total Assets	<u>32,563,151</u>	<u>34,317,807</u>
Deferred Outflow of Resources	<u>90,410</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 32,653,561</u>	<u>\$ 34,317,807</u>
Liabilities:		
Long-term debt outstanding	\$ 14,240,000	\$ 15,215,000
Other liabilities	8,686,014	8,337,653
Total Liabilities	<u>22,926,014</u>	<u>23,552,653</u>
Deferred Inflows of Resources	<u>57,053</u>	<u>73,505</u>
Net Position:		
Restricted Funds	5,065,998	5,061,649
Invested in capital-type assets, net of related debt	6,667,153	7,681,973
Unrestricted	<u>(2,062,657)</u>	<u>(2,051,973)</u>
Total Net Position	<u>9,670,494</u>	<u>10,691,649</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 32,653,561</u>	<u>\$ 34,317,807</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Statements of Revenue, Expenses, and Changes in Net Position

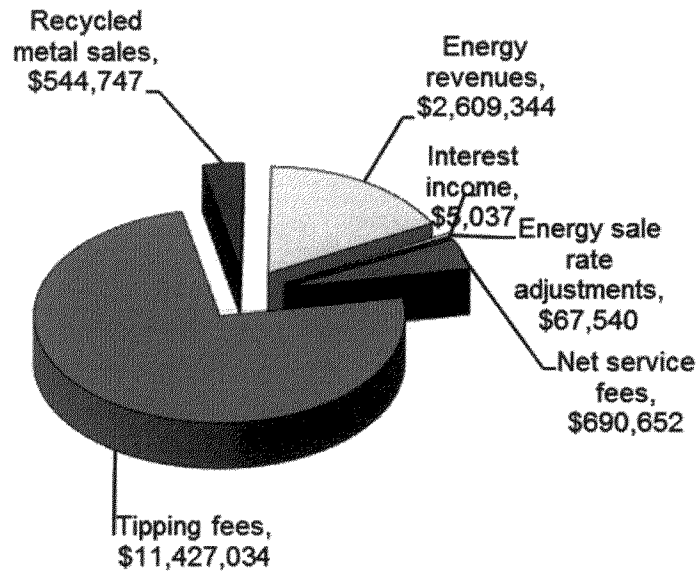
Changes in net position, as presented on the statements of net position, are based on the activity presented in the statements of revenue, expenses and changes in net position. The purpose of the statement is to present the revenue received by the Agency, both operating and non-operating, and the expenses paid by the Agency, operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the Agency.

Statements of Revenue, Expenses, and Changes in Net Position – Summary:

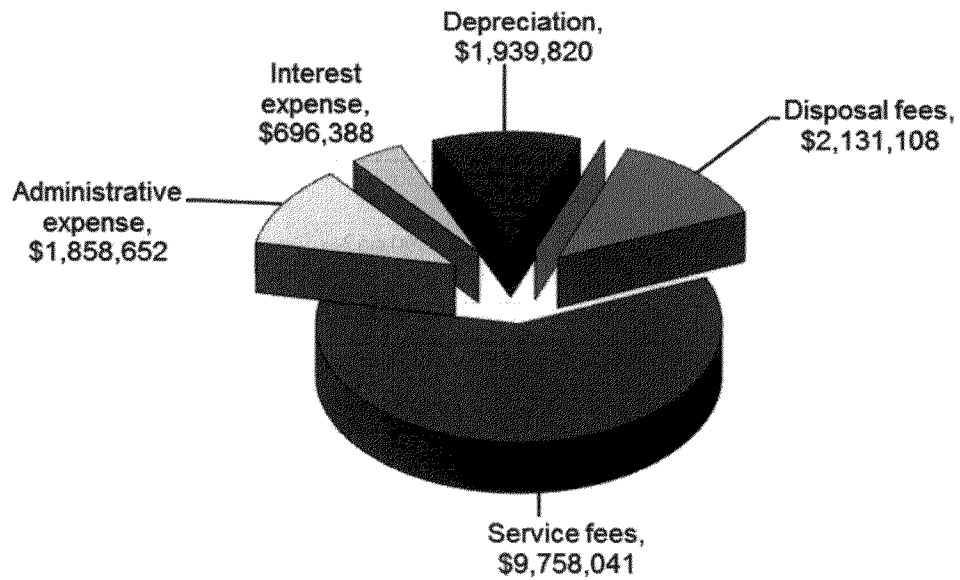
	<u>2015</u>	<u>2014</u>	<u>Variance over (under)</u>
Revenue:			
Tipping fees	\$ 11,427,034	\$ 11,092,208	\$ 334,826
Recycled metal sales	544,747	1,263,926	(719,179)
Energy revenues	2,609,344	2,585,175	24,169
Energy sales rate adjustments	67,540	588,590	(521,050)
Interest income	5,037	5,330	(293)
Total Revenue	<u>14,653,702</u>	<u>15,535,229</u>	<u>(881,527)</u>
Expenses:			
Disposal fees	2,131,108	2,173,728	(42,620)
Service fees	9,758,041	10,923,869	(1,165,828)
Administrative expense	1,858,652	1,970,130	(111,478)
Interest expense	696,388	742,637	(46,249)
Depreciation	1,939,820	2,189,940	(250,120)
Total Expenses	<u>16,384,009</u>	<u>18,000,304</u>	<u>(1,616,295)</u>
Operating Loss	<u>(1,730,307)</u>	<u>(2,465,075)</u>	<u>734,768</u>
Other Income (Expense):			
Net service fees	690,652	999,439	(308,787)
Other Income (Expense)	-	119,350	(119,350)
Total Other Income	<u>690,652</u>	<u>1,118,789</u>	<u>(428,137)</u>
Change in Net Position	<u>\$ (1,039,655)</u>	<u>\$ (1,346,286)</u>	<u>\$ 306,631</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

DCRRA - ACTUAL 2015 REVENUES



DCRRA - ACTUAL 2015 EXPENSES



**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Statements of Cash Flows

The final statement presented by the Agency is the statements of cash flows. The statements of cash flows present detailed information about the cash activities of the Agency during the year. The first section of the statements of cash flows deals with operating cash flows and shows the net cash provided by the operating activities of the Agency. The second section reflects the cash flows from capital and related financing activities and shows capital construction and capital asset acquisition, and the third section reflects principal/interest on capital debt.

	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities	\$ 1,319,853	\$ 137,106
Net cash provided by non-capital financing activities	105,543	810,019
Net cash used in capital and related financing activities	<u>(1,644,513)</u>	<u>(4,444,099)</u>
Net (decrease) in cash and cash equivalents	(219,117)	(3,496,974)
Cash and cash equivalents at beginning of year	<u>6,563,341</u>	<u>10,060,315</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,344,224</u></u>	<u><u>\$ 6,563,341</u></u>

Additional Information

The report is compiled for the use of the Agency's Governing Board, management, appropriate officials of the State of New York and members of the public interested in the Agency's affairs. Questions with regard to this financial report or requests for additional information may be addressed to the Executive Director, Dutchess County Resource Recovery Agency.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 3,117,084	\$ 3,340,530
Cash and Cash Equivalents, Restricted (Note 3)	3,227,140	3,222,811
Accounts Receivable, Less Allowance of \$15,000 in 2015 and 2014	1,714,827	1,875,625
Due from Related Party	690,652	105,543
Prepaid Expenses	35,384	38,982
Total Current Assets	<u>8,785,087</u>	<u>8,583,491</u>
Non-current Assets:		
Cash and Cash Equivalents, Restricted (Note 3)	1,838,858	1,838,838
Property, Plant and Equipment, Net of Accumulated Depreciation (Note 4)	21,939,206	23,895,478
Total Non-current Assets	<u>23,778,064</u>	<u>25,734,316</u>
Total Assets	<u>32,563,151</u>	<u>34,317,807</u>
Deferred Outflow of Resources:		
Employee Retirement System	90,410	-
Total Deferred Outflows	<u>90,410</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 32,653,561</u>	<u>\$ 34,317,807</u>
LIABILITIES		
Current Liabilities:		
Bonds Payable, Current Portion (Note 5)	\$ 975,000	\$ 925,000
Accounts Payable	288,828	272,183
Accrued Expenses Payable	4,548,077	4,549,602
Accrued Interest Payable	348,194	371,319
Due to Other Governments	1,883,551	1,651,103
TOTAL CURRENT LIABILITIES	<u>8,043,650</u>	<u>7,769,207</u>
Non-current liabilities:		
Post Employment Benefit Obligations	624,781	568,446
Bonds Payable, Less Current Portion (Note 5)	14,240,000	15,215,000
Net Employee Retirement System Liability	17,583	-
TOTAL NON-CURRENT LIABILITIES	<u>14,882,364</u>	<u>15,783,446</u>
TOTAL LIABILITIES	<u>22,926,014</u>	<u>23,552,653</u>
DEFERRED INFLOW OF RESOURCES		
Deferred Revenues	57,053	73,505
NET POSITION		
Restricted	5,065,998	5,061,649
Invested in Capital-type Assets, net of related debt	6,667,153	7,681,973
Unrestricted	(2,062,657)	(2,051,973)
TOTAL NET POSITION	<u>9,670,494</u>	<u>10,691,649</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 32,653,561</u>	<u>\$ 34,317,807</u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Tipping Fees	\$ 11,971,781	\$ 12,356,134
Energy Revenues	2,676,884	3,173,765
Interest Income	5,037	5,330
Total Operating Revenues	<u>14,653,702</u>	<u>15,535,229</u>
Operating Expenses:		
Disposal Fees	2,131,108	2,173,728
Service Fees	9,758,041	10,923,869
Administrative Expenses	1,858,652	1,970,130
Interest Expense	696,388	742,637
Depreciation	1,939,820	2,189,940
Total Operating Expenses	<u>16,384,009</u>	<u>18,000,304</u>
Operating (Loss)	<u>(1,730,307)</u>	<u>(2,465,075)</u>
Non-Operating Revenues:		
Net Service Fees	690,652	999,439
Other Income	-	119,350
Total Non-Operating Revenues	<u>690,652</u>	<u>1,118,789</u>
Change in Net Position	<u>(1,039,655)</u>	<u>(1,346,286)</u>
Net Position, January 1, as originally stated	10,691,649	12,037,935
Implementation of GASB 68 Adjustment	<u>18,500</u>	<u>-</u>
Net Position, January 1, as restated	<u>10,710,149</u>	<u>12,037,935</u>
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 9,670,494</u></u>	<u><u>\$ 10,691,649</u></u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 14,809,463	\$ 15,373,550
Payments to suppliers	(13,226,919)	(13,983,138)
Payments to employees and benefits	(267,728)	(236,700)
Interest received	5,037	5,330
Net cash provided by operating activities	<u>1,319,853</u>	<u>1,159,042</u>
Cash Flows from Non-capital Financing Activities		
Net service fee received	105,543	810,019
Net cash provided by non-capital financing activities	<u>105,543</u>	<u>810,019</u>
Cash Flows from Capital and Related financing Activities		
Purchase of capital assets	-	(8,498)
Allocation to debt service reserve restricted cash	-	(1,021,936)
Principal paid on capital debt	(925,000)	(3,595,000)
Interest paid on capital debt	(719,513)	(840,601)
Net cash (used) by capital and related financing activities	<u>(1,644,513)</u>	<u>(5,466,035)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(219,117)	(3,496,974)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,563,341</u>	<u>10,060,315</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 6,344,224</u></u>	<u><u>\$ 6,563,341</u></u>
Presented as:		
Cash – Unrestricted	\$ 3,117,084	\$ 3,340,530
Cash – Restricted	3,227,140	3,222,811
Total	<u><u>\$ 6,344,224</u></u>	<u><u>\$ 6,563,341</u></u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOW (CONT'D.)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating (Loss) to Net Cash Provided		
By Operating Activities		
Operating Loss	\$ (1,730,307)	\$ (2,465,075)
Adjustments to Reconcile Operating (Loss) to		
Net Cash Provided by Operating Activities:		
Depreciation	1,939,820	2,189,940
Amortization	-	-
Interest Expense	696,388	742,637
Changes in Assets and Liabilities:		
Accounts Receivable	160,798	(275,699)
Other Operating Receivables	-	119,350
Prepaid Expenses	3,598	5,222
Deferred Outflows - Retirement System	(71,910)	-
Accounts Payable	16,625	6,143
Non-Capital-Related Accrued Expenses Payable	(1,525)	524,627
Net Employee Retirement System Liability	17,583	-
Post Employment Benefit Obligations	56,335	81,346
Due to Other Governments	<u>232,448</u>	<u>230,551</u>
NET CASH PROVIDED		
BY OPERATING ACTIVITIES	<u>\$ 1,319,853</u>	<u>\$ 1,159,042</u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies

The Dutchess County Resource Recovery Agency ("Agency") was established as a public benefit corporation to perform the function of solid waste management within the County of Dutchess, State of New York. 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.

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

The Reporting Entity

The Agency is considered a component unit of the financial reporting entity known as Dutchess County. Inclusion in the financial reporting entity, Dutchess County, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". The Dutchess County Executive, and/or Members of the County Legislature appoint all of the Agency's Board Members. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14, as amended.

Proprietary Fund Accounting

Basis of Accounting and Measurement Focus

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

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

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

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

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

1. Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all cash and cash equivalents classified as current assets, whether unrestricted or restricted, except for those discussed further in Note 3, with an original maturity of three months or less to be cash equivalents.

Property, Plant and Equipment

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

Debt Issuance Costs

Costs incurred relating to the issuance of Agency bonds and bond anticipation notes are expensed as incurred, in accordance with GASB Statement No.65.

Equity Classifications

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

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

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

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Income Taxes

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

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

1. Organization and Summary of Significant Accounting Policies (Continued)

Insurance

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

Post-Employment Benefit Obligations

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

Use of Estimates

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

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes in order to conform with the presentation in the current year's financial statements.

Subsequent Events

The Agency has evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2015 through March 18, 2016, the date on which the financial statements were available to be issued.

2. Cash, 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 Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

2. Cash, Cash Equivalents and Investments (Continued)

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, 2015 and 2014, the Agency had cash deposited in various banks aggregating approximately \$350,000 and \$350,000, respectively, which are classified as Risk Category A, the lowest risk, as defined by the Governmental Accounting Standards Board (the GASB), as insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the entity's agent in the entity's name. As of December 31, 2015 and 2014, the Agency had additional cash and cash equivalents and investments of approximately \$7,833,073 and \$8,052,159 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 Risk Category B, as defined by the GASB.

Risk Category B	2015	2014
Bank Balance	\$ 4,158,644	\$ 4,404,805
U.S. Government Money Market	3,674,429	3,647,354
Total Risk Category B	\$ 7,833,073	\$ 8,052,159

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.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

3. Restricted Assets

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

As of December 31, 2015 and 2014, the trustee reported the following restricted cash and cash equivalents and investments as follows:

	<u>2015</u>	<u>2014</u>
2007 Series		
Project Fund	\$ 512,246	\$ 512,194
Debt Service Reserve Fund	<u>1,323,325</u>	<u>1,296,322</u>
Current Restricted Funds	<u>1,835,571</u>	<u>1,808,516</u>
 Reserve and Contingency Fund	 167,154	 167,138
Debt Service Reserve Fund	<u>1,671,704</u>	<u>1,671,700</u>
Non-Current Restricted Funds	<u>1,838,858</u>	<u>1,838,838</u>
 Total 2007 Series	 <u><u>\$ 3,674,429</u></u>	 <u><u>\$ 3,647,354</u></u>

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

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

3. Restricted Assets (Continued)

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1, bond principal and interest payments, amounted to \$1,391,569 at December 31, 2015 and \$1,414,295 at December 31, 2014, and are included in Restricted Current Cash and Cash Equivalents.

Restricted Assets are summarized as follows:

	<u>2015</u>	<u>2014</u>
Current- Restricted Assets		
Series 2007	\$ 1,835,571	\$ 1,808,516
Energy Revenues and Debt Service Funds	1,391,569	1,414,295
Total Current - Restricted Assets	<u>\$ 3,227,140</u>	<u>\$ 3,222,811</u>
Non-Current Restricted Assets		
Series 2007 Bonds	\$ 1,838,858	\$ 1,838,838
Total Non-Current - Restricted Assets	<u>\$ 1,838,858</u>	<u>\$ 1,838,838</u>

4. Property, Plant and Equipment

Activities involving Property, Plant and Equipment for the year ended December 31, 2015 are as follows:

	<u>2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>2015</u>
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	63,774,179	-	-	63,774,179
Equipment	192,671	-	-	192,671
	64,484,441	-	-	64,484,441
Less: Accumulated Depreciation	(40,588,963)	(1,956,272)	-	(42,545,235)
Property, Plant, Equipment Net	<u>\$ 23,895,478</u>	<u>\$ (1,956,272)</u>	<u>\$ -</u>	<u>\$ 21,939,206</u>

Depreciation was recorded in the amount of \$1,926,968 and \$2,233,032 less amortization of deferred revenues associated with the funding of capital improvements of \$16,452 and \$43,092, resulting in \$1,910,516 and \$2,189,940 depreciation expense for the years ended 2015 and 2014, respectively.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

5. Bonds Payable

Bond Terms - 1999 A and 2007 Tax-Exempt Forward Series

In October 1999, the Agency issued the 1999 A Series Bonds in the amount of \$31,210,000, the proceeds of which were used to refund the 1998 A Series Bonds. The 1998 A Series Bonds, which were subject to a mandatory call and optional redemption on November 15, 1999, were called and a payment of \$31,200,000 in principal and \$688,671 in interest was made. In January 2014, the Agency paid off the 1999 A Series Bonds in the amount of \$3,595,000.

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.

Bonds payable, with interest payable semiannually on January 1, and July 1, consist of the following as of December 31, 2015 and 2014:

Interest Rate	Issue Date	Maturity Date	Outstanding December 31, 2015	Outstanding December 31, 2014
Serial Bonds				
5.00%	2007	2015	\$ -	\$ 925,000
5.00%	2007	2016	975,000	975,000
5.00%	2007	2017	1,020,000	1,020,000
5.00%	2007	2018	1,070,000	1,070,000
5.00%	2007	2019	1,125,000	1,125,000
4.25%	2007	2020	1,180,000	1,180,000
4.25%	2007	2021	1,230,000	1,230,000
4.25%	2007	2022	1,285,000	1,285,000
4.50%	2007	2023	1,340,000	1,340,000
4.50%	2007	2024	1,400,000	1,400,000
4.50%	2007	2025	1,465,000	1,465,000
4.50%	2007	2026	1,530,000	1,530,000
4.50%	2007	2027	1,595,000	1,595,000
			<u>15,215,000</u>	<u>16,140,000</u>
		Less Current Maturities of Bonds Payable	<u>(975,000)</u>	<u>(925,000)</u>
		Bonds Payable - Long Term	<u><u>\$ 14,240,000</u></u>	<u><u>\$ 15,215,000</u></u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

5. Bonds Payable (Continued)

Annual Amortization and sinking fund requirements for Bonds Payable:

Year ended December 31,	Principal	Interest	Total
2016	\$ 975,000	\$ 672,013	\$ 1,647,013
2017	1,020,000	622,138	1,642,138
2018	1,070,000	569,888	1,639,888
2019	1,125,000	515,013	1,640,013
2020	1,180,000	461,813	1,641,813
2021-2025	6,720,000	1,479,094	8,199,094
2026-2027	3,125,000	142,089	3,267,089
Totals	\$ 15,215,000	\$ 4,462,048	\$ 19,677,048

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

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as Restricted Assets, Note 3, which are subject to minimum funding requirements. At December 31, 2015 and 2014, these reserves exceeded their funding requirements.

6. Employee Retirement Systems

Pension Plan:

A. Plan Description

The Agency is required to participate in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan System (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

6. Employee Benefit Plans (Continued)

B. Funding Policy

The Systems are generally noncontributory. Tiers I-IV are noncontributory after ten years of participation and tier V is required to contribute 3% of their salary, and tier VI is required to contribute a minimum of 3.5% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by those employers to the pension accumulation fund.

The Agency is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$60,766, \$61,398, and \$76,705, respectively. The Agency's contributions made to the System were equal to 100% of the contributions required for those years.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Agency reported a liability of \$17,583 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2015, 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, 2015, the Agency's proportion was .0005205 percent of the Employers' Retirement System liability which is the initial determination as this is the first year implementation of GASB 68, see Note 11.

For the year ended December 31, 2015, the Agency recognized pension expense of \$22,024. At December 31, 2015, 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
Differences between expected and actual experience	\$ 563	\$ -
Changes of Assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	3,054	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,448	-
Employer contributions subsequent to the measurement date	62,345	-
Total	<u>\$ 90,410</u>	<u>\$ -</u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$62,345 reported as deferred outflows 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 ended December 31, 2016. 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:

2016	\$	7,016
2017	\$	7,016
2018	\$	7,016
2019	\$	7,016

Actuarial Assumptions

The total pension liability at March 31, 2015, was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2014, valuation were as follows:

Inflation	2.7%
Salary increases - ERS	4.9%
Investment rate of return (net of investment expense, including inflation)	7.5%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected 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 of the target asset allocation percentage and by adding expected inflation.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	7.30%
International equity	8.55
Private equity	11.00
Real estate	8.25
Absolute return strategies	6.75
Opportunistic portfolio	8.60
Real assets	8.65
Bonds and mortgages	4.00
Cash	2.25
Inflation-indexed bonds	4.00

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. 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 these 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 following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014**

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption (Continued)

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net ERS pension liability	\$ 117,197	\$ 17,583	\$ (66,516)

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2015, were as follows:

	Dollars in Thousands
	Employees' Retirement System
Employers' total pension liability	\$ 164,591,504
Plan net position	(161,213,259)
Employers' net pension liability	<u>\$ 3,378,245</u>
Ratio of plan net position to the employers' total pension liability	97.9%

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

7. Post-Employment Benefits

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, the Agency recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The Post-Employment Benefits Liability as of December 31, 2015 and 2014, is \$624,781 and \$568,446, respectively.

Benefit Obligation at Normal Cost

	<u>2015</u>	<u>2014</u>
Actuarial Accrued Liability (AAL)		
Retired and Active Employees	\$ 1,027,127	\$ 1,027,127
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,027,127</u>	<u>\$ 1,027,127</u>

Annual Required Contribution (ARC)

	<u>2015</u>	<u>2014</u>
Past Service Costs	Not Available	Not Available
Normal Costs	Not Available	Not Available
Annual Required Contribution (ARC)	<u>\$ 116,331</u>	<u>\$ 112,943</u>
Percent of annual OPEB cost contributed	48.7%	25.4%

Year Ended <u>December 31</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 112,986	50.1%	\$ 624,781
12/31/2014	110,077	26.1%	568,446
12/31/2013	110,597	20.0%	487,100

Plan Description

The Agency provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the Agency. The Agency administers its own plan, but does not issue separate, stand-alone financial statements. Currently, there are four retirees receiving post-employment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for life of the retiree based on the retiree's years of service at retirement. A summary of benefits is as follows:

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014**

7. Post-Employment Benefits (Continued)

Plan Description (Continued)

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

Funding Policy

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

Annual Other Post-employment Benefit Cost

For the years ended December 31, 2015 and 2014, the Agency's OPEB cost (expense), before the consideration of current health insurance premiums of retirees, amounted to \$112,986 and \$112,943, respectively, which was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45, adjusted by interest accrued on the net OPEB obligation and timing adjustments. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded liabilities over an open period of 30 years.

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

Actuarial Methods and Assumptions

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014**

7. Post-Employment Benefits (Continued)

In the December 31, 2015, actuarial valuation, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 2.5% baseline discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 2.5% rate. The valuation assumes a prescribed schedule of percentage increases in premiums over the next seventy years.

8. Commitments

Solid Waste Disposal Service Agreement

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

Operations Service Agreement

The Agency has entered into an operations service agreement, with a commercial corporation wherein the corporation has agreed to operate the resource recovery plant, and the Agency is required to provide the plant with a guaranteed amount of solid waste, provide an ash landfill, and pay fees to the corporation. The 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 has contracted to pay to the current operator \$68 per net ton of solid waste processed, plus adjustments based upon changes in labor and material price indexes, \$0.83 per ton of net Agency processed tonnage for turbine generator maintenance fees, plus 25% of net revenues from electric sales, subject to adjustment in price indexes.

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 plant, adjusted based upon changes in labor and material price indexes. During 2015, the Agency caused to have delivered 154,966 tons, and 73,796 tons in the first half of 2014 (old operator), and 77,027 tons in the second half of 2014 (new operator), totaling 150,823 acceptable tons, meeting its guarantees.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

8. Commitments (Continued)

Power Sales Agreement

The Agency and a commercial corporation have entered into a power sales agreement dated November 1, 1984. The Agency agrees to sell all electricity produced by the plant in excess of its own requirements to the corporation at a price based on tariffs filed with the New York State Public Service Commission. The terms of the agreement are effective through January 1, 2008 and include provisions for an automatic renewal for two consecutive 5-year periods, currently expiring January 1, 2018.

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.

Landfill Agreement

Effective January 1, 2013, the Agency entered into a contract with a hauler and a landfill for the transportation and disposal of ash residue. The contract period is through June 30, 2014 with provisions for renewal at the Agency's option for four one year periods and provisions for fee increases accordingly. During 2014, the Agency renewed the contract for an additional year, through June 30, 2016.

9. Economic Dependency

As described in Note 10 – Related-Party Transactions, the Agency is entitled to receive net service fees from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover operating expenses and debt service requirements. Although these payments are subject to resolutions by the Dutchess County Legislature approving the appropriation, no approvals have yet been made for payment of 2015 fees due the Agency by the Legislature. For the years ended 2015 and 2014, respectively, the Agency recorded net service revenue of \$690,652 and \$999,439.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

10. Contingencies

Operating Permits

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

Operations Service Agreement – Annual Reconciliations

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 amounts shown to be due to and due from Operator. The Agency and the former Operator have yet to agree to and accept the annual reconciliations for the years 2008 through 2014. Any amounts due to or from the Operator were expected to be settled concurrently with the expiration of the current contract in June 2014, however, settlement as of the date of the audit report has not been reached. A new agreement with a new Operator was in effect beginning July 2014. The Agency and the current Operator have agreed upon and accepted the 2015 annual reconciliation.

Litigation

The Agency is a defendant in a lawsuit regarding liabilities due to the former plant operator by the Agency. In the opinion of counsel, the outcome of the litigation may result in a material effect on the financial condition of the Agency. The Agency maintains that the former operator is not entitled to recover on certain claims which have been brought forth pertaining to liabilities due from the Agency, resulting from operations. The Agency has filed a counterclaim against the former operator. At the time of the financial statement date, this matter has not been resolved, despite of attempts at mediation.

11. Related-Party Transactions

As more fully described in **Note 8 - Economic Dependency**, Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$690,652 and \$999,439 during 2015 and 2014, respectively. At December 31, 2015 and December 31, 2014, respectively, the Agency was owed \$690,652 and \$105,543 by Dutchess County, reported as Due from Related Party.

During 2015 and 2014, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$140,624 and \$128,648, respectively.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

12. Implementation of GASB 68

In June 2012, GASB issued Statement 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2*. This Statement requires the recording of the Agency's proportional share of the collective net pension liability of the New York State & Local Retirement System. The Agency implemented this standard for the year ending December 31, 2015, the first year proportional share information was available. Therefore, no adjustments have been made to the December 31, 2014, financial statements. The substantive effects are summarized in the table below:

<u>Account Description</u>	<u>Change Due to GASB 68 Implementation</u>
Net Position, January 1 - Increase	18,500
Net Employee Retirement System Liability - Increase	17,583
Employee Retirement Benefits Expense - Increase	38,741
Deferred Outflows - Employee Retirement System - Increase	90,410

13. New Reporting Standards

In June 2015, GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. When implemented, this Statement will require the recording of the Agency's net OPEB liability. The Agency is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is expected to have a substantive effect on the Agency's net position.

GASB has also issued Statements 69-74 and 76-80, none of which are expected to have any substantive effects on the Agency's net position.

REQUIRED SUPPLEMENTAL INFORMATION

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2015**

The schedule of funding progress presents the results of OPEB valuations for the past three actuarial valuations for OPEB:

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2015	12/31/2014	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 282,986	362.96%
12/31/2014	12/31/2014	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 309,899	331.44%
12/31/2013	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 344,260	298.36%
12/31/2012	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 351,292	292.39%
12/31/2011	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 333,459	308.02%
12/31/2010	8/1/2009	\$ -	\$ 701,700	\$ 701,700	0%	\$ 360,022	194.90%
12/31/2009	8/1/2009	\$ -	\$ 639,300	\$ 639,300	0%	\$ 376,763	169.68%

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF PROPORTIONAL SHARE
OF NET PENSION LIABILITY
DECEMBER 31, 2015**

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

March 31, 2015

Agency's proportion of the net pension liability (asset)	0.00052050%
Agency's proportionate share of the net pension liability (asset)	\$ 17,583
Agency's covered-employee payroll	\$ 269,736
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.52%
Agency plan fiduciary net position as a percentage of the total pension liability	97.90%

*The amounts presented for each fiscal year were determined as of the System's measurement date

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2015**

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

	<u>March 31, 2015</u>
Contractually required contribution	\$ 56,026
Contributions in relation to the contractually required contribution	<u>\$ 56,026</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Agency's covered-employee payroll	\$ 269,736
Contributions as a percentage of covered-employee payroll	20.77%

*The amounts presented for each fiscal year were determined as of the fiscal year end

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

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APPENDIX C

**Dutchess County Resource Recovery Agency Budget For The Year
Ended December 31, 2017**

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DUTCHESS COUNTY RESOURCE RECOVERY AGENCY			
BUDGET 2017			
		BUDGET	
		2017	
ACCT	Revenues		
4000	All Tipping Fees - 154,000 tons	11,396,000	
4410	Electric Energy Sales	2,836,680	
4125	Recycling Fees - Metal RRF	725,000	
4950	Interest Earnings	2,000	
4998	Special Income Items	23,000	
4760	Net Service Fees Due Agency	0	
Total Revenues		14,982,680	
		BUDGET	
		2017	
ACCT	Expenses		
5010	Salaries-Management	106,000	
5020	Salaries-Full Time	38,900	
5030	Salaries-Part Time	20,000	
5050	Overtime	3,000	
5210	Retirement	90,000	
5220	Social Security	15,000	
5226	Medicare Expense	3,000	
5230	Health Insurance	60,000	
5240	Dental Insurance	5,000	
5245	Dutchess County Admin Fees	0	
5250	Workmen's Compensation	4,400	
5260	Long term Disability	700	
5280	Life Insurance	200	
Total Personnel Services		346,200	
6105	Books, Period. & Audio	3,200	
6110	Office Supplies	3,000	
6115	EDP Supplies	2,300	
6120	Board Expenses	600	
6125	Photocopy & Photo Supplies	430	
6130	Uniforms, Pads & Acces.	0	
6135	Postage	2,000	
6140	Commercial Printing	250	
6145	Prof. Membership & Lic.	100	
6150	Telephone	5,500	
6155	Pub. And Legal Notices	2,400	
6160	Public Relations & Educ	200	
6165	Statutory Fees - DEC	36,000	
6170	Lab. Tests/Research	0	
6175	Advertising	500	
6180	Bank Charges	0	
6199	Other-Administration	1,000	
Total Administration		57,480	

APPENDIX D

DUTCHESS COUNTY, NEW YORK

**Excerpts From The County's Official Statement
Dated September 28, 2016, as Updated by Certain Continuing Disclosure Filings**

**Certain Financial Information Obtained From
Financial Statements For the Years 2011 through 2015
and 2016 Budget**

**General Purpose Financial Statements And
Report of Independent Accountants
Year Ended December 31, 2015**

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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 2015 showed a slight decline to 296,928 persons, which represents a decrease of 0.2% 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 "Economic and Demographic Data," 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 2015 was estimated at \$33,923, which was higher than both the State and National averages by 2.1% and 17.3%, respectively. State and U.S. income averages reported on this basis were \$33,236 and \$28,930 respectively. Median family income for 2015 in the County, State, and Nation were estimated to be \$89,486, \$71,913 and \$66,011, respectively. See "Economic and Demographic Data," 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), for 2015, service related positions accounted for approximately 51.1% of the County's workforce. Other major industries of the County workforce for this same time frame included retail trade and manufacturing, which were estimated to employ approximately 12.6% and 7.6% of the area workforce, respectively. Government related positions for 2015 were estimated to account for approximately 17.6% of the County's workforce. In addition, agriculture plays a significant role in the economy of the County. According to the New York State Labor Department (the Quarterly Census of Employment and Wages), for 2015, 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.

Strategically situated in the historic Hudson River Valley, the County supports economic enterprises with a wealth of financial, technical, education, and cultural resources. The County economy is fueled by a broad spectrum of corporations. These businesses include a mixture of small specialty firms, large multi-national corporations, and several large retailers who operate locations throughout the County. Major non-governmental employers in the County include; HealthQuest (estimated at 5,600), IBM (4,100), GlobalFoundries (2,500), Mid-Hudson Regional Hospital (1,800), the Culinary Institute of America (1,500), Gap Inc. (1,300), Marist College (1,300), Vassar College (1,100) and Central Hudson (1,000). 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 2015. Several jobs at the site were reclassified due to recent enhancements in technology and a rise in automation. The County estimates IBM presently employs approximately 4,100 within its limits, which is down from 11,410 in 2008. Employment at GlobalFoundries is currently estimated at 2,500. On November 1,

2011 a PILOT agreement between IBM and the 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.

GAP Inc., a national retailing company and major County employer, operates a 2.3 million square foot warehouse and distribution facility in the Town of Fishkill adjacent to Interstate 84. The facility serves as the GAP's Old Navy distribution center for the Northeast United States. Employment at the warehouse is currently estimated by County officials to be approximately 1,300 individuals. During the summer of 2014 GAP announced a \$96 million expansion of the Fishkill distribution center. It is anticipated that the expansion will result in the creation of approximately 1,200 new jobs by June of 2019.

Form of 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 the right of unlimited self-succession. 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 2015, the Executive was reelected and his second term commenced on January 1, 2016. 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 2017) is as follows: Chairman of the Board of Legislators (Dale L. Borchert); Majority Leader (Donna Bolner); and Minority Leader (Francena I. Amparo).

The County has an elected Comptroller (James Coughlan) who serves a 4-year term with the right of unlimited self-succession. 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: the 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 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 descriptions 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 Dutchess County Resource Recovery Agency (the “Agency”) was established as a public benefit corporation on July 22, 1982 pursuant to Title 13-D of Article 8 of the Public Authorities Law and Chapter 43-A of the Consolidated Laws of the State of New York (the “Act”) to perform the essential governmental function of solid waste management. 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 owns and through independent contractor, Wheelabrator Dutchess County, LLC (“Wheelabrator”) operates a municipal waste combustion type resource recovery facility (the “RRF” or “Facility”) and the Agency has contractual arrangements for the disposal of ash residue from incineration and materials that cannot be processed at the RRF. Through June 30, 2014, the Agency’s Facility contract operator was Covanta Hudson Valley Renewable Energy, LLC (“CHVRE”).

County Disposal Service Agreement. The Agency and the County have entered into a Disposal Service Agreement dated as of December 1, 1984 (the “Disposal Service Agreement”). The Disposal Service Agreement was extended by the County Legislature in October 2007 to July 1, 2027, six months after the last maturity date of currently outstanding Agency bonds. The Disposal Service Agreement assures the Agency of sufficient total revenues to pay operating expenses, including debt service.

Pursuant to the Disposal Service Agreement, the Agency agrees to provide for the disposal of solid waste generated in the County. In return, the County has obligated itself to deliver or cause to be delivered to the Agency not less

than 140,000 tons per year of processible solid waste and has covenanted to pay to the Agency a net service fee (the “Net Service Fee”). The Net Service Fee is defined as the difference between Agency revenues, including tipping fees charged to carters for the use of Agency facilities and revenues from the sale of energy and recovered materials, and expenses, including payments to the operator of the Facility, administrative expenses and debt service.

In 2016, the Agency budgeted \$509,780 for the payment of Net Service Fees by the County. The County agreed in the Disposal Agreement to take all such action as may be necessary to provide for the timely payment of Net Service Fees to the Agency. The Net Service Fee could change fluctuate based actual revenues and expenditures.

The Agency must notify the County of such Net Service Fees as are payable for a particular calculation period (January-March and April-December) within ten business days after the end of each January-March calculation period, and by November 9 for each April-December calculation period. The amount of Net Service Fee is due and payable by the tenth business day preceding the next Bond Interest Payment Date.

The County is authorized pursuant to the Local Finance Law to authorize the issuance of tax anticipation notes, revenue anticipation notes or budget notes to raise cash for the payment of Net Service Fees in the event of a cash shortfall. Budget notes, in particular, may be issued during any fiscal year for expenditures for which an insufficient amount or no provision is made in the annual budget for such fiscal year in an amount not to exceed five percent of the amount of such annual budget.

The following table reflects the payments of Net Service Fees by the County to the Agency for the last 10 years:

<u>Year</u>	<u>Net Service Fees Paid</u>
2006	\$2,124,528
2007	2,921,279
2008	3,496,200
2009	4,946,199
2010	4,012,233
2011	3,644,079
2012	4,138,682
2013	712,100
2014	999,439
2015	690,652 ¹
2016	291,697 ¹

Dutchess County Water and Wastewater Authority

THE INFORMATION FOR THIS SECTION HAS BEEN PROVIDED TO THE COUNTY BY THE DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY. THE AUTHORITY EXTRAPOLATED THE DATA FROM THEIR AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS DECEMBER 31, 2015 AND 2014. THE INFORMATION PROVIDED IN THIS SECTION SHOULD BE CONSIDERED UPDATED AS OF THESE DATES. FURTHERMORE, BONDS AND NOTES ISSUED BY THE AUTHORITY ARE NOT DEBT OF THE COUNTY NOR IS THE COUNTY OBLIGATED TO PAY SUCH BONDS AND NOTES.

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.

¹ In 2015 and 2016, the Agency applied unrestricted funds to meet expenses, and it last received a net service fee payment from the County for the period through December 2014.

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

Trust Indenture. As of June 1, 1995, the Authority executed a trust indenture authorizing the issuance of debt for the purpose of acquiring a sewage facility. This trust indenture was amended in 2007 to authorize debt issued for Part 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. Two additional supplemental resolutions were adopted in 2014.

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 seventeen supplemental resolutions pursuant to this general bond resolution, authorizing debt issues in the years of 1998, 1999, 2000, 2001, two issues in 2002, 2004, two issues in 2008, two issues in 2009, 2010, 2011, 2013, 2014, and two issues in 2015.

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

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The below table provides a breakdown of the Authority's outstanding bonds at December 31, 2015:

Bonds Outstanding	Amount Outstanding At December 31, 2015
1. 1998 Revenue Bonds (Zero Coupon) Series One	\$3,817,818
2. 2000 Service Agreement Revenue Bond Series 2000	300,000
3. 2001 Service Agreement Revenue (Refunding) Bond Series 2001	1,153,410
4. 2004 Water Service Agreement Revenue Bond Series 2004	1,140,000
5. 2004 Sewer Service Agreement Revenue Bond Series 2004	1,215,000
6. 2009 Water Service Agreement Revenue Bond Series 2009	5,815,000
7. 2009 Water Service Agreement Revenue Bond Series 2009	1,347,524
8. New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2010 C	4,780,000
9. New York State Environmental Facilities Corporation State Drinking Water Revolving Fund Revenue (Refunding) Bonds Series 2011 C	1,400,000
10. 2011 Service Agreement Revenue Bond Series 2011	1,805,000
11. New York State Environmental Facilities Corporation Revenue Refunding Bonds Series 2014B	314,054
12. New York State Environmental Facilities Corporation Revenue Refunding Bonds Series 2014B	1,904,533
Total Bonds Payable	<u>\$24,992,339</u>
Accreted Interest recorded on Zero Coupon Bonds	<u>7,165,955</u>
Portion Due Within One Year	<u>(2,083,587)</u>
Total Net Long Term Debt Payable	<u><u>\$30,074,707</u></u>

Source: The audited financial statements of the Authority for the fiscal years ended December 31, 2015 and 2014.

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 such 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, secured 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 and sewer rates together with other Authority revenues in amounts sufficient to provide for operating expenses as included in the Authority's budget. The Authority also pledges to maintain, in full force and effect, the service agreement with Dutchess County.

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 years ended 2015 and 2014, the Authority recorded net revenues of \$2,842,496 and \$2,794,831, having recorded a return of \$75,120 and \$105,089 to the

County during those years. There was \$0 was due to or due from the County at each respective yearend. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

Source: Authority officials and the audited financial statements of the Authority for the fiscal years ended December 31, 2015 and 2014.

Bond Refunding. In June 2007, the Authority issued \$2,290,000 in serial bonds with interest rates of 4.00- 5.00%. The proceeds were used to fund improvements to the Valley Dale system of \$400,000, and improvements to the Chelsea Cove system of \$1,890,000. In 2014, the Authority refunded the 2007 sewer service agreement revenue bonds for Chelsea Cove and Valley Dale Sewer System with Series 2014B bonds through NYS EFC. The net proceeds of the refunding, \$2,243,625, 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 \$3,174,344, and the cash flow required to service the new debt is \$3,064,850, resulting in a reduction of \$109,494. The economic gain (net present value of the savings resulting from the refunding) amounted to \$251,438. Escrow funds were used to pay down refunded debt, resulting in outstanding balances of \$1,890,000 and \$1,945,000, as of December 31, 2015 and 2014, respectively. The refunded bonds will be called in 2017.

Source: Authority officials and the audited financial statements of the Authority for the fiscal years ended December 31, 2015 and 2014.

Bond Anticipation Notes. In May 2015, the Authority renewed \$1,660,500 in bond anticipation notes at 1.67% which will mature in May of 2016. The notes were originally issued for improvements to the Staatsburg Water System.

In September 2013, the Authority authorized financing of \$2,757,441 with New York State Environmental Facilities Corporation. The purpose of the notes is to provide the Authority with funds to pay for improvements to the Shore Haven water system. As of December 31, 2015, there were drawdowns of \$699,032 on this authorization.

In September 2014, the Authority authorized financing of \$3,318,767 with New York State Environmental Facilities Corporation. The purpose of the notes is to provide the Authority with funds to pay for improvements to the Chelsea Cove Sewer District wastewater treatment plant process, and upgrades to the Valley Dale Sewer District wastewater treatment plant, along with manhole and sewer line repairs. As of December 31, 2015, there were draw downs of \$180,803 on this debt.

The below table provides a breakdown of the Authority's outstanding bond anticipation notes at December 31, 2015:

Purpose	Original Issue Date	Maturity Date	Amount Outstanding at December 31, 2015:
Staatsburg Water Improvements	05/21/14	05/16/16	\$ 1,660,500
Shorehaven Water System Improvements	09/26/13	09/26/16	699,032
Chelsea Cove Sewer District Upgrades	09/25/14	09/25/17	-0-
Valley Dale Sewer District Upgrades	09/25/14	09/25/17	180,803
Total			<u><u>\$ 2,540,335</u></u>

(1) The Chelsea Cove Sewer District Upgrades BAN was paid in full during the 2014 fiscal year.

Source: Authority officials and the audited financial statements of the Authority for the fiscal years ended December 31, 2015 and 2014.

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 1,527 employees.

The following chart has been updated as of March 2017 and provides information on union membership and contract expiration dates for the various represented County employees:

<u>Union</u>	<u>Number of Employees Represented</u>	<u>Date of Expiration Current Contract</u>
County Employees:		
CSEA, Inc., Local #1000 (A.F.S.C.M.E.)		
AFL-CIO, Dutchess County Chapter 814	1,132	12-31-16 ⁽¹⁾
Dutchess County Sheriff's Employees Association		
-Affiliated with Communication-Workers of		
America, Local #1105	262	12-31-16 ⁽¹⁾
Dutchess County Deputy Sheriffs - PBA	100	12-31-19
Dutchess County Staff Association		
NYSUT, AFT, AFL-CIO	33	N/A
Total	1,527	

(1) In negotiation.

Source: County officials.

Employee Benefits

Substantially all employees of the City are members of the New York State and Local Employees Retirement System ("ERS" or the "Retirement System"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement System 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, except for members hired on or after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the 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 System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. Members hired after January 1, 2010 must contribute three or more percent of their gross annual salary toward the costs of retirement programs for the duration of their employment.

Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides, among other things, for increased

employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee pension contributions throughout employment.

Beginning July 1, 2013, a voluntary defined contribution plan option was made available to all unrepresented employees of New York State public employers hired on or after that date, and who earn \$75,000 or more on an annual basis.

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 2015.

Due to significant capital market declines in 2008 and 2009, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, the employer contributions for the State's Retirement System continue to be higher than the minimum contribution rate established by Chapter 49. Legislation was enacted that permits local governments and school districts to borrow a portion of their required payments from the State pension plan at an interest rate of 5%. The legislation also requires those local governments and school districts that amortize their pension obligations pursuant to the regulation to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance. The County does not amortize pension payments and does not anticipate amortizing such payments in the foreseeable future.

In Spring 2013, the State and ERS approved a Stable Contribution Option ("SCO"), which modified its existing SCO adopted in 2010, that gives municipalities the ability to better manage spikes in Actuarially Required Contribution rates ("ARCs"). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount. The County pays its ERS contributions on a pay as you go basis and does not expect to participate in the SCO in the foreseeable future.

For State Fiscal Year 2016-17, the average contribution rates for ERS will decrease for the third year in a row. ERS will decrease by 2.7% of payroll, from 18.2% to 15.5%. Projections of required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among the six retirement tiers. The employer contribution rates announced will apply to each employer's salary base during the period of April 1, 2016 through March 31, 2017.

ERS Contributions. The County makes a payment to the New York State Retirement System each December (to take advantage of the discount) for the plan year ending March 31st of the subsequent year. The actual amount that the County is invoiced for and pays each December includes amounts for employees of Dutchess Community College that are participants in the Retirement System. Dutchess Community College will reimburse the County for the payment made to the Retirement system on their behalf by the County. Contributions made by the County to the Retirement System over the last five years are as follows:

<u>Calendar Year Payment Made:</u>	<u>NYS Fiscal Year Ending:</u>	<u>Total Payment (Invoice Amount)</u>	<u>College Portion</u>	<u>County Portion</u>
2016	3/31/2017	\$19,172,554	1,521,558	\$17,650,996
2015	3/31/2016	19,796,768	1,699,546	18,097,222
2014	3/31/2015	22,241,748	1,882,029	20,359,719
2013	3/31/2014	21,569,249	2,073,765	19,495,484
2012	3/31/2013	22,740,014	1,760,654	20,979,360
2011	3/31/2012	18,157,439	1,497,421	16,660,018

(1) Estimate.
Source: County Officials.

Other Post-Employment Benefits

GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, 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. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each state or local government. 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 contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the County account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation is required every two years for the County. The County's funding policy is to contribute the current annual premium (net of employee contributions) for retired participants (i.e. pay-as-you-go). Current New York State law does not permit municipalities to pre-fund medical benefit obligations.

Fiscal Year Ended December 31, 2015 (Audited Information). The County is in compliance with the requirements of GASB 45. The County has determined that its unfunded actuarial accrued liability ("UAAL") for OPEB as of December 31, 2015 was \$263,537,265. For the year ended December 31, 2015, the County's ARC for Governmental and Business Activities was \$22,032,738. After interest of \$6,333,285 and adjustments of negative \$6,050,257, the annual OPEB cost for Governmental Activities at December 31, 2015 was \$22,315,766. 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.

Proposed legislation was reintroduced in the State Legislature in the most recent session (A.05525, S.0511) to authorize local governments and other public entities to establish trusts to accumulate and disburse funds through governing board appropriation for payment of OPEB liabilities. This legislation would authorize the establishment of a trust by resolution of the local government's governing body which would serve as the trustee (unless trustee authority is delegated to the local government's chief fiscal officer). Trust investments would be held by the State Comptroller as sole custodian for investment in accordance with the written investment policy developed by the trustee and the written agreement between the trust and the State Comptroller. Trust funds would not be subject to local government creditor claims, and local government officers would not be subject to liability for loss on investments in the trust. The legislation remained in committee in the past legislative session. The County cannot predict at this time whether such proposed legislation will be reintroduced in a later legislative session.

See "Note 8 – Other Post-Employment Benefits (OPEB) Obligations" on page 62 of the Audited Financial Statements for the year ended December 31, 2015.

The funded status of the County's Retiree Benefit Program at December 31, 2015 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
12/31/15	\$ -0-	\$263.5 M	\$263.5 M	0.0%	\$114.1 M	231.0%

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

See, "Schedule of Funding Progress – Other Post-Employment Benefits Plans" on page 88 of the Audited Financial Statements for the year ended December 31, 2015.

Source: The audited financial statements of the County. The table itself has not been audited

FINANCIAL FACTORS

Budgetary Procedure

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.

Summaries of the County's operating budgets adopted for the 2015 and 2016 fiscal years are presented in Appendix B of this Official Statement. Full copies of County's budgets may be obtained by visiting the County's official website, or by request of the County, or the County's Financial Advisor.

Overview of the 2016 Adopted General Fund Budget. The 2016 County budget was adopted on Thursday, December 14, 2015 by the Dutchess County Legislature. The budget provided for total General Fund spending of \$433,307,819 which is approximately 4.1% higher than the County's 2015 adopted (original) General Fund budget. Under this budget, the real property tax levy was decreased by \$1,001,910, or approximately 0.9% compared to 2015. The tax rate increased was increased by \$0.06 to \$3.62, or by approximately 1.6% compared to 2015. The tax rate for 2015 was \$3.68. The General Fund budget for 2016 was balanced with an appropriation of approximately \$9.5 million in fund balance and operates within the parameters of the State imposed tax cap. See "The Tax Levy Law," herein.

Highlights of the County's 2016 budget included the following points:

- ◆ The 2016 budget included a reduction in the property tax levy of \$1,001,910 (or approximately 1.6%) compared to the 2015 adopted budget.
- ◆ Workforce costs in the 2016 budget, inclusive of salaries and fringe benefits, increased approximately 1% compared to the 2015 budget (as modified). Five full-time equivalent positions were removed for 2016, while and 13 other targeted full-time positions were added. The additional positions are anticipated to be funded primarily through grants. In addition, 51 positions are expected to be restructured to better accommodate the changing structure of County Government.
- ◆ Approximately 70% of the County's annual costs are mandated for certain programs and services. For 2016, some of the mandated costs included \$41.5 million for Medicaid, \$11 million for Foster Care, \$3.9 million for Safety Net, \$10 million for the Preschool Special Education and Early Intervention Programs, and over \$37.5 million relating to the County jail. The County continues to focus on increasing efficiency levels in order to control these costs. The remaining 30% is "optional spending," 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

- ◆ For 2016, sales tax is projected to grow at a rate or 1% compared to 2015.
- ◆ 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. For 2016, the State has set the cap at 0.73% based on inflation. Exceeding this cap would require approval from two-thirds of the County Legislature. For 2016, real property taxes in the County's budget were set at nearly \$5 million below the cap. See "tax Levy Limitation Law," herein.
- ◆ The 2016 adopted budget was balanced with an appropriation of fund balance in the County's General Fund, Road Fund, Machinery Fund, and Public Transportation fund. The General Fund appropriation for 2016 is \$9.5 million.

Overview of the 2017 Adopted General Fund Budget. The 2017 County budget was adopted on Thursday, December 8, 2016 by the Dutchess County Legislature. The budget provided for total General Fund spending of \$437,070,351 which is approximately 0.9% higher than the County's 2016 adopted (original) General Fund budget. Under this budget, the real property tax levy was decreased by \$173,973, or approximately 0.2% compared to 2016. The tax rate increased was decreased by \$0.04 to \$3.58 (or 1.1%) compared to the 2016 tax rate of \$3.62. The General Fund budget for 2017 was balanced with an appropriation of approximately \$12.3 million in fund balance and operated within the parameters of the State imposed tax cap. See "The Tax Levy Law," herein.

Highlights of the County's 2017 budget included the following points:

- ◆ The 2017 budget included a reduction in the property tax levy of \$173,973 (or 0.2%), which marks the third consecutive reduction. In addition, the tax rate for 2017 was reduced by \$0.04 to \$3.58.
- ◆ 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. For 2017, the State has set the cap at 0.68% based on inflation. Exceeding this cap would require approval from two-thirds of the County Legislature. For 2017, the County's tax levy was below the cap. See "tax Levy Limitation Law," herein.
- ◆ For 2017, sales tax is projected to increase by \$6.7 million, or by 3.8%, compared to the 2016 adopted budget.
- ◆ Workforce costs for 2017, including salaries and fringe benefits for all county employees, are 3% higher compared to the 2016 modified budget. This includes a net increase of approximately 19 full-time equivalent positions of 18.93. In addition, the 2017 budget includes the restructuring of 40 positions, which the County believes will improve efficiency levels.
- ◆ Approximately 70% of the County's annual costs are mandated for certain programs and services. For 2017, some of the mandated costs included \$41.3 million for Medicaid, \$13.6 million for Foster Care, \$3.5 million for Safety Net, \$10 million for the Preschool Special Education and Early Intervention Programs, and over \$37.6 million relating to the County jail. The remaining 30% of costs are considered discretionary, 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 2017 adopted budget was balanced with a total appropriation of \$13.7 million in fund balance. Of this amount, approximately \$12.3 correlated to the General Fund and the remaining \$1.2 million correlated to the Public Transportation Fund.

Independent Audits

Audited Financial Statements. The County retained the firm of Drescher & Malecki LLP, Certified Public Accountants, to audit its financial statements for the fiscal year ended December 31, 2015. Prior to the fiscal year ended 2012 external auditing services were provided to the County by PricewaterhouseCoopers LLP.

The County's audited general purpose financial statements, the notes thereto and the auditors' report thereon for the year ended December 31, 2015 are included as part of APPENDIX D herein. Additional County audits are on file with the Municipal Securities Rulemaking Board (<http://emma.msrb.org/>), or may be obtained by request from the County or from the County's Financial Advisor.

As of the date of the Official Statement, the County was still in the process of completing the audited financial statements for the fiscal year ended December 31, 2016.

2016 Results of Operations. As of March 23, 2015, the County was still in the process of preparing financial statements in connection with the fiscal year ended December 31, 2016. As result, results of operations are not yet available. County officials expect the 2016 (unaudited) annual update document, which is filed with the Office of the State Comptroller, will be completed around May of 2017. Furthermore, audited financial statements are expected to be available in the fall of 2017. Once available, copies of the 2016 (unaudited) annual update document and 2016 audited financial statements will be filed with the Municipal Securities Rulemaking Board in connection with the County's continuing disclosure pledge.

State Audits. In addition, the County is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. See "The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews" herein.

A State audit report reviewing the Dutchess Court and Trust was made available by the State on December 12, 2014. The State auditors' report cited that certain records were not up to date and that the condition of all court and trust funds were not reported to the State Comptroller. Results of the audit and corresponding recommendations have been discussed with County officials and comments from the County have been included as a part of the audit report. Full copies of the State audit may be obtained by visiting the official website of the State Comptroller.

A State audit report reviewing the Child Protective Services ("CPS") Program in several State counties, including the County, was made available by the State on October 14, 2014. In New York State, counties administer the State's child welfare service programs, including the CPS Program. Each county has its own CPS unit and must adhere to the State's CPS Program Manual (Manual), which incorporates current laws and regulations as well as relevant guidelines and procedures. The State auditors' report cited various weaknesses in the investigated counties. Results of the audit and corresponding recommendations have been discussed with each of the counties and comments from various officials have been included as a part of the audit report. Full copies of the State audit may be obtained by visiting the official website of the State Comptroller.

The Division of Local Government and School Accountability of the Office of the State Comptroller conducted an evaluation on the County's financial condition, and a report covering the period January 1, 2012 through November 30, 2013 was made available on March 14, 2014. The audit report and subsequent recommendations reflect only the viewpoint of the State and are intended to be resources of the County. Full copies of the State audit may be obtained by visiting the official website of the State Comptroller.

A State audit report reviewing the maintenance of County bridges was made available by the State on July 19, 2013. The State auditors' report cited that Although the County had not developed a written plan for bridge maintenance and repair, it had taken action to improve and maintain bridge ratings. Full copies of the State audit may be obtained by visiting the official website of the State Comptroller.

A State audit report entitled Consumer Protection: Accuracy of Weights and Measures was made available on December 09, 2011. The audit presented findings for six local governments, including the County. Results of the audit and corresponding recommendations have been discussed with the County and comments from County officials have been included as a part of the audit report.

Financial Reporting

See “Notes to the Financial Statements – Note 1 (Summary of Significant Accounting Policies)” in the Audited Financial Statements for the year ended December 31, 2015 for a discussion of current accounting policies. Also, see “Notes to the Financial Statements – Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)” in the Audited Financial Statements for the year ended December 31, 2012 for a discussion on the restatement of fund balance in connection with the 2012 fiscal year.

In January 2002, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis-for State and Local Governments and GASB Statement No. 38, Certain Financial Statement Note Disclosures.

As a result of this implementation, the financial statements include:

1. Financial statements prepared using full accrual accounting for all of the County’s activities, including infrastructure (roads, bridges, etc.).
2. A change in the fund financial statements to focus on the major funds.
3. The statement of cash flows of proprietary funds is presented using the direct method.

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

In 2010, management identified accounting errors in posting liquidations of accounts payable to the County’s general ledger during 2007, 2008 and 2009. Management determined these errors resulted from an issue within the County’s financial management system that was implemented during 2006. Whereas, departments input liquidation adjustments into the system application, they were not properly updated to the general ledger. As a result, the County did not record a total of \$4,991,252 of liquidation adjustments (comprising of \$2,132,723, \$2,710,314 and \$148,215 in 2007, 2008, and 2009). See the Audited Financial Statements for the fiscal year ending December 31, 2010. Copies of the County’s Audited Financial Statements are on file with the Electronic Municipal Market Access System (“EMMA”) and can be obtained on their website.

In fiscal 2011, the County implemented Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable. These funds consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted. Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other government; or through constitutional provisions or enabling legislation.

Committed. These funds consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and requires the same level of formal action to remove the constraint. The County Legislature is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.

Assigned. These funds consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their 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. The Legislature by Resolution 2011247 has authorized the Commissioner of Finance to assign fund balance.

Unassigned. These funds consists represent the residual classifications for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When resources are available from multiple classifications, the County spends funds in the following order: restricted, committed, assigned, unassigned.

During the year ended December 31, 2012, the County implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement amends the net assets reporting requirements in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The County also elected to early implement the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities. Other than that discussed in Note 2, GASB Statement Nos. 63 and 65 did not have a material impact on the County's financial position or results from operations.

Additionally, during the year ended December 31, 2012, the County completed the process of evaluating the impact that will result from adopting GASB Statements No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, No. 60, Accounting and Financial Reporting for Service Concession Arrangements; No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; and No. 64, Derivative Employer Plans; Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53. GASB Statements No. 57, 60, 62 and 64 did not have a material impact on the County's financial position or results from operations.

Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position. During the year ended December 31, 2012, the County elected to change its revenue recognition period for governmental funds to 90 days. Previously, revenues estimated to be received within one year of the end of the current fiscal period were considered available and recognized in governmental funds. Fund balance at December 31, 2011 has been restated by \$12,380,001 to remove revenues recognized in the prior year beyond the 90 day availability period. The County believes that this is the preferable policy of revenue recognition and that it more accurately reflects its availability period under the modified accrual basis of accounting.

Tobacco settlement payments to be received by the County during the year ending December 31, 2013 are based on tobacco sales made during the year ended December 31, 2012. While they are not considered receivable under the modified accrual basis of accounting, they are considered receivable within the governmental activities during the current year. Previously, DTASC accrued an estimate of the tobacco settlement revenue to be received in the subsequent year in both the governmental fund financial statements and the government-wide financial statements. Fund balance at December 31, 2011 has been restated to remove the tobacco settlement revenue receivable of \$3,476,979 from the fund financial statements.

During the year ended December 31, 2013, the County implemented GASB Statements No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, and No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASB Statements No. 61 and 66 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 No. 67, Financial Reporting for Pension Plans—an amendment of GASB

Statement No. 25; No. 69, Government Combinations and Disposals of Government Operations; and No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees effective for the year ending December 31, 2014; and No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB statement No. 27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68 effective for the year ended December 31, 2015. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are adopted.

Net Position. The County's Statement of Net Position from Governmental Activities shows a total net position of \$(44,184,630) at December 31, 2015. Net position from Governmental Activities are comprised of: capital assets net of related debt, \$46,512,461, restricted assets, \$36,843,068 and unrestricted assets, \$(127,540,159). Total net position as restated, on December 31, 2014 was \$(65,119,251).

See "Statement of Net Position" on page 16 of the Audited Financial Statements for the year ended December 31, 2015.

Certain Information Obtained From Financial Statements

A five-year history of certain financial statements is presented, in summary form, in Appendix B hereto. The data presented in these summaries are derived from the audited financial statements of the County for years 2011 through 2015. Such financial statements have been prepared using the modified accrual basis of accounting. The summaries of the County's financial statements are not complete presentations. Accordingly, such summary statements are not considered as audited under accounting principles generally accepted in the United States of America. Copies of the County's audited financial statements will be made available upon request to the County or its financial advisor. Audited statements of the County as of and for the years ended December 31, 1996 through 2015 are on file with The Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA").

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 2017 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 regulation 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 2011 through 2015 is presented in Appendix B, 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 for each of the years 2011 through 2015 and the amounts included in the 2016 and 2017 adopted budgets. See “Real Property Taxes,” herein.

Year Ended December 31:	General Fund Revenues ⁽¹⁾	Real Property Taxes	Percentage Of General Fund Revenue
2011	\$416,882,875	\$97,842,804	23.5%
2012	411,424,059	100,423,214	24.4
2013	411,926,213	106,135,068	25.8
2014	430,266,839	107,102,979	24.9
2015	437,900,669	107,242,325	24.5
2016 (Budgeted) ⁽²⁾	423,804,819	94,783,643	22.4
2017 (Budgeted) ⁽²⁾	424,820,351	93,503,040	22.0

(1) Excludes other financing sources.

(2) Excludes the appropriation of fund balance (\$9.5 million for 2016 and \$12.3 million for 2017).

Source: The audited financial statements and the adopted budgets of the County. The table itself 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.

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 NYCTT 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 NYCTT VI which was used to pay for capital improvements.

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 payments 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.

See “Notes to the Financial Statements – Note 12 (Long Term Debt - DTASC)” starting on page 71 of the Audited Financial Statements for the year ended December 31, 2015.

Tobacco Revenue. At December 31, 2015, the audited ending fund balance of the Corporation was \$3,539,354. See “Statement of Revenues, Expenditures, and Changes in Fund Balances” on page 20 of the audited financial statements for the year ended December 31, 2015.

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 amounts included in the County's adopted budgets for 2016 and 2017.

<u>Years Ended December 31:</u>	<u>Federal Aid</u>	<u>State Aid</u>	<u>Total Federal and State Aid</u>
2011	\$32,089,968	\$74,589,010	\$106,678,978
2012	30,315,591	68,847,307	99,162,898
2013 (<i>Unaudited</i>) ⁽¹⁾	34,190,816	64,284,097	98,474,913
2014 (<i>Unaudited</i>) ⁽¹⁾	34,170,440	71,527,832	105,698,272
2015 (<i>Unaudited</i>) ⁽¹⁾	37,494,130	75,988,399	113,482,529
2016 (Budgeted)	40,300,301	76,057,545	116,357,846
2016 (Budgeted)	38,126,431	73,926,162	112,052,593

- (1) The information has been provided by governmental officials of the County and submitted, as required, to the Office of the State Comptroller. Such data will be subject to adjustment during the independent audit of the County's financial statements and should be considered preliminary. Furthermore, such data is subject to adjustment during the independent audit process and may vary from what it noted above.

Source: County Officials, the 2013 through 2015 (unaudited) annual update documents, and the adopted budgets of the County.

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 and has been extended through November 2017.

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 2017 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 2011 through 2015 and the amounts of such revenue included in the 2016 and 2017 adopted budgets:

<u>Years Ended December 31:</u>	<u>General Fund Revenue ⁽²⁾</u>	<u>Gross Sales, And Use Tax Revenue ⁽¹⁾</u>	<u>Percentage Of General Fund Revenue</u>
2011	\$416,882,875	\$164,698,936	39.5%
2012	411,424,059	166,186,650	40.4
2013	411,926,213	166,428,125	40.4
2014	430,266,839	175,811,195	40.9
2015	437,900,669	176,781,835	40.4
2016 (Budgeted) ⁽³⁾	423,804,819	176,858,000	41.7
2016 (Budgeted) ⁽³⁾	424,820,351	183,595,250	43.2

- (1) The County Legislature amended the 1975 resolution enacting the County's tax by resolution 207259 which was signed by the County Executive on September 20, 2007. An agreement among the County and the cities within the County provides that the County retains 81.55% of all sales tax revenue and distributes the balance pursuant to a formula contained in the County's agreements with the cities and the areas outside of the cities. Total revenue for 2010 through 2014, as shown above, are inclusive of distributions. During the 2013 fiscal year the County has implemented a sales tax cap of \$25.0 million, which resulted in modifications to the agreement between the County and local municipalities.
- (2) Excludes other financing sources.
- (3) Excludes the appropriation of fund balance (\$9.5 million for 2016 and \$12.3 million for 2017).

Source: The audited financial statements and adopted budgets of the County. The table itself is not audited.

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REAL PROPERTY TAXES

Real Property Taxes, Assessments and Rates

Attached is a schedule which computes the amount of tax levies collected. During 2014, the County implemented a new methodology for recording property tax collections. The primary difference under this methodology is the inclusion of other levies and charges which are billed to the taxpayers. Previously, the collection of these amounts were included as taxes collected. The table below sets forth the trend during the last five completed years for real property taxes, real property tax rates per \$1,000 assessed valuation, and tax collections. All years have been modified to include the effects of the updated 2014 methodology.

	2012	2013	2014	2015	2016
Tax Levy:					
County ⁽¹⁾	\$103,754,080	\$105,887,740	\$107,939,388	\$107,577,694	\$106,070,429
Town	140,416,772	142,573,245	146,332,462	149,889,790	154,288,859
School ⁽²⁾	24,571,167	24,544,977	24,728,970	24,332,462	25,782,474
Other Relevies & Charges	5,919,700	5,667,391	6,310,390	5,885,352	6,345,214
Total	\$274,661,719	\$278,638,649	\$285,311,210	\$287,685,297	\$292,486,975
Tax Rate ⁽³⁾	\$3.25	\$3.45	\$3.65	\$3.68	\$3.60
Taxes Collected:					
Current Year	\$260,298,274	\$268,089,444	\$271,602,807	\$275,382,304	\$281,166,837
Prior Years	17,162,251	15,747,246	13,895,074	14,785,652	14,292,016
Total	\$277,460,525	\$283,836,690	\$285,497,881	\$290,167,955	\$295,458,853
Percent Collected:					
Current Levy	94.77%	96.21%	95.20%	95.72%	96.13%
Total Taxes To Levy	101.02%	101.87%	100.07%	100.86%	101.02%
Taxes Uncollected					
End Of Year: ⁽⁴⁾	\$49,994,358	\$47,129,315	\$49,525,950	\$49,487,427	\$46,268,705

(1) Includes Adjustments.

(2) Relevied school taxes and penalties.

(3) Average County purpose tax rate per \$1,000 of assessed value.

(4) Includes interest, penalties and liens. Balance net of allowance for uncollected taxes.

Source: County Officials.

Tax Collection Procedures

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 relieved by County on January 1 of the next calendar year. Amounts so relieved 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, 2016, the County collected approximately \$295,458,853 in property taxes (including \$14,292,016 from prior years). A balance of approximately \$46,268,705 in real property taxes remained uncollected (including interest, penalties and liens). For 2016 the County paid \$35,076,113, 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 Limit

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 following table sets forth such real estate taxing limit of the County for the years December 31, 2013 through 2017:

	Computation of Constitutional Tax Limit For the Years Ended December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Five-Year Average Full Valuation ⁽¹⁾	\$33,628,368,170	\$32,100,342,939	\$30,831,838,264	\$30,156,360,330	\$29,727,697,915
Tax Limit (1.5% of avg. full value)	<u>504,425,523</u>	<u>481,505,144</u>	<u>462,477,574</u>	<u>452,345,405</u>	<u>445,915,469</u>
Tax Levy ⁽³⁾	106,625,376	108,866,625	108,318,538	106,995,103	106,790,185
Less Exclusions:	<u>18,333,704</u>	<u>18,173,814</u>	<u>19,145,587</u>	<u>19,932,980</u>	<u>18,477,793</u>
Tax Levy Subject To Tax Limit	<u>88,291,672</u>	<u>90,692,811</u>	<u>89,172,951</u>	<u>87,062,123</u>	<u>88,312,392</u>
Constitutional Tax Margin	<u><u>\$416,133,851</u></u>	<u><u>\$390,812,333</u></u>	<u><u>\$373,304,623</u></u>	<u><u>365,283,282</u></u>	<u><u>357,603,077</u></u>
Percent Taxing Power Exhausted	<u>17.50%</u>	<u>18.84%</u>	<u>19.28%</u>	<u>19.25%</u>	<u>19.80%</u>

- (1) The full valuations presented in this Table will not necessarily agree to values presented elsewhere in the official statement due to timing differences in the computation of such values.
- (2) Net exclusions for debt service and certain budgetary appropriations.
- (3) Tax levy for County purposes only.

Source: The Constitutional Tax Limit Forms of the County. The form for the 2013 fiscal year was revised by the Office of the State Comptroller and is reflected in the above table.

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Underlying Tax Rates

The following table presents the real property tax rates per \$1,000 of assessed value and the final State equalization rates for the collection of 2016 taxes (2015 tax roll) for each of the municipalities and school districts situated in the County.

Underlying Tax and State Equalization Rates 2015 Tax Roll (For the Collection of 2016 Taxes)

<u>Name of Municipality</u>	<u>County</u>	<u>Town</u>	<u>City Or Village</u>	<u>School District Range ⁽¹⁾</u>	<u>Total Overall Range</u>	<u>Equalization Rate</u>
Beacon C	\$3.60		\$8.82 *	\$16.50*	\$28.92	100.00%
Poughkeepsie C	3.60		11.13 *	15.44*	30.17	100.00
Amenia T	3.60	2.43		12.46-22.84	18.49-28.87	100.00
Beekman T	3.60	1.75		23.68-24.09*	29.03-29.44	100.00
Clinton T	3.60	1.75		13.28-23.96	18.63-29.31	100.00
Dover T	6.27	5.48		21.68-41.30	33.43-53.05	57.50
East Fishkill T	3.60	2.96		16.50-27.15*	23.06-33.71	100.00
Fishkill T	3.60	2.87*		16.24-16.53*	22.71-23.00	100.00
Fishkill V	3.60	1.10*	3.38 *	16.53*	24.61	100.00
Hyde Park T	5.81	6.64		25.52-40.44*	37.97-52.89	62.00
LaGrange T	3.60	3.03		14.76-24.11*	21.39-30.74	100.00
Milan T	3.60	2.47		13.28-21.08	19.35-27.15	100.00
Northeast T	3.60	3.39		11.95-13.28	18.94-20.27	100.00
Millerton V	3.60	1.57	4.51	12.46	22.14	100.00
Pawling T	7.11	7.84		46.07-53.29*	61.02-68.24	50.69
Pawling V	7.11	4.92	14.88	53.29	80.20	44.86
Pine Plains T	3.60	3.40		13.28	20.28	100.00
Pleasant Valley T	3.60	2.48		14.76-23.96*	20.84-30.04	100.00
Poughkeepsie T	3.60	4.86*		16.53-23.96*	24.99-32.42	100.00
Wappingers Falls V	3.60	0.80*	7.01*	16.53*	27.94	100.00
Red Hook T	3.60	2.35		15.82-21.08	21.77-27.03	100.00
Red Hook V	3.60	1.10	6.17	21.08	31.95	100.00
Tivoli V	3.60	1.10	3.69	21.08	29.4	100.00
Rhinebeck T	3.60	1.73		15.82-23.96	21.15-29.29	100.00
Rhinebeck V	3.60	0.68	4.13	15.82	24.23	100.00
Stanford T	5.72	2.85		19.77-25.09	28.34-33.66	63.05
Union Vale T	3.60	3.41		14.76-24.47*	21.77-31.48	100.00
Wappinger T	3.60	2.10*		16.54-24.23*	22.24-29.93	100.00
Wappingers Falls V	3.60	0.89*	6.99 *	16.53	28.01	100.00
Washington T	3.60	1.84		12.46-22.84	17.90-28.28	100.00
Millbrook V	3.60	0.61	4.30	14.76	23.27	100.00

(1) Tax rates for 2015-16 school year.

* Homestead tax system used. Rates provided are applicable residential properties.

Source: The Dutchess County Real Property Tax Service Agency.

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.

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 2016 and 2017 the County received \$357,098 in connection with the agreement.

County IDA PILOT. 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 \$219,649, \$213,263, \$206,054 and \$201,469 from the GAP PILOT in for the fiscal years December 31, 2013 through 2016, respectively. For 2017, as of March 20th, the County has received \$195,449 in connection with the GAP PILOT.

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Ten of the Largest Taxpayers

The following table presents the full value of taxable assessments and real property taxes of certain larger taxpayers for the 2017 fiscal year.

Larger Taxable Properties in the County **2016 Tax Roll (for the Collection of 2017 Taxes)**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Full Taxable Value ⁽¹⁾</u>	<u>2017 Taxes ⁽²⁾</u>	<u>% 2017 Taxes ⁽²⁾</u>
Central Hudson Gas & Elec. ⁽³⁾	Utility	\$ 495,279,043	\$ 1,770,950	1.66%
GlobalFoundries US 2 LLC	Industrial	276,000,000	986,869	0.93
Galleria	Shopping Mall	138,558,500	495,434	0.47
Con Edison	Utility	108,415,831	387,653	0.36
IBM ⁽⁴⁾	Industrial	2,265,000	365,376	0.34
Iroquois Gas	Utility	81,687,608	292,085	0.27
Verizon	Utility	73,318,879	262,165	0.25
Chelsea Ridge NY LLC	Apartments	60,000,000	214,537	0.20
GAP ⁽⁴⁾	Distribution Center	N/A (Exempt) ⁽⁴⁾	195,460	0.18
Merritt Park Holdings LLC	Apartments	49,400,000	176,635	0.17
TOTAL:		<u>\$ 1,284,924,861</u>	<u>\$ 5,147,163</u>	<u>4.83%</u>

(1) Total taxable full values for 2017 are \$29,752,447,165.

(2) Total 2017 tax levy, including adjustments, is \$106,470,935 (for County purposes).

(3) Taxpayer has filed certiorari claims affecting the tax rolls for one or more years (See "Litigation" for a general discussion of such matters).

(4) Taxes paid as payment in lieu of taxes

Source: County Officials

COUNTY INDEBTEDNESS

Constitutional Requirements

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

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 give or loan its credits 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 full 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 three fiscal year periods, 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 determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which it is contracted. No installment of principal may be more than fifty percent in excess of the smallest prior installment unless the County Legislature provides for substantially level or declining annual debt service in the manner prescribed by the State Legislature. 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. Pursuant to the Local Finance Law, the County has the power to contract indebtedness for any County purpose authorized by the Legislature of the State provided the aggregate principal amount thereof shall not exceed seven percentum of the average five-year full valuation of the taxable real estate located in the County and subject to certain enumerated exclusions and deductions such as debt contracted to provide water, self-liquidating facilities, and certain sewer facilities and cash or appropriations to pay the principal amount of outstanding debt. The constitutional method for determining full valuation consists of dividing the total assessed valuation of taxable real estate for a particular assessment roll by the final equalization rate established for such assessment roll by the State Office of Real Property Tax Services (the "ORPTS"). The State Legislature also is required to prescribe the manner by which such rate shall be determined. Average full valuation is determined by taking the sum of the full valuations of the last five completed assessment rolls and dividing such sum by five.

Statutory Procedure

In general, the State Legislature, by enactment of the Local Finance Law, authorized the powers and procedures for the County to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the County 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 has delegated to the Commissioner of Finance, 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. The County has followed the estoppel procedures for the refunding bond resolution which authorized the Bonds.

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 has authorized bonds for a variety of County objects or purposes.

Statutory law in the State 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 extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" 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 and tax anticipation notes and budget notes.

Constitutional Debt Contracting Limitation

The Local Finance Law contains the statutory limitations on the power to contract indebtedness. Section 104.00 thereof limits, in accordance with Article VIII, Section 4, of the State Constitution, the ability to contract indebtedness by the County to 7% of the five-year average full valuation of taxable real estate. The statutory provisions implementing constitutional provisions authorizing deductions and excluding indebtedness from the debt limits are found in Title 9 and Title 10 of the Local Finance Law. In addition to the constitutionally enumerated exclusions and deductions, deductions are allowed for cash or appropriations for debt service pursuant to a decision of the State Court of Appeals.

The following table sets forth the debt limit of the County:

Computation of Debt Contracting Limitation As Of March 16, 2017

Year	Assessed Valuation ⁽¹⁾	Equalization Rate ⁽²⁾	Full Valuation
2013	\$28,357,776,836	92.51%	\$ 30,653,742,121
2014	27,593,756,849	93.30	29,575,302,089
2015	27,552,886,185	94.28	29,224,529,259
2016	27,840,172,374	94.59	29,432,468,944
2017	27,994,077,537	94.09	29,752,447,165
Total Five-Year Full Valuation			<u>148,638,489,578</u>
Average Five-Year Full Valuation			<u>29,727,697,915</u>
Debt Limit - 7% of Average Full Valuation			<u><u>\$ 2,080,938,854</u></u>

- (1) Assessed valuations are based on the final assessment rolls of the cities and town governments comprising the County filed on or about August 1 of each year and are as of September 30th.
- (2) State equalization rates presented represent the weighted average of the State equalization rates established for each city and town in the County.

Source: County Officials and the ORPTS.

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Statutory Debt Limit and Net Indebtedness

The following table, based on information furnished by the County, presents the debt-incurring power of the County and shows that the County is within its constitutional debt limit.

Statement of Debt Limit and Net Indebtedness As Of March 16, 2017

	<u>Amount</u>	<u>Percentage Of Debt Limit</u>
Debt Contracting Limitation: Seven Percentum of Five-Year Average Full Valuation (See Above)	\$2,080,938,854	100.00%
Gross Direct Debt:		
Serial Bonds	100,770,000	4.84
Refunded Debt (Bonds) ⁽¹⁾	<u>11,800,000</u>	<u>0.57</u>
Total Gross Debt	<u>112,570,000</u>	<u>5.41</u>
Exclusions and Deductions:		
Current Budget Appropriations To Pay Non-Exempt Debt	13,870,000	0.67
Refunded Debt (Bonds) ⁽¹⁾	<u>11,800,000</u>	<u>0.57</u>
Total Exclusions and Deductions	<u>25,670,000</u>	<u>1.23</u>
Total Net Direct Debt	<u>86,900,000</u>	<u>4.18</u>
Debt-Contracting Margin ⁽²⁾	<u><u>\$1,994,038,854</u></u>	<u><u>95.82%</u></u>

- (1) On October 19, 2016, the County issued bonds to refund various series of bonds originally issued in 2007 and 2008. Debt Service on the refunded bonds will be paid from an escrow account, invested in U.S. Obligations. The 2007 refunded bonds are expected to be called on October 1, 2017 and the 2008 bonds are expected to be called on December 15, 2018.
- (2) The County's authorized but unissued debt as of March 16, 2017 is approximately \$217.1 million. The amount includes an authorization of \$192.2 million for a jail project (See "Debt Financing and Authorizations" herein).

Trend of Capital Debt

Capital Debt 2011-2016 ⁽¹⁾

	<u>Years Ended December 31:</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bonds ⁽¹⁾	\$107,701,442	\$99,504,871	\$107,168,842	\$118,868,760	\$101,785,000
Bond Anticipation Notes	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u><u>\$107,701,442</u></u>	<u><u>\$99,504,871</u></u>	<u><u>\$107,168,842</u></u>	<u><u>\$118,868,760</u></u>	<u><u>\$101,785,000</u></u>

- (1) Excludes refunded bonds.

Short-Term Indebtedness

Pursuant to the Local Finance Law, the County is authorized to issue short-term indebtedness, in the form of notes, to finance both capital and operating purposes.

Capital Purposes. Bond anticipation notes may be sold to provide moneys for capital projects once a bond resolution has been adopted. Generally, bond anticipation notes are issued in the anticipation of the sale of notes at some future date and may be renewed from time-to-time but, in general, may not be renewed beyond the fifth anniversary of their original issuance. Notes may not be renewed after the second year unless there is a principal payment on such notes from a source other than the proceeds of the notes. Bond anticipation notes may not be renewed after the sale of bonds in anticipation of which the notes were originally issued. A history of bond anticipation notes outstanding at the end of the last five years is presented above (see "Trend of Capital Debt," herein).

Operating Purposes. The County is authorized by Local Finance Law to issue tax anticipation notes and revenue anticipation notes to provide cash to pay operating expenditures. Borrowings for this purpose are restricted by formulas contained in the Local Finance Law and Treasury Regulations promulgated pursuant to the Internal Revenue Code of 1986, as amended. Such notes may be renewed from time to time, but generally not beyond three years in the case of revenue anticipation notes, and five years for tax anticipation notes. All previous issues of tax anticipation notes were outstanding less than one year. Neither tax nor revenue anticipation notes have been issued during the past 10 years. Budget notes may be issued to finance current operating expenditures for which there is no appropriation or the amount so appropriated is not sufficient. Generally, the amount of budget notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year. Budget notes have not been issued since 1975. The Local Finance Law also authorizes the issuance of deficiency notes. The County has never issued deficiency notes.

County officials have indicated that the County does not anticipate the need to issue tax, revenue, deficiency, or budget notes in the foreseeable future.

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Overlapping Debt

In addition to the County, various other political units have the power to incur indebtedness payable from property taxes levied on property in the County. The table below sets forth both the total outstanding principal amount of debt issued by the County and the approximate magnitude of the burden on taxable property in the County of the debt issued and outstanding by such other political units.

Statement of Direct and Overlapping Indebtedness

Gross Direct Indebtedness (County – as of March 16, 2017)	\$ 112,570,000
Exclusions and Deductions	<u>25,670,000</u>

Net Direct Indebtedness (County – as of March 16, 2017)	<u>\$ 86,900,000</u>

Municipality or District	Debt <u>As Of:</u>	Gross Underlying Debt	Exclusions Applied ⁽¹⁾	Net Underlying Debt
Cities:				
Beacon	05-02-16	\$42,406,127	\$ (7,202,692)	\$ 35,203,435
Poughkeepsie	06-16-16	63,488,652	(14,685,074)	48,803,578
Towns (Twenty):	12-31-2015	168,816,356	(-0-)	168,816,356
Villages (Eight):	05-31-2015	31,698,747	(-0-)	31,698,747
Schools Districts (Thirteen):	06-30-2015	382,249,938	(-0-)	382,249,938
Fire Districts (Twenty-Six):	12-31-2015	5,441,208	(-0-)	<u>5,441,208</u>
Total Underlying Debt				672,213,262
Net Direct Debt (See Above)				<u>86,900,000</u>
Net Direct & Underlying Debt				<u><u>\$ 759,113,262</u></u>

(1) Net of certain excludable debts.

Source: The Office of the State Comptroller and Official Statements obtained from the MSRB's EMMA website.

Debt Ratios

The following table presents certain debt ratios relative to the County's capital indebtedness as of March 16, 2017.

	Amount	Debt Per Capita ⁽¹⁾	Debt To Full Value ⁽²⁾	Debt Per Capita/ Per Capita Income ⁽³⁾
Net Direct Debt	\$ 86,900,000	\$ 292	0.29%	0.86%
Net Direct and Overlapping Debt	759,113,262	2,557	2.55	7.54

(1) Based on a 2015 population of 296,928 (interim data from the US Census Bureau).

(2) The full valuation of the County for 2017 is \$29,752,447,165.

(3) According to the 2015 American Community Survey – 5 Year Estimates (US Bureau of the Census) the per capita personal income for County residents is \$33,923.

Debt Financing and Authorizations

Financings. The County's last public sale of bonds was in October of 2016 when they issued \$10,960,000 Public Improvement Refunding (Serial) Bonds, 2016. The series sold at a true interest rate of 1.375% and mature serially on October 1, 2017 through 2028.

Authorized But Unissued Debt. The County's authorized but unissued debt as of March 16, 2017 is approximately \$217.1 million. Debt authorizations include funding for highways, bridges, vehicles and equipment and various other County projects. The County presently anticipates issuing a series of bonds in the summer of 2017 to finance annual equipment purchases and for other general capital purposes. An exact amount for the financing has not yet been determined.

In an effort to combat overcrowding of the local jail system, the County is presently considering 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. Currently, the County is in the process of determining a schedule for financing the jail project. However, a series of bond anticipation notes may be issued in the fall of 2017. In addition, the County anticipates issuing a series of bonds in the summer of 2017 to finance various equipment purchases and other general capital improvements. An exact amount for the financing 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. A copy of the capital budget covering the fiscal years 2016 through 2020 is attached as a part of this Official Statement. In addition, copies of the 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.

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Debt Service Schedule

The following table presents the debt service requirements to maturity on the County's outstanding general obligation bonded indebtedness.

Years Ending Dec. 31:	Outstanding Bonds: ⁽¹⁾			Cumulative % Principal Paid 2017-2026
	Principal Payment	Interest Payment	Total Debt Service	
2017 ⁽²⁾	\$ 14,885,000	\$ 3,659,791	\$ 18,544,791	14.62%
2018	13,155,000	3,050,356	16,205,356	27.55
2019	12,170,000	2,474,838	14,644,838	39.50
2020	10,290,000	1,991,363	12,281,363	49.61
2021	8,065,000	1,609,013	9,674,013	57.54
2022	7,115,000	1,284,606	8,399,606	64.53
2023	6,055,000	1,019,256	7,074,256	70.48
2024	5,575,000	836,425	6,411,425	75.95
2025	5,145,000	683,038	5,828,038	81.01
2026	4,225,000	540,616	4,765,616	85.16
2027	3,590,000	423,750	4,013,750	
2028	2,795,000	320,481	3,115,481	
2029	2,185,000	236,747	2,421,747	
2030	2,105,000	174,291	2,279,291	
2031	1,310,000	122,525	1,432,525	
2032	1,020,000	81,238	1,101,238	
2033	1,000,000	50,022	1,050,022	
2034	815,000	21,438	836,438	
2035	285,000	4,275	289,275	
	<u>\$ 101,785,000</u>	<u>\$18,584,069</u>	<u>\$120,369,069</u>	

(1) Excludes refunded bonds, which, while economically defeased, cannot be legally defeased as such refunded bonds are general obligations of the County.

(2) As of March 16, 2017 the County has paid \$1,015,000 principal and \$106,025 interest for bonded debt service in fiscal 2017.

ECONOMIC AND DEMOGRAPHIC DATA

Population

Population in the County grew markedly during the 1950's and 1960's. Strong population growth continued through the last official Census taken in 2010 when population grew by approximately 6.2% to 297,488 persons during the prior ten years. Accordingly, population at the State and national levels from 2000 to 2010 grew by 2.1% and 9.7%, respectively. For 2015, the County's estimated population declined 0.2% compared to 2010 Census data.

Population Trend

Year	County	State	United States
1980	245,055	17,558,072	226,545,805
1990	259,462	17,990,455	248,709,873
2000	280,150	18,976,457	281,421,906
2010	297,488	19,378,102	308,745,538
2015	296,928	19,673,174	316,515,021

Source: U.S. Department of Commerce, Bureau of the Census.

Percent Change in Population

<u>Census</u>	<u>County</u>	<u>State</u>	<u>United States</u>
1990	5.9%	2.5%	9.8%
2000	8.0	5.5	13.2
2010	6.2	2.1	9.7
2015	(0.2)	1.5	2.5

Source: U.S. Department of Commerce, Bureau of the Census.

Income

As shown in the table below, the per capita income for the County increased by approximately 7.2% between 2010 and 2015. The State and the US increased by approximately 7.4% and 5.8%, respectively.

Per Capita Money Income

	<u>2010</u>	<u>2015</u>	<u>% Change</u>
County	\$31,642	33,923	7.2%
State	30,948	33,236	7.4
United States	27,334	28,930	5.8

Source: U.S. Department of Commerce, Bureau of the Census.

Median Income of Families - 2015

	Median Family Income	Income Groups - % of Families				
		<u>Under \$25,000</u>	<u>\$25,000 -49,999</u>	<u>\$50,000 -74,999</u>	<u>\$75,000 -99,999</u>	<u>\$100,000 Or More</u>
County	\$89,486	8.9%	15.4%	16.5%	15.8%	43.4%
State	71,913	16.0	19.1	16.8	13.2	34.9

Source: U.S. Department of Commerce, Bureau of the Census.

Employment

Average Employed Civilian Labor Force

	<u>2000</u>	<u>2010</u>	<u>2015</u>	<u>% Change</u>	
				<u>2000-2010</u>	<u>2010-2015</u>
County	134,000	137,700	136,800	2.8%	(0.7)%
State	8,718,700	8,769,700	9,166,200	0.6	4.5

Source: The New York State Department of Labor.

Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2012	7.8%	8.5%	8.1%
2013	6.7	7.7	7.4
2014	5.3	6.3	6.2
2015	4.6	5.3	5.3
2016	4.5	4.8	4.9
2017: ⁽¹⁾			
Jan	4.2	5.0	5.1

(1) Monthly Rates.

Source: New York State Labor Department and U.S. Bureau of Labor Statistics.

Major Non-Government Employers in the County
(1,000 or More Employees) ⁽¹⁾

<u>Name</u>	<u>Industry or Business</u>	<u>Estimated Number of Employees</u>
HealthQuest	Hospital	5,600
International Business Machine Corp.	Technology	4,100
GlobalFoundries	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

(1) As of February 10, 2017.

Source: County Officials.

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Non-Agricultural Employment by Industry
2015 (Annual – Preliminary Data, Subject to Adjustment)
(Persons Employed) ⁽¹⁾

INDUSTRY / SECTOR:	Dutchess-Putnam		NY STATE	
	Persons Employed	Percent	Persons Employed	Percent
PRIVATE SECTOR:				
Agriculture, Forestry, Fishing & Hunting	762	0.56%	25,687	0.28%
Mining	201	0.15	4,640	0.05
Utilities	793	0.59	38,092	0.42
Construction	7,344	5.42	358,963	3.98
Manufacturing	10,363	7.65	452,280	5.02
Wholesale Trade	2,742	2.02	339,353	3.76
Retail Trade	17,018	12.56	941,319	10.44
Transportation and Warehousing	2,662	1.97	238,722	2.65
Information	1,815	1.34	264,822	2.94
Finance and Insurance	3,104	2.29	506,174	5.62
Real Estate and Rental and Leasing	1,565	1.16	190,197	2.11
Professional and Technical Services	4,954	3.66	647,382	7.18
Management of Companies and Enterprises	1,100	0.81	142,407	1.58
Administrative and Waste Services	5,051	3.73	469,661	5.21
Educational Services	8,615	6.36	336,843	3.74
Health Care and Social Assistance	23,542	17.38	1,399,312	15.52
Arts, Entertainment, and Recreation	2,856	2.11	162,499	1.80
Accommodation and Food Services	11,212	8.28	729,229	8.09
Other Services (Private)	5,461	4.03	357,318	3.96
Unclassified / Misc. ⁽²⁾	398	0.29	43,754	0.49
TOTAL - PRIVATE SECTOR	111,558	82.36%	7,648,654	84.85%
GOVERNMENT (ALL SECTORS OF GOV.)	23,897	17.64%	1,365,727	15.15%
TOTAL - (PRIVATE & GOVERNMENT)	135,455	100.00%	9,014,381	100.00%

(1) Numbers may ad exactly due to rounding.

(2) For confidentiality reasons certain information correlating to the County is not able be classified by the State. Such info has been included and listed as miscellaneous.

Source: The New York State Department of Labor, Quarterly Census of Employment and Wages (Preliminary, 2015 Annual).

Average Wage by Sector⁽¹⁾
2015 (Preliminary Data - Annual)

Industrial Sector:	Dutchess-Putnam Average Wage
Agriculture, Forestry, Fishing & Hunting	\$ 30,216
Utilities	72,660
Construction	107,966
Manufacturing	55,879
Wholesale Trade	94,768
Retail Trade	70,889
Transportation and Warehousing	29,411
Information	38,984
Finance and Insurance	55,517
Real Estate and Rental and Leasing	64,972
Professional and Technical Services	43,793
Management of Companies and Enterprises	62,548
Administrative and Waste Services	81,030
Educational Services	39,230
Health Care and Social Assistance	43,343
Arts, Entertainment, and Recreation	51,246
Accommodation and Food Services	22,341
Other Services, Ex. Public Administration	18,711
Unclassified	38,985
AVERAGE WAGE - PRIVATE:	68,799
AVERAGE WAGE - GOVERNMENT:	62,475
TOTAL AVG. (PRIVATE & GOVERNMENT):	\$ 67,527

Source: The New York State Department of Labor, Quarterly Census of Employment and Wages (Preliminary, 2015 Annual).

Education and Medical Institutions

Education. There are three four-year colleges and one two-year college located in the County. The four-year institutions are Bard College, Marist College and Vassar College. Dutchess Community College is a two-year institution offering associate degrees in various areas of study. In addition, the Culinary Institute of America, a world renowned school for the culinary arts, offers associate and bachelor degrees in the culinary arts and is the only domestic or international residential college devoted exclusively to culinary education. Located just outside the County is the State University at New Paltz, about 15 miles west of Poughkeepsie. In addition, Adelphi University operates an extension center in the County. The County is home to the Institute of Ecosystem Studies an internationally recognized center for ecological research and education with a staff of 22 scientists with doctorate degrees.

Dutchess Community College (the "College"), a unit of the State University of New York, first offered classes in 1958. This two-year institution offers four main programs of study leading to associate degrees in arts, science, applied science and a one-year certificate. Capital costs for the College are shared by the County and the State of New York; operating costs are financed by student tuition and fees, State aid and contributions from the County.

The contributions of the County to the General Fund (“operating”) of the College for the past five years, and as budgeted for the current year, are as follows:

<u>Fiscal Year December</u>	<u>County’s Contribution Amount</u>
2012	\$10,837,898
2013	10,837,898
2014	10,837,898
2015	10,837,898
2016	12,187,898
2017 (Budgeted)	13,537,898

The College's enrollment has grown from 250 full-time and 400 part-time students in 1958 when the College opened to an enrollment exceeding 10,000 full-time and part-time students for the 2010 Fall Semester.

Medical. Hospital services are provided primarily by HealthQuest (Vassar), Mid-Hudson Regional Hospital, and Northern Dutchess hospitals which offer residents of the County a wide range of both inpatient and outpatient services. In addition, the County administers a variety of programs to help those in need of health services including patient services, ambulatory clinic services, home health services, health education, environmental health and social work. Mid-Hudson Regional Hospital and HealthQuest (Vassar) are currently undertaking major expansion programs for their respective facilities.

Financial Institutions

Fourteen commercial banks have 69 branch offices and five savings institutions have 22 branch offices located within the County. Among the larger banks are Bank of America, First Niagara Bank, JPMorgan Chase, Key Bank, Manufacturers and Traders Trust Company(M&T), RBS Citizens Bank, Rhinebeck Savings Bank, TD Bank, Trustco Bank and Ulster County Savings Bank. According to the Federal Deposit Insurance Corporation, commercial and saving banks in the County had total deposits of approximately \$5.6 billion as of June 30, 2016.

Transportation

The major forms of transportation within the County are as follows:

Rail. Metro North Railroad (MNR), a division of the Metropolitan Transportation Authority, is the nation's second largest commuter railroad. MNR currently provides daily passenger service (including several express trips) between the County and New York City at eight stations on two lines, the Harlem Line in the eastern part of County, and the Hudson Line along the River. The Harlem Line was extended to Wassiac in the eastern part of the County. In addition, MNR purchased the Beacon Line that connects the County to Danbury, Connecticut. This new line provides MNR with the potential to link its three major service lines.

Amtrak service is available along the Hudson Line with stops at both Poughkeepsie and Rhinecliff. Improvements to the New York to Albany corridor are planned as part of the State's efforts to establish high-speed passenger rail service. CSX provides freight service to the County.

Bus. Public bus transportation within the County is provided by both Poughkeepsie (Poughkeepsie Transit) and the County (LOOP Bus System). Centered in the urbanized core around Poughkeepsie, these systems provide service to many of the County's communities.

Poughkeepsie Transit operates seven vehicles on six routes in the City of Poughkeepsie and surrounding areas. The LOOP System has 52 vehicles and operates a variety of services from commuter express to specialized paratransit for elderly and disabled citizens. Services include coordinated connections to the major MNR train stations, establishment of a rural paratransit service to serve communities in eastern and northern Dutchess, an intermodal center along I-84 to facilitate local, regional and long-distance travel, and full access for the disabled to all Loop vehicles.

Regional bus service is available from a number of private operators who provide links throughout the region and beyond. NYSDOT recently established express commuter service from the County to regional employment centers in Westchester County and Danbury, Connecticut.

Trucking. The State Thruway, which is situated west of the Hudson River is readily available to County residents by utilizing State Bridge Authority crossings at Beacon, Poughkeepsie or Rhinebeck. Major regional marketing centers can be reached in two hours or less via the Thruway and its connecting links. Interstate 84 runs through the southern portion of the County and links New England and Eastern Pennsylvania. In addition, Interstate 84 intersects with Interstate 684 to the south of the County providing access to the metropolitan New York area including the City of New York.

Water. The Hudson River forms the entire western boundary of the County and has a deep water channel suitable for oceangoing vessels as far north as Albany. Deep draft vessels can be berthed at Poughkeepsie, Newburgh (across the River from Beacon) and Kingston (across the River from Rhinebeck). Barges can use docks at several points along the County's shoreline. The Hudson River water route also affords direct access to the Champlain Barge Canal and the Great Lakes - St. Lawrence Seaway Route.

Air. Commercial air transport is available at the County airport, which has a Federal Aviation Administration control tower. The airport has an area of 560 acres, including two runways of 5,000 and 3,000 feet, respectively. The airport has instrument landing system facilities. The airport serves as flight operations headquarters for the AAG Group which offers fractional ownership shares in helicopters. In addition, aircraft rescue, charter service, flight schools, maintenance and avionics services are available at the airport.

Stewart International Airport, located in nearby Orange County, can be reached by the majority of County residents within a half-hour. The Airport is operated by the Port Authority of New York and New Jersey. Five airlines and commuter lines provide direct service to eastern, southern and mid-western cities with connections to other destinations.

Communications

The County is served by the New York City newspapers, radio and television stations. In addition, the County has various local newspapers, including the Poughkeepsie Journal and several local radio stations and television stations.

Utilities

Verizon, which is the largest provider of telephone service in the County, invested in a major fiber-optic corridor and other upgrades in the Hudson Valley and offers certain advanced telecommunications services, including internet and television to many areas of the County. Several cable companies, the largest of which is Cablevision (Optimum), provide cable television, internet and telephone services to residents of the County.

Culture and Recreation

There are numerous State, County and local year-round recreational areas, bicycle/pedestrian trails and parks in the County providing facilities for a variety of popular activities for residents and visitors. Among the larger areas are Mills Norrie Park, James Baird State Park, Taconic State Park, Wilcox Park, Bowdoin Park and the Harlem Valley Rail Trail. A four-percent hotel tax (increased in-2004 from 3%) generated approximately \$1,936,218 of revenue for the County in 2011 and \$2,025,448 in 2012, a portion of which is utilized to promote tourism. The County has a rich historical background and also boasts a diversity of tourism opportunities.

Tourism is a major component of the Dutchess County economy. This segment of the County's economy for 2006 had a payroll of about \$149 million. In 2006, 4.0 million people visited the County and spent an estimated \$466 million. In a study of tourism in the Mid-Hudson region, the County was reported to have more visitor attractions than any other county in the region. The Roosevelt, Vanderbilt and Val-Kill estates together attract approximately 800,000 visitors annually making them among of the largest attractions in the Hudson Valley.

A minor league baseball team, the Hudson Valley Renegades of the New York-Penn League plays in a stadium in the County.

Housing Data

Housing Stock 2000-2015

	Number of Units			% Change	
	2000	2010	2015	2000-10	2010-15
County	106,103	118,638	118,996	11.8%	0.3%
State	7,679,307	8,108,103	8,171,725	5.6	0.8

Source: U.S. Department of Commerce, Bureau of the Census.

Median Housing Values and Rents 2015

	% Constructed 2010-2015	Median Value Owner Occupied Units	Median Rents Renter Occupied Units	Occupancy Status		
				Owner Occupied	Renter Occupied	Vacant
County	0.8%	\$275,600	\$1,130	62.0%	27.8%	10.2%
State	0.8	283,400	1,132	47.7	41.2	11.1

Source: U.S. Department of Commerce, Bureau of the Census.

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**Certain Financial Information Obtained From
Financial Statements For the Years 2011 through 2015
and 2016 Budget**

**COUNTY OF DUTCHESS
GENERAL FUND (1) (2)
BALANCE SHEET
UNAUDITED PRESENTATION**

	<u>AS OF DECEMBER 31:</u>
	<u>2011</u>
ASSETS	
Cash And Cash Equivalents	\$ 35,691,460
Restricted Cash and Cash Equivalents	1,866,677
Taxes Receivables (Net)	50,356,173
Accounts Receivables	3,859,722
Inventories	94,923
Due From Other Funds	3,713,644
Due From Other Governments	57,766,575
Prepaid Expenses and Other Assets	<u>4,198,586</u>
Total Assets	<u>\$ 157,547,760</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 34,203,081
Accrued Liabilities	1,272,440
Due To Other Governments	35,685,934
Other Liabilities	811,181
Deferred Revenues	<u>21,009,166</u>
Total Liabilities	<u>92,981,802</u>
Fund Balance:	
Nonspendable	4,293,053
Restricted	7,777,203
Assigned	34,350,100
Unassigned	<u>18,145,602</u>
Total Fund Balance	<u>64,565,958</u>
Total Liabilities and Fund Balance	<u><u>\$ 157,547,760</u></u>

(1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:

See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.

(2) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Balance.

Please see following page for 2012 - 2015 data.

The financial data presented on this page has been excerpted from the audited financial statements of the County.

Such presentation however has not been audited.

**COUNTY OF DUTCHESS
GENERAL FUND (1) (2)
BALANCE SHEET
UNAUDITED PRESENTATION**

	AS OF DECEMBER 31:			
	2012	2013	2014	2015
ASSETS				
Cash And Cash Equivalents	\$ 30,186,136	\$ 33,889,166	\$ 52,426,157	\$ 58,258,830
Restricted Cash and Cash Equivalents	8,299,935	6,818,283	10,749,133	15,414,931
Investments	0	0	0	5,000,000
Taxes Receivables (Net)	49,994,357	47,129,322	49,261,379	49,318,753
Accounts Receivables (Net)	4,327,896	3,811,763	5,954,671	2,768,450
Inventories	85,262	86,089	117,342	109,440
Due From Other Funds	1,265,497	4,990,428	4,430,948	4,919,613
Intergovernmental Receivables	54,526,082	52,010,776	54,376,788	59,421,175
Prepaid Expenses and Other Assets	5,024,205	5,172,038	4,854,079	4,645,391
Total Assets	<u>\$ 153,709,370</u>	<u>\$ 153,907,865</u>	<u>\$ 182,170,497</u>	<u>\$ 199,856,583</u>
LIABILITIES				
Liabilities:				
Accounts Payable	\$ 32,047,913	\$ 24,773,645	\$ 37,519,006	\$ 32,911,867
Accrued Liabilities	0	5,818,764	8,934,936	2,183,123
Due to Other Funds	0	0	98	0
Intergovernmental Payables	39,520,320	39,505,241	33,263,114	35,564,466
Other Liabilities	1,312,593	1,673,283	1,003,317	1,009,385
Unearned Revenues	3,564,963	2,212,636	3,130,720	3,262,739
Total Liabilities	<u>76,445,789</u>	<u>73,983,569</u>	<u>83,851,191</u>	<u>74,931,580</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues- grants and aid	11,056,678	8,316,056	8,188,911	14,559,630
Unavailable revenues- property taxes	18,723,069	18,124,448	18,927,422	18,471,567
Total deferred inflows of resources	<u>29,779,747</u>	<u>26,440,504</u>	<u>27,116,333</u>	<u>33,031,197</u>
FUND BALANCE:				
Nonspendable	5,109,467	5,258,127	4,971,421	4,754,831
Restricted	7,890,649	6,956,066	7,618,413	12,152,192
Assigned	22,410,758	14,913,059	19,101,092	18,139,500
Unassigned	12,072,960	26,356,540	39,512,047	56,847,283
Total Fund Balance	<u>47,483,834</u>	<u>53,483,792</u>	<u>71,202,973</u>	<u>91,893,806</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 153,709,370</u>	<u>\$ 153,907,865</u>	<u>\$ 182,170,497</u>	<u>\$ 199,856,583</u>

- (1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:
See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.
- (2) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Balance.
Please see prior page for 2011 data.
- The financial data presented on this page has been excerpted from the audited financial statements of the County.
Such presentation however has not been audited.

**COUNTY OF DUTCHESS
GENERAL FUND (1) (2)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION**

AS OF DECEMBER 31:

	2011	2012	2013	2014	2015
REVENUES:					
Real Property Taxes	\$ 97,842,804	\$ 100,423,214	\$ 106,135,068	\$ 107,102,979	\$ 107,242,325
Other Taxes	3,574,871	3,671,568	3,541,416	3,686,606	3,895,381
Sales And Use Taxes (3)	164,698,936	166,186,650	166,428,125	175,811,195	176,781,835
Departmental Income	28,012,529	26,789,009	22,147,828	21,723,919	25,473,941
Use of Money and Property	0	987,730	1,854,963	2,414,289	4,509,749
Interest and Rentals	1,813,297	0	0	0	0
Grants And Aid	110,419,837	104,733,642	103,218,680	110,238,946	113,441,366
Miscellaneous	10,520,601	8,632,246	8,600,133	9,288,905	6,556,072
Total Revenues	416,882,875	411,424,059	411,926,213	430,266,839	437,900,669
EXPENDITURES:					
General Government Support	65,093,228	65,658,913	58,776,243	62,050,720	71,734,291
Education	12,633,062	13,065,156	13,420,767	13,261,525	13,322,914
Public Safety	56,416,165	57,571,889	56,794,885	58,887,229	58,498,589
Health	56,901,676	53,349,045	49,715,268	50,053,510	53,366,230
Transportation	2,653,149	2,712,623	2,756,061	2,784,221	2,775,767
Economic Assistance And Opportunity	137,277,823	133,169,702	140,306,867	138,460,119	136,855,100
Culture And Recreation	1,978,595	1,923,276	1,757,274	1,871,937	1,971,815
Home And Community Services	9,486,430	9,308,710	7,753,948	8,477,032	8,735,855
Employee Benefits	50,429,876	55,018,848	55,078,360	55,791,200	54,884,212
Debt Service	16,747,440	17,078,974	17,600,526	17,584,033	18,929,673
Self-Insurance	(616,527)	0	0	0	0
Total Expenditures	409,000,917	408,857,136	403,960,199	409,221,526	421,074,446
Excess of Revenues Over Expenditures	7,881,958	2,566,923	7,966,014	21,045,313	16,826,223
OTHER FINANCING SOURCES (USES):					
Operating Transfers - In	3,186,434	1,626,394	2,239,577	95,070	1,117,639
Proceeds of Serial Bonds	0	0	0	0	7,575,000
Proceeds of Advanced Refunding Bonds	0	0	0	0	13,856,683
Payment to Escrow Agent	0	0	0	0	(15,108,658)
Operating Transfers - Out	(3,065,451)	(2,173,872)	(4,205,633)	(3,421,202)	(3,576,054)
Total Other Financing Sources (Uses)	120,983	(547,478)	(1,966,056)	(3,326,132)	3,864,610
Net Change in Fund Balance	8,002,941	2,019,445	5,999,958	17,719,181	20,690,833
Fund Balance - Beginning of Year	56,563,017	64,565,958	47,483,834	53,483,792	71,202,973
Restatement	0	(19,101,569)	0	0	0
Fund Balance - End of Year (2)	\$ 64,565,958	\$ 47,483,834	\$ 53,483,792	\$ 71,202,973	\$ 91,893,806

(1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:

See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.

(2) (a) Includes Sales Tax distributed to political subdivisions of the County for 2011 through 2015.

(b) Inclusive of adjustments (\$4,991,252) identified in 2010 as a result of accounting errors relating to fiscal years 2007, 2008 and 2009.

The financial data presented on this page has been excerpted from the audited financial statements of the County.

Such presentation however has not been audited.

COUNTY OF DUTCHESS
OTHER GOVERNMENTAL FUNDS (1) (2) (3)
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	<u>2011</u>
ASSETS	
Cash And Cash Equivalents	\$ 2,827,436
Accounts Receivable	142,244
Due From Other Governments	1,381,774
Prepaid Expenses	<u>251,531</u>
Total Assets	<u>\$ 4,602,985</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 1,806,679
Accrued Liabilities	0
Due to Other Funds	0
Other Liabilities	<u>12,689</u>
Total Liabilities	<u>1,819,368</u>
Fund Balance:	
Nonspendable	251,531
Restricted	0
Assigned	2,532,086
Unassigned	<u>0</u>
Total Fund Balance	<u>2,783,617</u>
Total Liabilities and Fund Balance	<u>\$ 4,602,985</u>

(1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:

See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.

(2) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Balance.

Please see following page for 2012 - 2015 data.

(3) Includes County Road, Road Machinery Fund and Special Grants Fund.

The financial data presented on this page has been excerpted from the audited financial statements of the County.

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COUNTY OF DUTCHESS
OTHER GOVERNMENTAL FUNDS (1) (2) (3)
BALANCE SHEET
UNAUDITED PRESENTATION

	AS OF DECEMBER 31:			
	2012	2013	2014	2015
ASSETS				
Cash And Cash Equivalents	\$ 3,542,654	\$ 3,361,257	\$ 5,259,478	\$ 4,359,711
Accounts Receivables (Net)	123,346	5,587	54,331	5,582
Intergovernmental Receivables	983,649	1,547,099	1,152,106	1,333,716
Prepaid Expenses	291,937	313,386	288,874	257,394
Total Assets	<u>\$ 4,941,586</u>	<u>\$ 5,227,329</u>	<u>\$ 6,754,789</u>	<u>\$ 5,956,403</u>
LIABILITIES				
Liabilities:				
Accounts Payable	\$ 1,954,857	\$ 1,791,443	\$ 2,110,994	\$ 1,582,247
Accrued Liabilities	0	397,811	411,983	98,842
Due to Other Funds	0	35,722	868,333	25,962
Other Liabilities	12,277	15,662	3,321	0
Total Liabilities	<u>1,967,134</u>	<u>2,240,638</u>	<u>3,394,631</u>	<u>1,707,051</u>
FUND BALANCE:				
Nonspendable	291,937	313,386	288,874	257,394
Restricted	0	0	0	0
Assigned	2,682,515	2,673,305	3,071,284	3,990,958
Unassigned	0	0	0	0
Total Fund Balance	<u>2,974,452</u>	<u>2,986,691</u>	<u>3,360,158</u>	<u>4,248,352</u>
Total Liabilities and Fund Balance	<u>\$ 4,941,586</u>	<u>\$ 5,227,329</u>	<u>\$ 6,754,789</u>	<u>\$ 5,955,403</u>

(1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:

See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.

(2) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Balance. Please see prior page for 2011 data.

(3) Includes County Road, Road Machinery Fund and Special Grants Fund.

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**COUNTY OF DUTCHESS
OTHER GOVERNMENTAL FUNDS (1) (2)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION**

	AS OF DECEMBER 31:				
	2011	2012	2013	2014	2015
REVENUES:					
Real Property Taxes	\$ 10,951,439	\$ 11,797,769	\$ 10,181,535	\$ 10,468,520	\$ 11,213,743
Depatmental Income	1,892,209	1,919,820	1,944,110	1,940,881	2,197,380
Use of Money and Property	0	5,564	5,764	5,597	4,951
Interest and Rentals	5,718	0	0	0	0
Sale Of Property And Compensation For Loss	0	0	2,925	375	1,280
Grants and Aid	5,533,269	5,557,416	5,296,142	4,528,409	4,316,387
Miscellaneous	158,659	157,065	303,165	305,521	192,688
Total Revenues	18,541,294	19,437,634	17,733,641	17,249,303	17,926,429
EXPENDITURES:					
Current:					
Public Safety	254,177	261,999	355,278	242,378	188,833
Transportation	9,187,898	8,457,695	8,011,211	8,560,479	9,310,558
Economic Assistance and Opportunity	2,492,883	2,725,885	1,785,857	1,983,386	1,773,822
Home and Community Service	3,110,691	3,625,101	3,373,872	2,602,967	2,580,870
Employee Benefits	3,910,410	4,176,119	4,195,184	4,027,362	3,983,378
Total Expenditures	18,956,059	19,246,799	17,721,402	17,416,572	17,837,461
Excess (Deficiency) of Revenues Over Expenditures	(414,765)	190,835	12,239	(167,269)	88,968
OTHER FINANCING SOURCES (USES):					
Operating Transfers - In	0	0	0	540,736	799,226
Total Other Financing Sources (Uses)	0	0	0	540,736	799,226
Net Change in Fund Balance	(414,765)	190,835	12,239	373,467	888,194
Fund Balance - Beginning of Year	3,198,382	2,783,617	2,974,452	2,986,691	3,360,158
Fund Balance - End of Year	\$ 2,783,617	\$ 2,974,452	\$ 2,986,691	\$ 3,360,158	\$ 4,248,352

(1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:

See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.

(2) Includes County Road, Road Machinery Fund and Special Grants Fund.

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Such presentation however has not been audited.

COUNTY OF DUTCHESS
ENTERPRISE FUNDS (1) (2) (3)
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	<u>2011</u>
ASSETS	
Current Assets	
Cash And Cash Equivalents	\$ 3,577,139
Accounts Receivable	2,425,902
Inventories	84,146
Due From Other Funds	34
Due From Other Governments	0
Prepaid Expenses and Other Assets	<u>26,883</u>
Total Current Assets	<u>6,114,104</u>
Noncurrent Assets	
Net Property:	
Land And Buildings	14,125,627
Infrastructure	27,126,904
Machinery And Equipment	13,855,490
Construction In Progress	1,035,326
Less Accumulated Deprecation	<u>(29,667,759)</u>
Total Noncurrent Assets	<u>26,475,588</u>
Total Assets	<u><u>\$ 32,589,692</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 1,004,087
Accrued Liabilities	219,049
Current Portion of Long-Term Debt	722,397
Due to Other Funds	97,459
Other Liabilities	0
Deferred Revenues	<u>4,434</u>
Total Current Liabilities	<u>2,047,426</u>
Noncurrent:	
Long-Term Debt	4,900,003
Other Postemployment Benefits	688,880
Compensated Absences	<u>42,160</u>
Total Noncurrent Liabilities	<u>5,631,043</u>
Total Liabilities	<u>7,678,469</u>
NET ASSETS	
Restricted	0
Invested In Capital Assets, Net Of Related Debt	20,853,187
Unrestricted	<u>4,058,036</u>
Total Net Assets	<u>24,911,223</u>
Total Liabilities and Net Assets	<u><u>\$ 32,589,692</u></u>

(1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:

See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.

(2) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Balance. Please see following page for 2012 - 2015 data.

(3) Includes Airport and Transportation Funds.

The financial data presented on this page has been excerpted from the audited financial statements of the County. Such presentation however has not been audited.

COUNTY OF DUTCHESS
ENTERPRISE FUNDS (1) (2) (3)
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	2012	2013	2014	2015
ASSETS				
Current Assets				
Cash And Cash Equivalents	\$ 3,963,139	\$ 4,581,726	\$ 4,041,363	\$ 4,996,793
Accounts Receivable, Net of Uncollectible Amounts	305,953	154,985	159,593	238,968
Inventories	54,453	99,278	80,899	3,335
Intergovernmental Receivables	1,367,544	888,848	1,717,976	3,472,384
Due From Other Funds	0	58	22,014	296
Prepaid Expenses	33,057	32,983	31,659	27,739
Total Current Assets	5,724,146	5,757,878	6,053,504	8,739,515
Noncurrent Assets				
Capital Assets not being depreciated				
Land	3,385,364	3,385,364	3,385,364	3,385,364
Construction In Progress	292,672	164,755	594,684	152,402
Capital Assets net of accumulated depreciation:				
Buildings and Improvements	3,912,185	3,477,366	3,302,272	3,324,594
Infrastructure	13,025,238	11,783,585	10,477,370	13,366,802
Machinery And Equipment	4,356,574	3,787,694	5,702,369	6,137,263
Total Noncurrent Assets	24,972,033	22,598,764	23,462,059	26,366,425
Total Assets	\$ 30,696,179	\$ 28,356,642	\$ 29,515,563	\$ 35,105,940
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Relating to Pensions	\$ 0	\$ 0	\$ 0	\$ 100,457
Total Deferred Outflows of Resources	\$ 0	\$ 0	\$ 0	\$ 100,457
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 1,430,108	\$ 649,529	\$ 1,180,996	\$ 2,820,679
Accrued Liabilities	131,862	71,385	77,623	27,531
Unearned Revenues	6,822	4,693	35,817	8,061
Due to Other Funds	93,037	22,515	158,748	570,071
Total Current Liabilities	1,661,829	748,122	1,453,184	3,426,342
Noncurrent:				
Due within one year	560,211	513,262	454,787	572,550
Compensated Absences	34,870	37,897	49,558	46,240
Net Pension Liability	0	0	0	83,823
Long-Term Debt	4,785,893	4,736,458	2,640,462	2,655,754
Other Postemployment Benefits	893,707	1,039,060	1,161,053	1,294,749
Total Noncurrent Liabilities	6,274,681	6,326,677	4,305,860	4,653,116
Total Liabilities	7,936,510	7,074,799	5,759,044	8,079,458
DEFERRED INTFLOWS OF RESOURCES				
Deferred Inflows - Relating to Pensions	\$ 0	\$ 0	\$ 0	\$ 4,077
Total Deferred Inflows of Resources	\$ 0	\$ 0	\$ 0	\$ 4,077
NET POSITION				
Net Investment in Capital Assets	20,186,140	17,349,044	20,364,202	23,140,555
Unrestricted	2,573,529	3,932,799	3,392,317	3,982,011
Total Net Position	\$ 22,759,669	\$ 21,281,843	\$ 23,756,519	\$ 27,122,566

(1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:

See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.

(2) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Balance. Please see prior page for 2011 data.

(3) Includes Airport and Transportation Funds.

**COUNTY OF DUTCHESS
ENTERPRISE FUNDS (1) (2)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION**

AS OF DECEMBER 31:

	2011	2012	2013	2014	2015
OPERATING REVENUES:					
Charges For Services	\$ 2,845,677	\$ 2,994,253	\$ 2,971,016	\$ 4,819,567	\$ 2,590,918
Operating Grants and Revenues	3,628,094	4,137,999	4,169,632	4,031,153	4,084,892
Other	0	12,215	133,199	61,279	68,812
Total Operating Revenues	6,473,771	7,144,467	7,273,847	8,911,999	6,744,622
OPERATING EXPENSES:					
Personal Services	745,714	712,712	648,397	654,319	606,836
Employee Benefits	531,126	595,249	533,712	501,287	462,569
Depreciation	2,884,864	3,214,466	3,215,179	3,174,121	3,270,632
Contracted Services	7,217,173	7,672,997	8,019,239	9,641,197	7,491,665
Total Operating Expenses	11,378,877	12,195,424	12,416,527	13,970,924	11,831,702
Loss From Operations	(4,905,106)	(5,050,957)	(5,142,680)	(5,058,925)	(5,087,080)
NONOPERATING REVENUES (EXPENSES):					
Interest Income	152,299	132,948	128,913	129,685	148,451
Interest Expense	(262,105)	(200,341)	(121,135)	(130,717)	(94,655)
Other	0	0	0	0	17,397
Total Non-Operating Revenues (Expenses)	(109,806)	(67,393)	7,778	(1,032)	71,193
Loss before Contributions and Transfers	(5,014,912)	(5,118,350)	(5,134,902)	(5,059,957)	(5,015,887)
Capital Contrabutions	3,754,511	1,412,462	736,778	4,704,167	5,672,254
Operating Transfers - In	2,119,734	2,444,124	3,037,908	2,880,466	2,776,828
Operating Transfers - Out	(591,535)	(889,790)	(117,610)	(50,000)	(50,000)
Change in Net Position	267,798	(2,151,554)	(1,477,826)	2,474,676	3,383,195
Net Position- Beginning of Year	24,643,425	24,911,223	22,759,669	21,281,843	23,739,371 (2)
Net Position - End of Year	\$ 24,911,223	\$ 22,759,669	\$ 21,281,843	\$ 23,756,519	\$ 27,122,566

(1) Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position:

See "Notes to the Financial Statements - Note 2 (Changes in Accounting Principles and Restatement of Prior Year Fund Balance and Net Position)" in the Audited Financial Statements for the year ended December 31, 2012. In 2012 the County designated a new auditor.

(2) Includes Airport and Transportation Fund.

The financial data presented on this page has been excerpted from the audited financial statements of the County. Such presentation however has not been audited.

SUMMARY OF ADOPTED BUDGET - BY FUND
FISCAL YEAR ENDING DECEMBER 31, 2016

	<u>Total</u> <u>Appropriations</u>	<u>Non-Property</u> <u>Tax Revenue (1) (2)</u>	<u>Appropriation</u> <u>Of Fund Balance</u>	<u>Levied By</u> <u>Property Taxes</u>
FUND:				
General	\$ 433,307,819	\$ 329,024,176	\$ 9,500,000	\$ 94,783,643
Road	11,363,336	1,781,490	1,000,000	8,581,846
Machinery	2,545,169	20,750	245,000	2,279,419
Airport	1,406,113	1,406,113	0	0
Public Transportation	8,063,057	7,063,057	1,000,000	0
Self-Insurance	<u>2,040,488</u>	<u>2,040,488</u>	<u>0</u>	<u>0</u>
TOTALS	\$ <u>458,725,982</u>	\$ <u>341,336,074</u>	\$ <u>11,745,000</u>	\$ <u>105,644,908</u>
 Provison for Uncollected Taxes			 \$ 800,000	
Provison for Tax Refunds			<u>200,000</u>	
 TOTAL PROPERTY TAX LEVY:			 \$ <u>106,644,908</u>	

(1) Includes General Fund Contributions to Airport & Public Transportation Fund.

(2) Sales tax for the fiscal year ending December 31, 2016 has been budgeted at \$176,858,000.

Source: The Adopted budget for the fiscal year ending December 31, 2016.

**COUNTY OF DUTCHESS,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and
Federal Awards Information
for the Year Ended December 31, 2015 and
Independent Auditors' Reports*

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COUNTY OF DUTCHESS, NEW YORK
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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 aggregate 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, 2015, 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 Community College, the Dutchess County Resource Recovery Agency, or the Dutchess County Water and Wastewater Authority, which represent 56.1 percent, 14.2 percent, and 28.4 percent, respectively, of the assets and 74.9 percent, 14.0 percent, and 9.8 percent, respectively, of the revenues of the aggregate discretely presented component units. We did not audit the financial statements of the Dutchess County Industrial Development Agency or the Dutchess County Local Development Corporation, which are aggregated and presented as nonmajor component units, and represent 0.6 percent and 0.6 percent, respectively, of the assets and 0.4 percent and 0.4 percent, respectively, of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. 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 (1) unmodified audit opinion on the governmental activities, the business-type activities, major funds and aggregate remaining fund information; and (2) qualified audit opinion on the aggregate discretely presented component units.

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Dutchess County Soil and Water Conservation District have not been audited, and we were not engaged to audit the Dutchess County Soil and Water Conservation District's financial statements as part of our audit of the County's basic financial statements. The Dutchess County Soil and Water Conservation District's financial activities are included in the County's basic financial statements as a discretely presented component unit and represent 0.1 percent and 0.5 percent of the assets and revenues, respectively, of the County's aggregate discretely presented component units.

Qualified Opinion on the Aggregate Discretely Presented Component Units

In our opinion, based on the reports of other auditors, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on the Aggregate Discretely Presented Component Units, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the County, as of December 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Governmental Activities, Business-type Activities, Major Funds and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2015, 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, 2015 the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. 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 Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and audit requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are 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 19, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Handwritten signature of Duesch & Malach LLP in black ink.

September 19, 2016

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COUNTY OF DUTCHESS, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2015

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, 2015. 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, 2015 by \$17,062,064 (deficit net position). This consists of \$69,653,016 net investment in capital assets, \$36,843,068 restricted for specific purposes, offset by an unrestricted net deficit of \$123,558,148.
- The County's primary government net position increased \$24,317,816 during the year ended December 31, 2015. Governmental activities increased the County's net position by \$20,934,621, and the net position of business-type activities increased net position by \$3,383,195.
- As of December 31, 2015, the County's governmental funds reported combined ending fund balances of \$140,800,056, an increase of \$30,966,845 in comparison with the prior year.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$56,847,283, or 13.4 percent of total General Fund expenditures and transfers out. This total amount is available for spending at the County's discretion and constitutes approximately 61.9 percent of the General Fund's total fund balance of \$91,893,806 at December 31, 2015.
- The County's serial bonds, excluding its blended component unit's serial bonds, increased by \$11,566,690 during the current year as a result of the issuance of serial bonds of \$41,119,898 offset by scheduled principal payments of \$29,553,208.

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.

The government-wide financial statements include not only the County and its blended component unit (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 Local Development Corporation, 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 includes 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 and Transportation operations.

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.

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.

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.

The combining statements of 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 30-87 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 progress in funding its obligation to provide post-employment benefits to its employees, the County’s net pension liability/(asset), and the County’s budgetary comparison for the General Fund. Required Supplementary Information and a related note to the Required Supplementary Information can be found on pages 88-96 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 97-109 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 \$17,062,064 (deficit net position) at the close of the most recent fiscal year, as compared to the deficit net position of \$41,379,880 (as restated) at the close of the fiscal year ended December 31, 2014.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Current assets	\$261,264,594	\$231,534,968	\$ 8,739,515	\$ 6,053,504	\$270,004,109	\$237,588,472
Noncurrent assets	183,853,823	183,622,747	26,366,425	23,462,059	210,220,248	207,084,806
Total assets	<u>445,118,417</u>	<u>415,157,715</u>	<u>35,105,940</u>	<u>29,515,563</u>	<u>480,224,357</u>	<u>444,673,278</u>
Deferred outflows of resources	18,610,684	16,917,387	100,457	94,977	18,711,141	17,012,364
Current liabilities	81,724,437	91,611,563	3,426,638	1,453,184	85,151,075	93,064,747
Noncurrent liabilities	<u>425,480,064</u>	<u>405,582,790</u>	<u>4,653,116</u>	<u>4,417,985</u>	<u>430,133,180</u>	<u>410,000,775</u>
Total liabilities	<u>507,204,501</u>	<u>497,194,353</u>	<u>8,079,754</u>	<u>5,871,169</u>	<u>515,284,255</u>	<u>503,065,522</u>
Deferred inflows of resources	<u>709,230</u>	<u>-</u>	<u>4,077</u>	<u>-</u>	<u>713,307</u>	<u>-</u>
Net position:						
Net investment in capital assets	46,512,461	46,783,182	23,140,555	20,364,202	69,653,016	67,147,384
Restricted	36,843,068	24,510,442	-	-	36,843,068	24,510,442
Unrestricted	<u>(127,540,159)</u>	<u>(136,412,875)</u>	<u>3,982,011</u>	<u>3,375,169</u>	<u>(123,558,148)</u>	<u>(133,037,706)</u>
Total net position	<u>\$ (44,184,630)</u>	<u>\$ (65,119,251)</u>	<u>\$ 27,122,566</u>	<u>\$ 23,739,371</u>	<u>\$ (17,062,064)</u>	<u>\$ (41,379,880)</u>

The largest portion of the County's net position, \$69,653,016, 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, \$36,843,068, 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 net position, \$123,558,148 is considered to be an unrestricted deficit.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2015 and December 31, 2014.

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

	Governmental activities		Business-type activities		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Revenues:						
Program revenues	\$ 163,437,771	\$ 147,810,941	\$ 12,348,064	\$ 13,554,887	\$ 175,785,835	\$ 161,365,828
General revenues	302,801,857	301,325,573	234,660	190,964	303,036,517	301,516,537
Total revenues	<u>466,239,628</u>	<u>449,136,514</u>	<u>12,582,724</u>	<u>13,745,851</u>	<u>478,822,352</u>	<u>462,882,365</u>
Total program expenses	<u>442,578,179</u>	<u>449,795,994</u>	<u>11,926,357</u>	<u>14,101,641</u>	<u>454,504,536</u>	<u>463,897,635</u>
Transfers	<u>(2,726,828)</u>	<u>(2,830,466)</u>	<u>2,726,828</u>	<u>2,830,466</u>	<u>-</u>	<u>-</u>
Change in net position	20,934,621	(3,489,946)	3,383,195	2,474,676	24,317,816	(1,015,270)
Net position—beginning	(65,119,251)	(57,303,328)	23,739,371	21,281,843	(41,379,880)	(36,021,485)
Restatement	-	(4,325,977)	-	(17,148)	-	(4,343,125)
Net position—ending	<u>\$ (44,184,630)</u>	<u>\$ (65,119,251)</u>	<u>\$ 27,122,566</u>	<u>\$ 23,739,371</u>	<u>\$ (17,062,064)</u>	<u>\$ (40,364,610)</u>

Governmental activities—Governmental activities increased the County’s net position by \$20,934,621, primarily due to increased operating grants and contributions coupled with a decrease in overall expenses.

A summary of sources of revenues for governmental activities for the years ended December 31, 2015 and 2014 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
Charges for services	\$ 32,770,045	\$ 27,323,378	\$ 5,446,667	19.9
Operating grants and contributions	122,009,029	114,839,042	7,169,987	6.2
Capital grants and contributions	8,658,697	5,648,521	3,010,176	53.3
Property taxes and tax items	118,456,068	117,571,499	884,569	0.8
Non-property taxes	180,677,216	179,497,801	1,179,415	0.7
Tobacco settlement revenues	3,560,602	4,131,430	(570,828)	(13.8)
Other	107,971	124,843	(16,872)	(13.5)
Total revenues	<u>\$ 466,239,628</u>	<u>\$ 449,136,514</u>	<u>\$ 17,103,114</u>	3.8

As presented in Table 3, the most significant source of revenues is non-property taxes, which accounts for \$180,677,216, or 38.8 percent of total governmental activities revenues for the year ended December 31, 2015, and \$179,497,801, or 40.0 percent of total governmental activities revenues for the year ended December 31, 2014. The next largest source of revenues is operating grants and contributions, which comprises \$122,009,029, or 26.2 percent, and \$114,839,042, or 25.6 percent of total governmental activities revenues for the years ended December 31, 2015 and 2014, respectively. The third largest source of revenues is property taxes and tax items, which comprises \$118,456,068, or 25.4 percent, and \$117,571,499, or 26.2 percent of total governmental activities revenues for the years ended December 31, 2015 and 2014, respectively.

During the year ended December 31, 2015, operating grants and contributions increased \$7,169,987. This is primarily the result of the recognition for increased deferred inflows of resources related to grants and aid revenues. Increase in charges for services of \$5,446,667 is primarily due to unanticipated child care program revenues collected in 2015.

A summary of program expenses of governmental activities for the years ended December 31, 2015 and 2014 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
General government support	\$ 85,696,053	\$ 89,627,941	\$ (3,931,888)	(4.4)
Education	13,322,914	13,346,198	(23,284)	(0.2)
Public safety	85,529,710	88,583,760	(3,054,050)	(3.4)
Health	59,821,315	57,850,691	1,970,624	3.4
Transportation	23,540,263	23,637,784	(97,521)	(0.4)
Economic assistance and opportunity	149,288,684	151,761,577	(2,472,893)	(1.6)
Culture and recreation	4,889,026	4,757,103	131,923	2.8
Home and community services	12,276,744	12,068,993	207,751	1.7
Interest and other fiscal charges	8,213,470	8,161,947	51,523	0.6
Total program expenses	<u>\$ 442,578,179</u>	<u>\$ 449,795,994</u>	<u>\$ (7,217,815)</u>	(1.6)

The County's most significant expense items for governmental activities were economic assistance and opportunity of \$149,288,684, or 33.7 percent of total governmental activities expenses, general government support of \$85,696,053, or 19.4 percent of total governmental activities expenses, and public safety of \$85,529,710, or 19.3 percent of total governmental activities expenses for the year ended December 31, 2015. Similarly, for the year ended December 31, 2014 significant expense items were economic assistance and opportunity of \$151,761,577, or 33.7 percent of total governmental activities expenses, general government support of \$89,627,941, or 19.9 percent of total governmental activities expenses, and public safety of \$88,583,760, or 19.7 percent of total governmental activities expenses.

During the year-ended December 31, 2015, general government support, public safety and economic assistance and opportunity expenses decreased by \$3,931,888, \$3,054,050 and \$2,472,893, respectively, primarily due to a decrease in allocable employee benefits expenses as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* had on 2015 activity. During 2015, the County recognized its' proportionate share of the New York State Employee Retirement System net pension liability, which reduced the employee benefit expenses recognized on the government-wide statements.

Business-type activities—Business-type activities increased the County's net position by \$3,383,195. Operating revenues and expenses for the year ended December 31, 2015 decreased by 24.3 percent and 15.3 percent, respectively.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2015 and 2014 is presented on the following page.

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

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollar	Percent (%)
Operating revenues:				
Charges for services	\$ 2,590,918	\$ 4,819,567	\$ (2,228,649)	(46.2)
Operating grants and revenues	4,084,892	4,031,153	53,739	1.3
Other revenue	68,812	61,279	7,533	12.3
Total operating revenues	<u>\$ 6,744,622</u>	<u>\$ 8,911,999</u>	<u>\$ (2,167,377)</u>	(24.3)
Operating expenses:				
Personal services and employee benefits	\$ 1,069,405	\$ 1,155,606	(86,201)	(7.5)
Depreciation	3,270,632	3,174,121	96,511	3.0
Contracted services	7,491,665	9,641,197	(2,149,532)	(22.3)
Total operating expenses	<u>\$ 11,831,702</u>	<u>\$ 13,970,924</u>	<u>\$ (2,139,222)</u>	(15.3)

The County's business-type activities operating revenues for the year ended December 31, 2015 decreased 24.3 percent from the previous year. This is primarily a result of the prior year recognition of an asset transfer related to the Airport activities in the amount of \$1,684,357.

Additionally, the most significant expense items for the year ended December 31, 2015 were contracted services, which accounted for \$7,491,665, or 63.3 percent of total expenses, and depreciation expense of \$3,270,632, or 27.6 percent of total expenses. Similarly, for the year ended December 31, 2014, the most significant expense items were contracted services, which accounted for \$9,641,197, or 69.0 percent of total expenses, and depreciation expense of \$3,174,121, or 22.7 percent of total expenses.

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, 2015, the County's governmental funds reported combined ending fund balances of \$140,800,056, an increase of \$30,966,845 in comparison with the prior year. The County had fund balances of \$59,594,193, which constitutes *unassigned fund balance* and *assigned to specific use* in special revenue funds, 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, \$5,012,225; (2) restricted for particular purposes, \$56,768,550; or (3) assigned for particular purposes, \$19,425,088.

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 \$56,847,283, while total fund balance was \$91,893,806. The General Fund fund balance increased \$20,690,833 from the prior year. The fund balance increase was primarily due to the issuance of serial bonds and increases in departmental income.

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 13.4 percent of General Fund expenditures and transfers out, while total fund balance represents 21.6 percent of that same amount.

The fund balance in the Capital Projects Fund increased \$9,370,319 from the prior year, resulting in fund balance of \$41,118,544 as of December 31, 2015. The \$19,688,215 issuance of public improvement serial bonds attributed to this increase.

At December 31, 2015, the DTASC Fund reported restricted fund balance of \$3,497,814 to be used for upcoming payments of principal and interest, the remainder of fund balance, \$41,540, constitutes assigned fund balance, which is available for spending for DTASC's activities.

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

Net position of the Airport Fund at December 31, 2015 totaled \$13,052,084, which included \$13,890,371 net investment in capital assets and an unrestricted deficit of \$838,287. The Airport Fund net position increased \$240,730 during the year ended December 31, 2015 as a result of capital grants and contributions.

Net position of the Transportation Fund at December 31, 2015 totaled \$14,070,482, which included \$9,250,184 net investment in capital assets and unrestricted net position of \$4,820,298. The Transportation Fund net position increased \$3,142,465 as a result of capital contributions and transfers from the General Fund.

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, 2015 is presented in Table 6 below.

Table 6—General Fund Budget

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues and other financing sources	\$ 413,710,487	\$ 438,986,612	\$ 460,449,991	\$ 21,463,379
Expenditures and other financing uses	<u>432,811,579</u>	<u>465,989,090</u>	<u>439,759,158</u>	<u>26,229,932</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (19,101,092)</u>	<u>\$ (27,002,478)</u>	<u>\$ 20,690,833</u>	<u>\$ 47,693,311</u>

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.

Final budget compared to actual results—The General Fund had a favorable variance from the final budget of \$47,693,311. The primary positive variances were realized in economic assistance and opportunity, general government support, public safety and health due to lower than anticipated costs within these functions. Additionally, grants and state aid revenue came in \$8,342,398 over anticipated budgeted amounts.

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, 2015 amounted to \$175,624,129 and \$26,366,425, 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, 2015 and 2014 are presented in Table 7 below.

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

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 12,114,499	\$ 12,053,192	\$ 3,385,364	\$ 3,385,364	\$ 15,499,863	\$ 15,438,556
Right of way and easements	13,794,200	13,228,657	-	-	13,794,200	13,228,657
Construction in progress	13,549,663	7,141,298	152,402	594,684	13,702,065	7,735,982
Infrastructure	67,526,555	71,466,133	13,366,801	10,477,370	80,893,356	81,943,503
Buildings and improvements	48,989,720	52,861,727	3,324,595	3,302,272	52,314,315	56,163,999
Improvements other than buildings	3,158,296	98,430	-	-	3,158,296	98,430
Machinery and equipment	16,491,196	18,269,046	6,137,263	5,702,369	22,628,459	23,971,415
Total	<u>\$ 175,624,129</u>	<u>\$ 175,118,483</u>	<u>\$ 26,366,425</u>	<u>\$ 23,462,059</u>	<u>\$ 201,990,554</u>	<u>\$ 198,580,542</u>

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 2015, the County’s governmental activities outstanding bonded debt totaled \$115,642,890 (excluding DTASC) and represents approximately 5.8% of the County’s debt limit.

A summary of the County's long-term liabilities at December 31, 2015 and December 31, 2014 is presented below in Table 8:

Table 8—Summary of Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2014		2014		2014	
	2015	(as restated)	2015	(as restated)	2015	(as restated)
Bonds payable	\$ 201,035,711	\$ 185,104,923	\$ 3,225,870	\$ 3,092,641	\$ 204,261,581	\$ 188,197,564
Workers' compensation and general claims	26,503,283	32,844,927	-	-	26,503,283	32,844,927
Other post-employment benefits	174,181,204	157,171,086	1,294,749	1,161,053	175,475,953	158,332,139
Net pension liability	14,578,554	19,500,790	83,823	112,125	14,662,377	19,612,915
Compensated absences	9,142,812	8,553,064	48,674	52,166	9,191,486	8,605,230
Environmental cleanup	38,500	2,408,000	-	-	38,500	2,408,000
Total	<u>\$ 425,480,064</u>	<u>\$ 405,582,790</u>	<u>\$ 4,653,116</u>	<u>\$ 4,417,985</u>	<u>\$ 430,133,180</u>	<u>\$ 410,000,775</u>

Total outstanding long-term liabilities increased by \$20,132,405 from prior year, as restated. Major factors that contributed to this increase include:

- Obligations for other post-employment benefits (“OPEB”) increased in the governmental and business-type activities by \$17,010,118 and \$133,696, 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.
- The County issued public improvement serial bonds in the amount of \$27,873,760 on December 2, 2015. The bonds bear interest rates ranging between 2.0 - 5.0 percent. The bonds are expected to mature on May 1, 2035.
- The County issued public improvement refunding serial bonds in the amount of \$14,800,000 on June 11, 2015. The bonds refunded the 2004 and portions of the 2006 serial bonds and bear interest rates ranging between 2.0 - 5.0 percent. The bonds are expected to mature on December 15, 2027.

Additional information on the County's long-term debt can be found in Note 12 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:

<u>Year Ended December 31,</u>	
2016 (budgeted)	\$ 41,514,473
2015	40,917,312
2014	42,662,576

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:

<u>Year Ended December 31,</u>	
2016 (budgeted)	\$ 18,295,758
2015	19,147,617
2014	20,785,809

The County has appropriated \$11.745 million in fund balance to finance the 2016 budget from various funds. The unassigned fund balance is \$56.8 million in the General Fund as of December 31, 2015.

The total tax levy for the 2016 budget is \$106.6 million, resulting in a property tax rate of \$3.62 per thousand of assessed value, which is .02% lower than \$3.68 in 2015. The true value assessment for the County has increased from \$29.22 billion for the 2015 budget to \$29.43 billion for the 2016 budget; an increase of .01%.

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

IBM, one of the County's two top high-tech employers, has an expansive campus in the City of Poughkeepsie. Additionally, Poughkeepsie's campus includes high-end power systems development and test laboratories, manufacturing facilities and Customer Solution Center, Design Center, High Availability Center of Competency, and IBM Systems Lab Services, as well as the IBM Systems Executive Briefing Center. The other top high-tech employer is Global Foundries which manufactures the 300 microprocessor chip at its East Fishkill location. The chips are used in several devices ranging to mobile phones to high powered servers in data centers.

Another top employer, HealthQuest, with more than 5,000 employees, will break ground on their \$400 million expansion at their medical center in Poughkeepsie in September 2016. GAP Incorporated's plan to invest \$95 million at its Fishkill logistics center, and hire 1,200 new jobs remains on track. Hudson Valley Lighting will open in September 2016 marking the completion of its \$19 million investment to open its world headquarters and research and development center in Wappinger Falls, creating 47 new jobs in the County. Also plans for 2016 include, Fourth State Metals, a company that designs and fabricates art and architecture, to move its operations from Brooklyn to the City of Poughkeepsie.

One of the County's fastest growing industry sectors is higher education. Vassar College completed construction on its 80,000 square foot, \$120 million science facilities project. Marist College has invested approximately \$140 million to add new buildings and expand its technology center. Adjacent to campus, a \$40 million private development project for student housing has opened.

Development of the Poughkeepsie waterfront and downtown areas have seen recent economic development with construction of the Water Club, a luxury rental community and restoration of several

buildings in the City of Poughkeepsie. The Town of Poughkeepsie continues to expand economically with the addition of a new residential and commercial area in the Arlington Business District and the construction of new hotels and restaurants along the Route 9 corridor.

The County's tourism industry continues to see strong growth. Based on the 2015 figures released in 2016, Tourism spending was over \$528 million in Dutchess County, supporting 9,994 jobs and generating over \$37 million in local tax revenue. The State and National Parks, restaurants and arts and recreation are strong anchors for its success.

Agriculture continues to play a significant role in the economy of the County. There are dairy, produce, livestock and horse farms as well as vineyards operations, and now three new distillery operations, all spurring agribusiness development. Madava's facility is the most advanced syrup production facility in the country, and produces some of the purest maple syrup on earth. Approximately 1,500 workers benefit from direct employment through these operations and an additional 2,000 from farm related jobs. Annually, the agricultural sector contributes between \$100 to \$150 million to the County's economy.

Wealth levels for Dutchess County residents are above national averages. The Bureau of Economic Analysis estimated the per capita personal income of the County residents in 2014 was \$47,151, which placed the County eleventh among all counties in New York State for the year. Unemployment for the County continues to be one of the lowest in the State at 4.2%, and the vacancy rate for available office and industrial space in the county is at 11.9%, our lowest since 2012.

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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 62,659,081	\$ 4,996,793	\$ 67,655,874	\$ 33,207,528
Restricted cash and cash equivalents	61,076,069	-	61,076,069	14,857,844
Investments	5,000,000	-	5,000,000	-
Receivables (net of allowances for estimated uncollectible amounts):				
Taxes	49,318,753	-	49,318,753	-
Accounts receivable	2,774,032	238,968	3,013,000	10,265,850
Intergovernmental receivables	74,854,363	3,472,384	78,326,747	774,451
Internal balances	570,071	-	570,071	-
Prepaid items	4,902,785	27,739	4,930,524	1,458,877
Inventories	109,440	3,335	112,775	611,642
Total current assets	261,264,594	8,739,219	270,003,813	61,176,192
Noncurrent assets:				
Other assets	8,229,694	-	8,229,694	9,382,286
Capital assets:				
Capital assets not being depreciated	39,458,362	3,537,766	42,996,128	6,272,228
Capital assets, being depreciated (net of accumulated depreciation)	136,165,767	22,828,659	158,994,426	151,852,464
Total noncurrent assets	183,853,823	26,366,425	210,220,248	167,506,978
Total assets	445,118,417	35,105,644	480,224,061	228,683,170
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	16,479,373	100,457	16,579,830	2,363,106
Deferred charge on refunding	2,131,311	-	2,131,311	269,084
Total deferred outflows of resources	18,610,684	100,457	18,711,141	2,632,190
LIABILITIES				
Current liabilities:				
Accounts payable	38,597,343	2,820,679	41,418,022	8,714,965
Retainages payable	145,395	-	145,395	-
Accrued liabilities	2,281,965	27,531	2,309,496	7,079,407
Interest payable	863,144	-	863,144	-
Intergovernmental payables	35,564,466	-	35,564,466	2,389,405
Internal balances	-	570,071	570,071	-
Unearned revenue	3,262,739	8,061	3,270,800	5,272,749
Other liabilities	1,009,385	-	1,009,385	2,359,532
Total current liabilities	81,724,437	3,426,342	85,150,779	25,816,058
Noncurrent liabilities:				
Due within one year	17,519,434	572,550	18,091,984	4,382,027
Due in more than one year	407,960,630	4,080,566	412,041,196	135,621,502
Total noncurrent liabilities	425,480,064	4,653,116	430,133,180	140,003,529
Total liabilities	507,204,501	8,079,458	515,283,959	165,819,587
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows—relating to pensions	709,230	4,077	713,307	1,256,389
Unavailable revenue—deferred charges	-	-	-	26,473,880
Total deferred inflows of resources	709,230	4,077	713,307	27,730,269
NET POSITION				
Net investment in capital assets	46,512,461	23,140,555	69,653,016	63,336,279
Restricted for:				
Debt service	17,446,975	-	17,446,975	-
Capital projects	14,475,619	-	14,475,619	-
Other	4,920,474	-	4,920,474	18,408,968
Unrestricted	(127,540,159)	3,982,011	(123,558,148)	(43,979,743)
Total net position	\$ (44,184,630)	\$ 27,122,566	\$ (17,062,064)	\$ 37,765,504

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, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions		Primary Government		Component Units
		Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government support	\$ 85,696,053	\$ 2,420,803	\$ -	\$ (75,714,094)	\$ -	\$ (75,714,094)
Education	13,322,914	-	-	(13,322,914)	-	(13,322,914)
Public safety	85,529,710	5,166,017	-	(76,735,617)	-	(76,735,617)
Health	59,821,315	34,695,910	-	(22,312,797)	-	(22,312,797)
Transportation	23,540,263	317,008	8,286,182	(12,127,928)	-	(12,127,928)
Economic assistance and opportunity	149,288,684	75,916,708	-	(58,785,700)	-	(58,785,700)
Culture and recreation	4,889,026	266,180	372,515	(3,722,260)	-	(3,722,260)
Home and community services	12,276,744	794,152	-	(8,256,189)	-	(8,256,189)
Interest and other fiscal charges	8,213,470	3,226,403	-	(8,162,909)	-	(8,162,909)
Total governmental activities	442,578,179	122,009,029	8,658,697	(279,140,408)	-	(279,140,408)
Business-type activities:						
Airport	3,418,115	-	1,417,163	-	(500,846)	(500,846)
Transportation	8,508,242	4,084,892	4,255,091	-	922,553	922,553
Total business-type activities	11,926,357	4,084,892	5,672,254	-	421,707	421,707
Total primary government	\$ 454,504,536	\$ 126,093,921	\$ 14,330,951	(279,140,408)	421,707	(278,718,701)
Component units:						
Dutchess Community College	\$ 85,713,644	\$ 18,557,845	\$ 46,798			(14,570,832)
Resource Recovery Agency	16,384,009	-	-			(1,735,344)
Water and Wastewater Authority	7,954,560	2,073,579	-			(262,900)
Nonmajor component units	1,363,540	323,836	562			(495,297)
Total component units	\$ 111,415,753	\$ 20,955,260	\$ 47,360			(17,064,373)
General revenues:						
Property taxes, levied for general purpose				103,092,367	-	103,092,367
Property taxes, levied for debt service				15,363,701	-	15,363,701
Sales and use taxes				176,781,835	-	176,781,835
Other taxes				3,895,381	-	3,895,381
Use of money and property				107,971	234,660	342,631
Tobacco settlement revenues				3,560,602	-	3,560,602
Payments from primary government				-	-	-
Transfers				(2,726,828)	2,726,828	-
Total general revenues and transfers				300,075,029	2,961,488	303,036,517
Change in net position				20,934,621	3,383,195	24,317,816
Net position—beginning, as restated				(65,119,251)	23,739,371	(41,379,880)
Net position—ending				\$ (44,184,630)	\$ 27,122,566	\$ (17,062,064)

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

COUNTY OF DUTCHESS, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2015

	General	Capital Projects	DTASC	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 58,258,830	\$ -	\$ 41,540	\$ 4,358,711	\$ 62,659,081
Restricted cash and cash equivalents	15,414,931	42,163,324	3,497,814	-	61,076,069
Investments	5,000,000	-	-	-	5,000,000
Receivables (net of allowances):					
Taxes	49,318,753	-	-	-	49,318,753
Accounts receivable	2,768,450	-	-	5,582	2,774,032
Due from other funds	4,919,613	-	-	-	4,919,613
Intergovernmental receivables	59,421,175	7,382,029	-	1,333,716	68,136,920
Prepaid items	4,645,391	-	-	257,394	4,902,785
Inventories	109,440	-	-	-	109,440
Total assets	<u>\$ 199,856,583</u>	<u>\$ 49,545,353</u>	<u>\$ 3,539,354</u>	<u>\$ 5,955,403</u>	<u>\$ 258,896,693</u>
LIABILITIES					
Accounts payable	\$ 32,911,867	\$ 4,103,229	\$ -	\$ 1,582,247	\$ 38,597,343
Accrued liabilities	2,183,123	-	-	98,842	2,281,965
Due to other funds	-	4,323,580	-	25,962	4,349,542
Intergovernmental payables	35,564,466	-	-	-	35,564,466
Unearned revenue	3,262,739	-	-	-	3,262,739
Other liabilities	1,009,385	-	-	-	1,009,385
Total liabilities	<u>74,931,580</u>	<u>8,426,809</u>	<u>-</u>	<u>1,707,051</u>	<u>85,065,440</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues—grants and aid	14,559,630	-	-	-	14,559,630
Unavailable revenues—property taxes	18,471,567	-	-	-	18,471,567
Total deferred inflows of resources	<u>33,031,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,031,197</u>
FUND BALANCES					
Nonspendable	4,754,831	-	-	257,394	5,012,225
Restricted	12,152,192	41,118,544	3,497,814	-	56,768,550
Assigned	18,139,500	-	41,540	3,990,958	22,171,998
Unassigned	56,847,283	-	-	-	56,847,283
Total fund balances	<u>91,893,806</u>	<u>41,118,544</u>	<u>3,539,354</u>	<u>4,248,352</u>	<u>140,800,056</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 199,856,583</u>	<u>\$ 49,545,353</u>	<u>\$ 3,539,354</u>	<u>\$ 5,955,403</u>	<u>\$ 258,896,693</u>

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, 2015

Amounts reported for governmental activities in the statement of net position (page 16) are different because:

Total fund balances—governmental funds (page 18)		\$ 140,800,056
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$460,778,841 and the accumulated depreciation is \$285,154,712.		175,624,129
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		8,229,694
Certain revenues are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows of resources in the funds.		33,031,197
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	\$ 13,480,587	
Deferred outflows related to experience and investment earnings	2,998,786	
Deferred inflows related to pension plans	<u>(709,230)</u>	15,770,143
Certain accrued DTASC revenues reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds.		6,717,443
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 and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		2,131,311
Net accrued interest expense for general obligation bonds of \$723,435 and DTASC bonds of \$139,709 are not reported in the funds.		(863,144)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.		(145,395)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (115,642,890)	
Premiums on serial bonds	(7,754,000)	
DTASC bonds	(53,841,279)	
Discount on DTASC bonds	1,098,448	
Accreted interest on DTASC bonds	(24,895,990)	
Workers' compensation and general claims	(26,503,283)	
Other post-employment benefits obligation	(174,181,204)	
Net pension liability	(14,578,554)	
Compensated absences	(9,142,812)	
Environmental clean up	<u>(38,500)</u>	(425,480,064)
Net position of governmental activities		<u>\$ (44,184,630)</u>

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, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>DTASC</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 107,242,325	\$ -	\$ -	\$ 11,213,743	\$ 118,456,068
Sales and use taxes	176,781,835	-	-	-	176,781,835
Other taxes	3,895,381	-	-	-	3,895,381
Departmental income	25,473,941	-	-	2,197,380	27,671,321
Use of money and property	4,509,749	25,000	165,524	4,951	4,705,224
Sale of property and compensation for loss	-	-	-	1,280	1,280
Miscellaneous	6,556,072	698,611	3,395,078	192,688	10,842,449
Grants and aid	113,441,366	6,514,257	-	4,316,387	124,272,010
Total revenues	<u>437,900,669</u>	<u>7,237,868</u>	<u>3,560,602</u>	<u>17,926,429</u>	<u>466,625,568</u>
EXPENDITURES					
Current:					
General government support	71,734,291	-	72,750	-	71,807,041
Education	13,322,914	-	-	-	13,322,914
Public safety	58,498,589	-	-	188,833	58,687,422
Health	53,366,230	-	-	-	53,366,230
Transportation	2,775,767	-	-	9,310,558	12,086,325
Economic assistance and opportunity	136,855,100	-	-	1,773,822	138,628,922
Culture and recreation	1,971,815	-	-	-	1,971,815
Home and community services	8,735,855	-	-	2,580,870	11,316,725
Employee benefits	54,884,212	-	-	3,983,378	58,867,590
Debt service:					
Principal	15,363,921	-	1,770,000	-	17,133,921
Interest and other fiscal charges	3,565,752	-	1,700,353	-	5,266,105
Capital outlay	-	16,488,125	-	-	16,488,125
Total expenditures	<u>421,074,446</u>	<u>16,488,125</u>	<u>3,543,103</u>	<u>17,837,461</u>	<u>458,943,135</u>
Excess (deficiency) of revenues over expenditures	<u>16,826,223</u>	<u>(9,250,257)</u>	<u>17,499</u>	<u>88,968</u>	<u>7,682,433</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,117,639	-	-	799,226	1,916,865
Transfers out	(3,576,054)	(1,067,639)	-	-	(4,643,693)
Proceeds of serial bonds	7,575,000	19,688,215	-	-	27,263,215
Proceeds of advanced refunding bonds	13,856,683	-	-	-	13,856,683
Payment to escrow agent	(15,108,658)	-	-	-	(15,108,658)
Total other financing sources (uses)	<u>3,864,610</u>	<u>18,620,576</u>	<u>-</u>	<u>799,226</u>	<u>23,284,412</u>
Net change in fund balances	20,690,833	9,370,319	17,499	888,194	30,966,845
Fund balances—beginning	71,202,973	31,748,225	3,521,855	3,360,158	109,833,211
Fund balances—ending	<u>\$ 91,893,806</u>	<u>\$ 41,118,544</u>	<u>\$ 3,539,354</u>	<u>\$ 4,248,352</u>	<u>\$ 140,800,056</u>

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, 2015

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)		\$ 30,966,845
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 depreciation expense in the current period.		
Capital asset additions, net	\$ 17,116,412	
Depreciation expense	<u>(16,548,902)</u>	567,510
Loss on disposition of capital assets is recorded in the statement of activities, but not in the statement for governmental funds.		(61,864)
In the statement of activities, the cost of intangible assets is allocated and amortized over their estimated useful lives.		(274,570)
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.		8,677,599
Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:		
Direct pension contributions	\$ 13,480,587	
Cost of benefits earned net of employee contributions	<u>(7,963,021)</u>	5,517,566
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 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.		388,737
In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid.		(27,692)
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 effect 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 related items is as follows:		
Repayment of serial bonds	\$ 15,363,921	
Refunded bonds	14,189,287	
Proceeds from serial bonds	(27,263,215)	
Proceeds from advanced refunding bonds	(13,856,683)	
Premium on bonds issued	(3,462,480)	
Amortization of bond premiums	685,536	
Repayment of DTASC bonds	1,770,000	
Amortization of DTASC bond discount	(70,431)	
Accreted interest on DTASC bonds	(3,286,723)	
Change in workers' compensation and general claims	6,341,644	
Change in other post-employment benefits obligation	(17,010,118)	
Change in compensated absences	(589,748)	
Change in environmental clean up	<u>2,369,500</u>	(24,819,510)
Change in net position of governmental activities		<u>\$ 20,934,621</u>

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, 2015

	Business-type Activities		Total
	Enterprise Funds		Enterprise
	Airport	Transportation	Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 343,532	\$ 4,653,261	\$ 4,996,793
Receivables	238,968	-	238,968
Intergovernmental receivables	66,218	3,406,166	3,472,384
Due from other funds	15	281	296
Prepaid items	23,862	3,877	27,739
Inventories	3,335	-	3,335
Total current assets	<u>675,930</u>	<u>8,063,585</u>	<u>8,739,515</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	3,136,399	248,965	3,385,364
Construction in progress	152,344	58	152,402
Capital assets, net of accumulated depreciation:			
Infrastructure	10,703,539	2,663,263	13,366,802
Buildings and building improvements	482,722	2,841,872	3,324,594
Machinery and equipment	910,345	5,226,918	6,137,263
Total noncurrent assets	<u>15,385,349</u>	<u>10,981,076</u>	<u>26,366,425</u>
Total assets	<u>16,061,279</u>	<u>19,044,661</u>	<u>35,105,940</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows—relating to pensions	86,487	13,970	100,457
Total deferred outflows of resources	<u>86,487</u>	<u>13,970</u>	<u>100,457</u>
LIABILITIES			
Current liabilities:			
Accounts payable	109,355	2,711,324	2,820,679
Accrued liabilities	15,183	12,348	27,531
Due to other funds	73,886	496,481	570,367
Unearned revenue	8,061	-	8,061
Current portion of long-term debt	281,142	291,408	572,550
Total current liabilities	<u>487,627</u>	<u>3,511,561</u>	<u>3,999,188</u>
Noncurrent liabilities:			
Bonds payable	1,216,270	1,439,484	2,655,754
Other post-employment benefits obligation	1,269,575	25,174	1,294,749
Net pension liability	72,446	11,377	83,823
Compensated absences	46,240	-	46,240
Total noncurrent liabilities	<u>2,604,531</u>	<u>1,476,035</u>	<u>4,080,566</u>
Total liabilities	<u>3,092,158</u>	<u>4,987,596</u>	<u>8,079,754</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows—relating to pensions	3,524	553	4,077
Total deferred inflows of resources	<u>3,524</u>	<u>553</u>	<u>4,077</u>
NET POSITION			
Net investment in capital assets	13,890,371	9,250,184	23,140,555
Unrestricted	(838,287)	4,820,298	3,982,011
Total net position	<u>\$ 13,052,084</u>	<u>\$ 14,070,482</u>	<u>\$ 27,122,566</u>

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, 2015

	<u>Business-type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		<u>Enterprise</u>
	<u>Airport</u>	<u>Transportation</u>	<u>Funds</u>
Operating revenues:			
Charges for services	\$ 1,500,106	\$ 1,090,812	\$ 2,590,918
Operating grants and revenues	-	4,084,892	4,084,892
Other	16,089	52,723	68,812
Total operating revenues	<u>1,516,195</u>	<u>5,228,427</u>	<u>6,744,622</u>
Operating expenses:			
Personal services	525,090	81,746	606,836
Employee benefits	418,978	43,591	462,569
Depreciation	1,512,805	1,757,827	3,270,632
Contracted services	<u>903,097</u>	<u>6,588,568</u>	<u>7,491,665</u>
Total operating expenses	<u>3,359,970</u>	<u>8,471,732</u>	<u>11,831,702</u>
Operating loss	<u>(1,843,775)</u>	<u>(3,243,305)</u>	<u>(5,087,080)</u>
Nonoperating revenues (expenses):			
Interest income	147,297	1,154	148,451
Interest expense	(58,145)	(36,510)	(94,655)
Other	<u>1,974</u>	<u>15,423</u>	<u>17,397</u>
Total nonoperating revenues (expenses)	<u>91,126</u>	<u>(19,933)</u>	<u>71,193</u>
Loss before contributions and transfers	(1,752,649)	(3,263,238)	(5,015,887)
Capital contributions	1,417,163	4,255,091	5,672,254
Transfers in	576,216	2,200,612	2,776,828
Transfers out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Change in net position	240,730	3,142,465	3,383,195
Total net position—beginning, as restated	<u>12,811,354</u>	<u>10,928,017</u>	<u>23,739,371</u>
Total net position—ending	<u>\$ 13,052,084</u>	<u>\$ 14,070,482</u>	<u>\$ 27,122,566</u>

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, 2015

	<u>Business-type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		<u>Enterprise</u>
	<u>Airport</u>	<u>Transportation</u>	<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided	\$ 1,666,195	\$ 1,657,130	\$ 3,323,325
Receipts from operating grants and revenue	-	1,924,283	1,924,283
Receipts from other operating revenue	16,089	52,723	68,812
Payments to employees	(875,585)	(139,493)	(1,015,078)
Payments to suppliers of contracted services	(1,135,538)	(4,638,880)	(5,774,418)
Net cash used for operating activities	(328,839)	(1,144,237)	(1,473,076)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	576,216	2,200,612	2,776,828
Operating transfers out	-	(50,000)	(50,000)
Net cash provided by noncapital financing activities	576,216	2,150,612	2,726,828
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions to noncurrent assets	1,417,163	4,255,091	5,672,254
Acquisition/disposal of capital assets	(1,444,311)	(4,730,687)	(6,174,998)
Proceeds from issuance of debt	708,740	845,122	1,553,862
Gain on issuance of refunding bonds	1,974	15,423	17,397
Principal payments on bonds	(287,198)	(172,720)	(459,918)
Refunded bonds	(710,715)	(250,000)	(960,715)
Interest payments	(58,145)	(36,510)	(94,655)
Net cash used for capital and related financing activities	(372,492)	(74,281)	(446,773)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income earned	147,297	1,154	148,451
Net cash provided by investing activities	147,297	1,154	148,451
Increase in cash and cash equivalents	22,182	933,248	955,430
Cash and cash equivalents—beginning	321,350	3,720,013	4,041,363
Cash and cash equivalents—ending	<u>\$ 343,532</u>	<u>\$ 4,653,261</u>	<u>\$ 4,996,793</u>

(continued)

COUNTY OF DUTCHESS, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2015

	(concluded)		
	<u>Business-type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		<u>Enterprise</u>
	<u>Airport</u>	<u>Transportation</u>	<u>Funds</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (1,843,775)	\$ (3,243,305)	\$ (5,087,080)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation expense	1,512,805	1,757,827	3,270,632
(Increase) decrease in receivables	235,710	(2,069,493)	(1,833,783)
Decrease in inventories	77,564	-	77,564
Decrease in other assets	3,753	167	3,920
(Increase) in deferred outflows of resources	(3,643)	(1,837)	(5,480)
(Decrease) increase in accounts payable	(310,005)	1,949,688	1,639,683
(Decrease) in accrued liabilities	(40,850)	(9,242)	(50,092)
(Decrease) in compensated absences	(3,492)	-	(3,492)
(Decrease) increase in due to/from other funds	(41,865)	475,202	433,337
(Decrease) in unearned revenue	(27,756)	-	(27,756)
Increase in deferred inflows of resources	3,524	553	4,077
(Decrease) in net pension liability	(24,460)	(3,842)	(28,302)
Increase in other post-employment benefits	133,651	45	133,696
Total adjustments	<u>1,514,936</u>	<u>2,099,068</u>	<u>3,614,004</u>
Net cash used for operating activities	<u>\$ (328,839)</u>	<u>\$ (1,144,237)</u>	<u>\$ (1,473,076)</u>

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, 2015

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 4,352	\$ 8,281,632
Investments	<u>1,500</u>	<u>-</u>
Total assets	<u>\$ 5,852</u>	<u>\$ 8,281,632</u>
LIABILITIES		
Agency liabilities	<u>\$ -</u>	<u>\$ 8,281,632</u>
Total liabilities	<u>-</u>	<u>\$ 8,281,632</u>
NET POSITION		
Restricted for cemetery plots	<u>\$ 5,852</u>	

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, 2015

	Private Purpose Trust
ADDITIONS	
Total additions	\$ -
DEDUCTIONS	
Economic assistance and opportunity	<u>-</u>
Change in net position	-
Net position—beginning	<u>5,852</u>
Net position—ending	<u><u>\$ 5,852</u></u>

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

COUNTY OF DUTCHESS, NEW YORK
Combining Statement of Net Position—
Discretely Presented Component Units
December 31, 2015

	Dutchess Community College (August 31, 2015)	Dutchess County Resource Recovery Agency	Dutchess County Water and Wastewater Authority	Total Nonmajor Component Units	Total Aggregate Discretely Presented Component Units
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 24,127,478	\$ 3,117,084	\$ 3,571,430	\$ 2,391,536	\$ 33,207,528
Restricted cash and investments	9,805,831	3,227,140	1,801,231	23,642	14,857,844
Receivables (net of allowances)	6,646,995	1,714,827	1,619,433	284,595	10,265,850
Intergovernmental receivables	-	690,652	-	83,799	774,451
Prepaid items	1,180,157	35,384	17,404	225,932	1,458,877
Inventories	611,642	-	-	-	611,642
Total current assets	42,372,103	8,785,087	7,009,498	3,009,504	61,176,192
Noncurrent assets:					
Other assets	5,076,692	1,838,858	2,466,736	-	9,382,286
Capital assets not being depreciated	1,195,405	-	5,076,823	-	6,272,228
Capital assets being depreciated (net of accumulated depreciation)	79,521,335	21,939,206	50,391,232	691	151,852,464
Total noncurrent assets	85,793,432	23,778,064	57,934,791	691	167,506,978
Total assets	128,165,535	32,563,151	64,944,289	3,010,195	228,683,170
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows—relating to pensions	1,948,522	90,410	324,174	-	2,363,106
Deferred charge on refunding	-	-	269,084	-	269,084
Total deferred outflows of resources	1,948,522	90,410	593,258	-	2,632,190
LIABILITIES					
Current liabilities:					
Accounts payable	7,805,155	288,828	598,944	22,038	8,714,965
Accrued liabilities	1,688,561	4,896,271	481,453	13,122	7,079,407
Intergovernmental payables	505,403	1,883,551	-	451	2,389,405
Unearned revenues	5,064,279	-	-	208,470	5,272,749
Other liabilities	-	-	2,359,532	-	2,359,532
Total current liabilities	15,063,398	7,068,650	3,439,929	244,081	25,816,058
Noncurrent liabilities:					
Due within one year	1,323,440	975,000	2,083,587	-	4,382,027
Due in more than one year	88,946,849	14,882,364	31,792,289	-	135,621,502
Total noncurrent liabilities	90,270,289	15,857,364	33,875,876	-	140,003,529
Total liabilities	105,333,687	22,926,014	37,315,805	244,081	165,819,587
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	1,256,389	-	-	-	1,256,389
Unavailable revenue—deferred charges	1,196,231	57,053	25,220,512	84	26,473,880
Total deferred inflows of resources	2,452,620	57,053	25,220,512	84	27,730,269
NET POSITION					
Net investment in capital assets	51,989,784	6,667,153	4,678,651	691	63,336,279
Restricted	10,576,848	5,065,998	2,742,480	23,642	18,408,968
Unrestricted	(40,238,882)	(2,062,657)	(4,419,901)	2,741,697	(43,979,743)
Total net position	\$ 22,327,750	\$ 9,670,494	\$ 3,001,230	\$ 2,766,030	\$ 37,765,504

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

COUNTY OF DUTCHESS, NEW YORK
Combining Statement of Activities—
Discretely Presented Component Units
Year Ended December 31, 2015

	Dutchess Community College (August 31, 2015)	Dutchess County Resource Recovery Agency	Dutchess County Water and Wastewater Authority	Total Nonmajor Component Units	Total Aggregate Discretely Presented Component Units
Program expenses:					
Disposal fees	\$ -	\$ 2,131,108	\$ -	\$ -	\$ 2,131,108
Service fees	-	9,758,041	-	-	9,758,041
Administrative expenses	7,230,002	1,858,652	1,592,816	34,437	10,715,907
Interest expenses	90,917	696,388	1,465,653	-	2,252,958
Depreciation	2,432,304	1,939,820	1,337,328	613	5,710,065
Instruction	32,579,492	-	-	-	32,579,492
Academic support	4,381,265	-	-	-	4,381,265
Libraries	1,313,928	-	-	-	1,313,928
Student services	6,520,121	-	-	-	6,520,121
General institution	7,170,220	-	-	-	7,170,220
Operation and maintenance of plant	7,496,787	-	3,513,514	30,293	11,040,594
Student aid	8,506,717	-	-	-	8,506,717
Personal services	-	-	-	386,519	386,519
Purchases and contracted services	-	-	-	87,289	87,289
Other	7,991,891	-	45,249	824,389	8,861,529
Total program expenses	<u>85,713,644</u>	<u>16,384,009</u>	<u>7,954,560</u>	<u>1,363,540</u>	<u>111,415,753</u>
Program revenues:					
Charges for services:					
Tipping fees	-	11,427,034	-	-	11,427,034
Energy sales	-	2,676,884	-	-	2,676,884
Other charges for services	3,890,551	544,747	5,417,561	144,916	9,997,775
Student tuition and fees	20,693,145	-	-	-	20,693,145
Grants and contracts	15,041,432	-	-	76,125	15,117,557
Other	12,913,041	-	200,520	322,804	13,436,365
Operating grants and contributions	18,557,845	-	2,073,579	323,836	20,955,260
Capital grants and contributions	46,798	-	-	562	47,360
Total program revenues	<u>71,142,812</u>	<u>14,648,665</u>	<u>7,691,660</u>	<u>868,243</u>	<u>94,351,380</u>
Net expense	(14,570,832)	(1,735,344)	(262,900)	(495,297)	(17,064,373)
General revenues:					
Use of money and property	-	5,037	153,639	3,120	161,796
Payments from primary government	10,837,898	690,652	2,842,496	525,787	14,896,833
Total general revenues	<u>10,837,898</u>	<u>695,689</u>	<u>2,996,135</u>	<u>528,907</u>	<u>15,058,629</u>
Change in net position	(3,732,934)	(1,039,655)	2,733,235	33,610	(2,005,744)
Net position—beginning, as restated	26,060,684	10,710,149	267,995	2,732,420	39,771,248
Net position—ending	<u>\$ 22,327,750</u>	<u>\$ 9,670,494</u>	<u>\$ 3,001,230</u>	<u>\$ 2,766,030</u>	<u>\$ 37,765,504</u>

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

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COUNTY OF DUTCHESS, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2015

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 (“U.S. GAAP”) 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. The 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 column 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. 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. The SWCD financial statements are not audited.

Dutchess County Local Development Corporation (Nonmajor Component Unit)—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.

Blended Component Unit—The following blended component unit is a legally separate entity from the County, but is, in substance, part of the County’s operations and therefore data from this unit 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.

Separately issued financial statements for all component units except the Dutchess County Soil and Water Conservation District 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 six 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 and are presented in separate columns in the combining Statement of Net Position—Discretely Presented Component Units and the combining Statement of Activities—Discretely Presented Component Units. The remaining three are considered nonmajor component units and are combined and presented in a single column in the combining Statement of Net Position—Discretely Presented Component Units and the combining Statement of Activities—Discretely Presented Component Units.

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 constitutes the primary operating fund of the County and is used to account for all operations not required to be accounted for in other funds.
- *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.
- *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.

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.

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.

Additionally, the County reports the following fund types:

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.
- *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.
- *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.

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 following are the County's fiduciary funds:

- *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 funds 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—The County’s 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 based on quoted market prices.

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

Receivables—Receivables are stated net of allowances for estimated 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.

Inventories—Inventories are valued at cost using the first in, first out method. Inventories largely consists of office supplies.

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.

Other 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, 2015, the County reported \$8,229,694 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 two years. For infrastructure assets, the same estimated minimum useful life is used (in excess of two 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. Donated capital assets are recorded at estimated fair market value at the date of its donation. Major outlay for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add value to the asset or materially extend the asset’s life are not capitalized.

Land 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:

Class of Asset	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).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position 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, 2015, the County has two items that qualify for reporting in this category. The first 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 refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the government-wide financial statements, as well as within individual proprietary funds. This 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 system made subsequent to the measurement date.

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, 2015, the County has three items that qualify for reporting in this category. Two of the item arises only under a modified accrual basis of accounting. Accordingly, the items, *unavailable revenue*, are reported as deferred inflows of resources only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and certain grants and aid 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 final 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.

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 31, prior to the year of collection and attached as an enforceable lien on January 1. On March 1, interest is accrued on all unpaid taxes in accordance with real property tax law. Property 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 31 or August 31, the later date being for certain towns that pay in installments. After these dates, uncollected real property taxes receivables of the towns are turned over for collection by the County. The towns satisfy the full amount of their tax levies from the first monies collected and remit all amounts thereafter to the County.

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

Tax rates are calculated using assessments prepared by individual city and town assessors utilizing the equalization rates established by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable equalized assessed value of real property included in the tax levy of 2015 is \$29,224,529,259. The effective tax rate on this value is \$3.68 per thousand. The constitutional tax limit is 1.5% of the 5-year average of the equalized assessment. The 2015 levy represents approximately 19.3% of the constitutional tax limit.

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2015, the County reported unearned revenues within the General Fund and Airport Fund of \$3,262,739 and \$8,061, respectively. The County received cash in advance but has not performed the services and therefore recognizes a liability.

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 is 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, 2015 totaled \$9,142,812 and \$48,674, respectively, and are reported in the government-wide financial statements and proprietary fund financial statements.

Other Post-employment 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.

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.

Pensions—The County is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension (asset)/liability, deferred outflows 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.

Workers' Compensation and General Claims—Estimated costs associated with workers' compensation and general claims and judgments for both reported and unreported events totaled \$26,503,283 at December 31, 2015. Estimates of both future payment of losses and related claim adjustment expenses are recorded as long-term liabilities in the government-wide financial statements.

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

Adoption of New Accounting Pronouncements—During the year ended December 31, 2015, the County implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 improve accounting and financial reporting by governments for pensions.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 72, *Fair Value Measurement and Application*; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and No. 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending December 31, 2016, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending December 31, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, effective for the year ending December 31, 2018. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 72, 73, 74, 75, 76, 77, 78, 79, 80, 81 and 82 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 1, the County Executive submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. 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 21, the governing board adopts the budget.
- All modifications of the budget must be approved by the governing board. (However, 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 POSTION

For the fiscal year ended December 31, 2015, the County and certain component units implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of an asset, deferred outflows of resources, a liability and a deferred inflow of resources related to the entities' participation in the New York State Teachers' and Employees' Retirement Systems.

The effect of the restatement to net position of governmental, business-type and component unit activities is summarized as follows:

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	Net Position	Net Position	Net Position	
Net position—December 31, 2014, as previously stated	\$ (60,793,274)	\$ 23,756,519	\$ (37,036,755)	\$ 38,840,464
GASB Statements No. 68 and No. 71:				
Beginning system asset—				
Teachers' Retirement System	-	-	-	3,516,758
Beginning system liability—				
Employees' Retirement System	(19,500,790)	(112,125)	(19,612,915)	(2,053,092)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:				
Teachers' Retirement System	-	-	-	784,179
Employees' Retirement System	15,174,813	94,977	15,269,790	1,132,471
Beginning deferred inflows of resources	-	-	-	(2,449,532)
Net position—December 31, 2014, as restated	<u>\$ (65,119,251)</u>	<u>\$ 23,739,371</u>	<u>\$ (41,379,880)</u>	<u>\$ 39,771,248</u>

	Dutchess Community College (August 31, 2015)	Dutchess County Resource Recovery Agency	Dutchess County Water and Wastewater Authority	Nonmajor Component Units	Total Component Units
Net position—December 31, 2014, as previously stated GASB Statements No. 68 and No. 71:	\$ 25,141,486	\$ 10,691,649	\$ 274,909	\$ 2,732,420	\$ 38,840,464
Beginning system asset—					
Teachers' Retirement System	3,516,758	-	-	-	3,516,758
Beginning system liability—					
Employees' Retirement System	(1,828,995)	(23,519)	(200,578)	-	(2,053,092)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:					
Teachers' Retirement System	784,179	-	-	-	784,179
Employees' Retirement System	896,788	42,019	193,664	-	1,132,471
Beginning deferred inflows of resources	(2,449,532)	-	-	-	(2,449,532)
Net position—December 31, 2014, as restated	<u>\$ 26,060,684</u>	<u>\$ 10,710,149</u>	<u>\$ 267,995</u>	<u>\$ 2,732,420</u>	<u>\$ 39,771,248</u>

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 FDIC-insured commercial banks or trust companies located within New York State. The County Treasurer 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, 2015 consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 23,515	\$ 900	\$ -	\$ 24,415
Deposits	120,213,821	4,995,893	8,285,984	133,495,698
Securities and money market funds	56,377	-	1,500	57,877
Discount note	3,441,437	-	-	3,441,437
Investments	5,000,000	-	-	5,000,000
Total	<u>\$ 128,735,150</u>	<u>\$ 4,996,793</u>	<u>\$ 8,287,484</u>	<u>\$ 142,019,427</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2015 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 2,657,041	\$ 2,428,544
Uninsured:		
Collateral held by pledging bank's agent in the County's name	140,709,575	130,166,066
Uncollateralized	904,227	901,088
Total	<u>\$ 144,270,843</u>	<u>\$ 133,495,698</u>

Custodial Credit Risk—In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. For investments, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2015, \$904,227 of the County's deposits were not collateralized.

Restricted Cash and Cash Equivalents—Restricted cash of the County consists of unexpended debt proceeds restricted for capital projects in the amount of \$42,163,324, and cash restricted for future debt service within both the General Fund and DTASC Fund of \$7,231,718 and \$3,497,814, respectively. Also included in restricted cash is General Fund (including self-insurance) balances subject to externally enforceable legal purpose restrictions, totaling \$4,920,474 and unearned revenues of \$3,262,739.

Investments—Investments are carried at fair value, as determined by quoted market prices. At December 31, 2015, the County has investments in securities of \$1,500, note receivable of \$5,000,000 issued to the Board of Cooperative Educational Services and \$3,497,814 in DTASC investments.

Interest Rate Risk—The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

A. 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.

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, 2015.

Investments—Investments consist of certificates of deposit with initial maturities of greater than three months.

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—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.

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, 2015, the Agency had cash deposited in various banks aggregating approximately \$350,000, which is classified as Risk Category A, 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, 2015, the Agency had additional cash and cash equivalents and investments of \$7,833,082 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 Risk Category B, as defined by the GASB.

Cash, cash equivalents and investments are as follows at December 31, 2015:

Bank balance	\$ 4,158,653
U.S. Government money market	<u>3,674,429</u>
Total Risk Category B	<u>\$ 7,833,082</u>

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

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

As of December 31, 2015, the trustee reported the following restricted cash and cash equivalents and investments:

2007 Series	
Project fund	\$ 512,246
Debt service reserve fund	<u>1,323,325</u>
Current restricted funds	<u>1,835,571</u>
Reserve and contingency fund	167,154
Debt service reserve fund	<u>1,671,704</u>
Noncurrent restricted funds	<u>1,838,858</u>
Total 2007 Series	<u>\$ 3,674,429</u>

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

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1, bond principal and interest payments, amounted to \$1,391,569 at December 31, 2015, and are included in restricted cash.

Restricted assets as of December 31, 2015 are summarized as follows:

Current restricted assets	
Series 2007	\$ 1,835,571
Energy revenues and debt service funds	<u>1,391,569</u>
Total current restricted assets	<u>3,227,140</u>
Noncurrent restricted assets	
Series 2007	\$ <u>1,838,858</u>
Total noncurrent restricted cash and investments	<u>1,838,858</u>
Total restricted cash and investments	<u>\$ 5,065,998</u>

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 by category are as follows as of December 31, 2015:

Cash in banks	<u>\$ 3,571,430</u>
Investments:	
Money market funds	2,599,441
U.S. Treasury bills and notes	<u>1,668,526</u>
Total investments	<u>\$ 4,267,967</u>

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

Restricted Cash and Investments—The restricted cash and investments of the Authority consist of unexpended bond and note proceeds, which are invested in cash funds and investments under the control of bank trustees. These assets are restricted in use by bond covenants as described below as of December 31, 2015:

Construction reserve funds	\$ 1,383,811
Debt service sinking funds	552
Debt service reserve funds	<u>416,868</u>
Current restricted funds	<u>1,801,231</u>
Debt service reserve funds noncurrent	<u>2,466,736</u>
Total restricted funds	<u>\$ 4,267,967</u>

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

4. RECEIVABLES

Taxes Receivable—Represents amounts due from County taxpayers that remain unpaid. At December 31, 2015 the County recorded \$49,318,753 related to taxes receivable. These amounts are reported net of an allowance for uncollectible taxes provisions of \$7,256,555.

Accounts Receivable—Represents amounts due from various sources. The County's accounts receivable at December 31, 2015 is presented below.

Governmental funds:	
General Fund	\$ 4,325,637
Less: allowance for doubtful accounts	(1,557,187)
Nonmajor governmental funds	<u>5,582</u>
Total	<u>\$ 2,774,032</u>
Proprietary funds:	
Airport Fund	<u>\$ 238,968</u>
Total	<u>\$ 238,968</u>

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, 2015 are as shown below:

Governmental funds:	
General Fund:	
Due from state and federal	\$ 58,123,688
Other	<u>1,297,487</u>
	\$ 59,421,175
Capital Projects Fund:	
Due from state and federal	7,382,029
Nonmajor governmental funds:	
Due from state and federal	<u>1,333,716</u>
Total	<u>\$ 68,136,920</u>
Proprietary funds:	
Airport Fund:	
Due from state and federal	\$ 66,218
Transportation Fund:	
Due from state and federal	\$ 3,294,461
Other	<u>111,705</u>
Total	<u>\$ 3,406,166</u>
	<u>\$ 3,472,384</u>

Due to the length of time it often takes to receive reimbursement from other governments for certain requested reimbursements, the County currently has \$14,559,630 in receivables that are not anticipated to be received within 90 days of year end, and are accordingly reported within deferred inflows of resources at December 31, 2015.

A. 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, 2015, the College reported total accounts receivable of \$6,646,995.

5. CAPITAL ASSETS

Governmental activities—Capital asset activity for the primary government's governmental activities, for the year ended December 31, 2015 was as follows:

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	\$ 12,053,192	\$ 61,307	\$ -	\$ 12,114,499
Right of way and easements	13,228,657	565,543	-	13,794,200
Construction in progress	7,141,298	16,644,870	10,236,505	13,549,663
Total capital assets, not being depreciated	<u>32,423,147</u>	<u>17,271,720</u>	<u>10,236,505</u>	<u>39,458,362</u>
Capital assets, being depreciated:				
Infrastructure	196,800,169	4,097,754	-	200,897,923
Buildings and building improvements	147,790,001	1,218,725	-	149,008,726
Improvements other than buildings	105,777	3,065,742	-	3,171,519
Machinery and equipment	68,043,601	1,698,976	1,500,266	68,242,311
Total capital assets, being depreciated	<u>412,739,548</u>	<u>10,081,197</u>	<u>1,500,266</u>	<u>421,320,479</u>
Less accumulated depreciation for:				
Infrastructure	125,334,036	8,037,332	-	133,371,368
Buildings and building improvements	94,928,274	5,090,732	-	100,019,006
Improvements other than buildings	7,347	5,876	-	13,223
Machinery and equipment	49,774,555	3,414,962	1,438,402	51,751,115
Total accumulated depreciation	<u>270,044,212</u>	<u>16,548,902</u>	<u>1,438,402</u>	<u>285,154,712</u>
Total capital assets, being depreciated, net	<u>142,695,336</u>	<u>(6,467,705)</u>	<u>61,864</u>	<u>136,165,767</u>
Governmental activities capital assets, net	<u>\$ 175,118,483</u>	<u>\$ 10,804,015</u>	<u>\$ 10,298,369</u>	<u>\$ 175,624,129</u>

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

General government support	\$ 4,606,720
Public safety	2,398,910
Public health	39,310
Transportation	6,996,748
Economic assistance and opportunity	394,240
Culture and recreation	2,101,450
Home and community services	11,524
Total governmental activities	<u>\$ 16,548,902</u>

Business-type activities—Capital asset activity for the primary government's business-type activities (Enterprise Funds) for the year ended December 31, 2015 is presented below.

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	\$ 3,385,364	\$ -	\$ -	\$ 3,385,364
Construction in progress	594,684	6,284,753	6,727,035	152,402
Total capital assets, not being depreciated	<u>3,980,048</u>	<u>6,284,753</u>	<u>6,727,035</u>	<u>3,537,766</u>
Capital assets, being depreciated:				
Infrastructure	27,724,722	4,170,503	-	31,895,225
Buildings and building improvements	12,163,240	448,970	-	12,612,210
Machinery and equipment	15,248,298	2,107,562	324,480	17,031,380
Total capital assets, being depreciated	<u>55,136,260</u>	<u>6,727,035</u>	<u>324,480</u>	<u>61,538,815</u>
Less accumulated depreciation for:				
Infrastructure	17,247,352	1,281,072	-	18,528,424
Buildings and building improvements	8,860,968	426,647	-	9,287,615
Machinery and equipment	9,545,929	1,562,913	214,725	10,894,117
Total accumulated depreciation	<u>35,654,249</u>	<u>3,270,632</u>	<u>214,725</u>	<u>38,710,156</u>
Total capital assets, being depreciated, net	<u>19,482,011</u>	<u>3,456,403</u>	<u>109,755</u>	<u>22,828,659</u>
Business-type activities capital assets, net	<u>\$ 23,462,059</u>	<u>\$ 9,741,156</u>	<u>\$ 6,836,790</u>	<u>\$ 26,366,425</u>

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

Airport	\$ 1,512,805
Transportation	1,757,827
Total business-type activities	<u>\$ 3,270,632</u>

A. Discretely presented component units

i) Dutchess Community College

Capital asset activity for the Dutchess Community College for the year ended August 31, 2015 is presented below:

	Balance 9/1/2014	Increases	Decreases	Balance 8/31/2015
Capital assets, not being depreciated:				
Land	\$ 1,151,144	\$ -	\$ -	\$ 1,151,144
Construction in progress	263,918	1,845	221,502	44,261
Total capital assets, not being depreciated	1,415,062	1,845	221,502	1,195,405
Capital assets, being depreciated:				
Building and improvements	85,289,220	1,421,290	-	86,710,510
Furniture and equipment	8,605,169	439,027	527,809	8,516,387
Total capital assets, being depreciated	93,894,389	1,860,317	527,809	95,226,897
Less: Accumulated depreciation	43,100,793	2,379,253	527,809	44,952,237
Total capital assets, being depreciated, net	50,793,596	(518,936)	-	50,274,660
Total capital assets, net	\$ 52,208,658	\$ (517,091)	\$ 221,502	\$ 51,470,065

In addition to the College's capital assets, its component units, the Association and Foundation reported net capital assets of \$29,246,675 and \$0, respectively.

Assets under capital lease agreements at August 31, 2015 are as follows:

Cost basis	\$ 5,227,174
Accumulated depreciation	(3,146,477)
Total	<u>\$ 2,080,697</u>

Depreciation expense for the year ended August 31, 2015 was \$2,379,253 and amortization expense of \$53,051 for intangible assets for the year ended August 31, 2015, totaling \$2,432,304.

ii) Dutchess County Resource Recovery Agency

Capital asset activity for the Dutchess County Resource Recovery Agency for the year ended December 31, 2015 is presented below:

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, being depreciated:				
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	63,774,179	-	-	63,774,179
Equipment	192,671	-	-	192,671
Total capital assets, being depreciated	64,484,441	-	-	64,484,441
Less: Accumulated depreciation	40,588,963	1,956,272	-	42,545,235
Total capital assets, net	\$ 23,895,478	\$ (1,956,272)	\$ -	\$ 21,939,206

iii) Dutchess County Water and Wastewater Authority

Capital asset activity for the Dutchess County Water and Wastewater Authority for the year ended December 31, 2015 is presented below:

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	\$ 834,808	\$ 120,800	\$ -	\$ 955,608
Construction in progress	3,277,222	921,026	(77,033)	4,121,215
Total capital assets, not being depreciated	4,112,030	1,041,826	(77,033)	5,076,823
Capital assets, being depreciated:				
Improvements	175,907	75,431	-	251,338
Buildings	13,377,872	1,657,766	-	15,035,638
Water system	50,797,187	36,610	-	50,833,797
Machinery and equipment	7,260,823	267,340	-	7,528,163
Sewage collection system	1,644,932	-	-	1,644,932
Total capital assets, being depreciated	73,256,721	2,037,147	-	75,293,868
Less: Accumulated depreciation	22,969,455	1,933,181	-	24,902,636
Total capital assets, being depreciated, net	50,287,266	103,966	-	50,391,232
Total capital assets, net	\$ 54,399,296	\$ 1,145,792	\$ (77,033)	\$ 55,468,055

Depreciation was recorded in the amount of \$1,933,181, less amortization of deferred revenues associated with the Central Dutchess Water Transmission Line of \$595,853, which was put into service in 2007) for the year ended December 31, 2015. The effect of netting these amounts resulted in \$1,337,328 in depreciation expense.

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental and business-type activities at December 31, 2015, were as follows:

	Governmental Activities		
	General Fund	Nonmajor Governmental Funds	Total
Salaries and employee benefits	\$ 1,937,725	\$ 98,842	\$ 2,036,567
Other	245,398	-	245,398
Total accrued liabilities	\$ 2,183,123	\$ 98,842	\$ 2,281,965
	Business-type Activities		
	Airport	Transportation	Total
Salaries and employee benefits	\$ 8,435	\$ 1,430	\$ 9,865
Other	6,748	10,918	17,666
Total accrued liabilities	\$ 15,183	\$ 12,348	\$ 27,531

A. Discretely presented component units

i) Dutchess Community College

Accrued expenses include the following at August 31, 2015:

Retirement plans	\$	848,051
Payroll		545,687
Payroll benefits		248,228
Other		46,595
Total		<u>1,688,561</u>

7. PENSION OBLIGATIONS

The County participates in the New York State and Local Employees' Retirement System ("ERS"), which is collectively referred to as the New York State and Local Retirement System (the "System"). This cost-sharing multiple-employer public employee retirement system computes contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided—The County participates in the New York State and Local Employees' Retirement System ("ERS"), a cost-sharing multiple-employer retirement system (the "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, 2015, the County reported the following liabilities for its proportionate share of the net pension liabilities for ERS. The net pension liabilities were measured as of March 31, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2014, 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.

	Governmental Activities	Business-type Activities
	ERS	
Measurement date	March 31, 2015	March 31, 2015
Net pension liability	\$ 14,578,554	\$ 83,823
County's portion of the Plan's total net pension liability	0.4315423%	0.0024813%

For the year ended December 31, 2015, the County recognized pension expenses of \$13,016,425 and \$74,841 for ERS for governmental activities and business-type activities, respectively. At December 31, 2015, the County 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	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
	ERS			
Differences between expected and actual experiences	\$ 466,676	\$ 2,683	\$ -	\$ -
Changes of assumptions				
Net difference between projected and actual earnings on pension plan investments	2,532,110	14,559	-	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	-	709,230	4,077
County contributions subsequent to the measurement date	13,480,587	83,215	-	-
Total	<u>\$ 16,479,373</u>	<u>\$ 100,457</u>	<u>\$ 709,230</u>	<u>\$ 4,077</u>

The County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities	Business-type Activities
	ERS	
Year Ending December 31,		
2016	\$ 572,389	\$ 3,292
2017	572,389	3,291
2018	572,389	3,291
2019	572,389	3,291

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations 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 actuarial assumptions presented on the following page.

	ERS
Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.50%
Salary scale	4.90%
Decrement tables	April 1, 2005- March 31, 2010
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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, 2015	
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.5%. 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 below presents the County's proportionate share of the net pension liabilities calculated using the discount rate of 7.5%, as well as what the County's proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Governmental Activities:			
Employer's proportionate share of the net pension liability—ERS	\$ 97,172,366	\$ 14,578,554	\$ (55,151,105)
Business-type Activities:			
Employer's proportionate share of the net pension liability—ERS	\$ 558,718	\$ 83,823	\$ (317,107)

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)
	ERS
Valuation date	March 31, 2015
Employers' total pension liability	\$ 164,591,504
Plan fiduciary net position	<u>161,213,259</u>
Employers' net pension liability	<u>\$ 3,378,245</u>
System fiduciary net position as a percentage of total pension liability	97.95%

A. Discretely presented component units

i) Dutchess Community College

The College participates in the ERS and the Teachers' Retirement System ("TRS").

Plan Description and Benefits Provided

Employees' Retirement System—The plan description is the same as disclosed within the County's footnote.

Teachers' Retirement System—The College participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the 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. The TRS issues a stand-alone financial report which may be found at www.nystsr.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

TRS is noncontributory except for employees who joined 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 1, 2010, who generally contribute between three percent (3%) and six percent (6%) depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS and by its Board of Trustee. The employer contribution rate for the plan's year ending in 2015 was 17.53%.

Pension Assets, Liabilities, Pension Expense, Deferred Outflows of Resources, and Inflows of Resources Related to Pensions—At August 31, 2015, 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, 2015 for ERS and June 30, 2014 for TRS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation. The College's proportion of the net pension liability/(asset) 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, 2014	March 31, 2015
Net pension liability/(asset)	\$ (3,326,364)	\$ 1,367,334
College's portion of the Plan's total net pension liability/(asset)	0.032025%	0.040475%

For the year ended August 31, 2015, the College recognized an actuarial increase of \$318,091 for the TRS and pension expense of \$1,206,946 for ERS. At August 31, 2015, the College 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	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ -	\$ 43,770	\$ 92,188	\$ -
Changes of assumptions				
Net difference between projected and actual earnings on pension plan investments	-	237,489	1,051,481	-
Changes in proportion and differences between College's contributions and proportionate share of contributions	-	-	46,201	66,519
College contributions subsequent to the measurement date	954,056	713,207	-	-
Total	\$ 954,056	\$ 994,466	\$ 1,189,870	\$ 66,519

Amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	TRS	ERS
2016	\$ 430,066	\$ 53,685
2017	430,066	53,685
2018	430,066	53,685
2019	(168,903)	53,685
2020	17,454	-
Thereafter	51,121	-

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

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.00%	7.50%
Salary scale	4.01-10.91%	4.90%
Decrement tables	July 1, 2005- June 30, 2010	April 1, 2005- March 31, 2010
Inflation rate	3.0%	2.7%

For TRS, annuitant mortality rates are based on July 1, 2005-June 30, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale AA. The actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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 on the following page.

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2014	March 31, 2015
Asset class:				
Domestic equities	37.0 %	38.0 %	7.3 %	7.3 %
International equities	18.0	13.0	8.5	8.6
Private equity	0.0	10.0	0.0	11.0
Real estate	10.0	8.0	5.0	8.3
Alternative investments	7.0	0.0	11.0	0.0
Absolute return strategies	20.0	3.0	1.4	6.8
Opportunistic portfolio	0.0	3.0	0.0	8.6
Real assets	0.0	3.0	0.0	8.7
Bonds and mortgages	8.0	18.0	3.4	4.0
Cash	0.0	2.0	0.0	2.3
Inflation-indexed bonds	0.0	2.0	0.0	4.0
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.5% for ERS and 8.0% for TRS. 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 below presents the College's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5% for ERS and 8.0% for TRS, 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 (6.5% for ERS and 7.0% for TRS) or one percentage-point higher (8.5% for ERS and 9.0% for TRS) than the current assumption.

TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 226,901	\$ (3,326,364)	\$ (6,356,552)
ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability/(asset)	\$ 9,113,875	\$ 1,367,334	\$ (5,172,667)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the valuation dates were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Valuation date	June 30, 2014	March 31, 2015	
Employers' total pension liability	\$ 97,015,706	\$ 164,591,504	\$ 261,607,210
Plan fiduciary net position	108,155,083	161,213,259	269,368,342
Employers' net pension liability	<u>\$ (11,139,377)</u>	<u>\$ 3,378,245</u>	<u>\$ (7,761,132)</u>
System fiduciary net position as a percentage of total pension liability	111.48%	97.95%	102.97%

ii) Dutchess County Resource Recovery Agency

The Agency participates in the ERS.

Plan Description and Benefits Provided—The plan description is the same as disclosed within the County's footnote.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions—At December 31, 2015, the Agency reported a liability of \$17,583 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2015, 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, 2015, the Agency's proportion was 0.0005205 percent of the ERS liability, which is the initial determination as this is the first year implementation of GASB Statement No. 68.

For the year ended December 31, 2015, the Agency recognized pension expense of \$22,024. At December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	ERS
Differences between expected and actual experiences	\$ 563
Net difference between projected and actual earnings on pension plan investments	3,054
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	24,448
Agency contributions subsequent to the measurement date	62,345
Total	<u>\$ 90,410</u>

Deferred outflows 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 ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>ERS</u>
2016	\$ 7,017
2017	7,016
2018	7,016
2019	7,016

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below represents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5%, 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 (6.5%) or one percentage point higher (8.5%) than the current assumption.

	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employer's proportionate share of the net pension liability—ERS	\$ 117,197	\$ 17,583	\$ (66,516)

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 Wasterwater Authority

The Authority participates in the ERS.

Plan Description and Benefits Provided—The plan description is the same as disclosed within the County's footnote.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions—At December 31, 2015, the Authority reported a liability of \$149,950 for its proportionate share of the net pension liability. At March 31, 2015, the Authority's proportion was 0.0044387 percent of the ERS liability, which is the initial determination.

For the year ended December 31, 2015, the Authority recognized pension expense of \$143,653. At December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	ERS
Differences between expected and actual experiences	\$ 4,800
Net difference between projected and actual earnings on pension plan investments	26,044
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	31,788
Authority contributions subsequent to the measurement date	261,542
Total	<u>\$ 324,174</u>

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 ended December 31, 2016. 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
2016	\$ 15,658
2017	15,658
2018	15,658
2019	15,658

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 calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability—ERS	\$ 999,482	\$ 149,950	\$ (567,265)

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 POST-EMPLOYMENT 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 and one employee at Mass Transit (enterprise funds). The various collective bargaining agreements stipulate the employees covered and the percentage of contribution.

Funding Policy—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.

The County's annual OPEB cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended December 31, 2015, the County's, Airport's and Transportation's annual OPEB costs of \$22,180,323, \$135,398 and \$45, respectively, were recognized within the government-wide statement of activities. Participating employees and active plan members are required to contribute to the plan at rates expressed as percentages of the payroll of active plan members. The percentage that is contributed is determined by the class of employee and their adjusted benefit date. For management employees their rate is either 2.5%, 7.5%, 10%, or 15% based on if their adjusted benefit dates are prior to July 1, 1979, on or after July 1, 1979 through December 31, 2010, or after January 1, 2011. For CSEA employees their rate is either 5%, 15%, or 20% based on if their adjusted benefit dates are prior to July 1, 1979, prior to January 1, 2007 or after January 1, 2007, respectively. DCSEA employees have no contribution, a 15% contribution or a 20% contribution if their adjusted benefit dates are prior to November 1, 1979, between November 1, 1979 and January 1, 2004 or after January 1, 2004, respectively. For PBA employees there is no contribution or a 20% contribution if their adjusted benefit date is prior to November 1, 1979 or after November 1, 1979, respectively.

The following tables show the components of the County's annual OPEB cost for the past two years, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation.

	Year Ended December 31, 2015			
	Governmental Activities	Business-type Activities		Total
		Airport	Transportation	
Annual required contribution ("ARC")	\$ 21,899,371	\$ 133,367	\$ -	\$ 22,032,738
Interest on net OPEB obligation	6,286,843	45,437	1,005	6,333,285
Adjustment to ARC	(6,005,891)	(43,406)	(960)	(6,050,257)
Annual OPEB cost (expense)	22,180,323	135,398	45	22,315,766
Contributions made	(5,170,205)	(1,747)	-	(5,171,952)
Increase in net OPEB obligation	17,010,118	133,651	45	17,143,814
Net OPEB obligation—beginning	157,171,086	1,135,924	25,129	158,332,139
Net OPEB obligation—ending	<u>\$ 174,181,204</u>	<u>\$ 1,269,575</u>	<u>\$ 25,174</u>	<u>\$ 175,475,953</u>

	Year Ended December 31, 2014			
	Governmental	Business-type Activities		Total
	Activities	Airport	Transportation	
Annual required contribution ("ARC")	\$ 25,898,768	\$ 147,125	\$ 6,616	\$ 26,052,509
Interest on net OPEB obligation	1,359,530	9,903	185	1,369,618
Adjustment to ARC	(5,350,949)	(38,977)	(728)	(5,390,654)
Annual OPEB cost (expense)	21,907,349	118,051	6,073	22,031,473
Contributions made	(4,767,900)	(2,131)	-	(4,770,031)
Increase in net OPEB obligation	17,139,449	115,920	6,073	17,261,442
Net OPEB obligation—beginning	140,031,637	1,020,004	19,056	141,070,697
Net OPEB obligation—ending	\$ 157,171,086	\$ 1,135,924	\$ 25,129	\$ 158,332,139

Funding Status and Funding Progress—As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was \$262,225,962 and \$1,311,303 for governmental activities and business-type activities, respectively.

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

The County's schedule of contributions for 2015 and the preceding two years were as follows:

Year Ended December 31,	Total		
	Annual	Contributions	Percentage
	OPEB Cost	Made	Contributed
2015	\$ 22,315,766	\$ 5,171,952	23.2%
2014	22,031,473	4,770,031	21.7%
2013	24,931,040	4,426,662	17.8%

Year Ended December 31,	Governmental Activities		
	Annual	Contributions	Percentage
	OPEB Cost	Made	Contributed
2015	\$ 22,180,323	\$ 5,170,205	23.3%
2014	21,907,349	4,767,900	21.8%
2013	24,785,055	4,426,030	17.9%

Business-type—Airport			
Year Ended December 31,	Annual	Contributions Made	Percentage Contributed
	OPEB Cost		
2015	\$ 135,398	\$ 1,747	1.3%
2014	118,051	2,131	1.8%
2013	139,803	632	0.5%

Business-type—Transportation			
Year Ended December 31,	Annual	Contributions Made	Percentage Contributed
	OPEB Cost		
2015	\$ 45	\$ -	0.0%
2014	6,073	-	0.0%
2013	6,182	-	0.0%

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under terms of the substantive plan (the plan as understood by the employer and plan members) at the time of valuation and on the pattern of cost sharing between employer and plan members. 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, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of January 1, 2015 and measurement date of December 31, 2015. The RP-2014 Mortality Tables for males and females is used for mortality rates. The valuation uses a discount rate of 4.0%. The rates of decrement due to retirement is based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service’s actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation. The Retiree Health Plan’s unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over thirty years.

A. Discretely presented component units

i) Dutchess Community College

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

The College’s annual other post-employment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution, (“ARC”), an amount actuarially determined in accordance with the parameters of GASB which establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees’ medical insurance. As a result, reporting of expenses and liabilities will no longer be accounted for under the “pay-as-you-go” approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined,

which will be used to determine a “normal cost”, an “actuarial accrued liability”, and ultimately the annual required contribution ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

The amortization basis is the level dollar of payroll method with an open amortization approach with 23 years remaining in the amortization period. The actuarial assumptions included a 4.0% investment return. The College currently has no assets set aside for the purpose of paying post-employment benefits. The actuarial cost method utilized was the unit credit method.

	Year Ended August 31,	
	2015	2014
Annual required contribution ("ARC")	\$ 6,892,107	\$ 8,065,797
Interest on net OPEB Obligation	2,116,796	1,891,085
Adjustment to ARC	(2,942,656)	(2,628,886)
Annual OPEB cost (expense)	6,066,247	7,327,996
Contributions made	(1,424,562)	(1,685,242)
Increase in net OPEB obligation	4,641,685	5,642,754
Net OPEB obligation—beginning	52,919,891	47,277,137
Net OPEB obligation—ending	<u>\$ 57,561,576</u>	<u>\$ 52,919,891</u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Year Ended, August 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 6,066,247	23.48%	\$ 57,561,576
2014	7,327,996	23.00%	52,919,891
2013	6,982,366	20.98%	47,277,137

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information that is useful in determining whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projection of benefits is based on the types of benefits provided under the substantive Plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members of the future. The actuarial calculations reflect a long-term perspective; actuarial

methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

ii) Dutchess County Resource Recovery Agency

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the Agency recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows.

Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The post-employment benefits liability as of December 31, 2015 is \$624,781.

iii) Dutchess County Water and Wastewater Authority

From an accrual accounting perspective, the cost of other post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the Agency recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows.

Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The post-employment benefits liability as of December 31, 2015 is \$1,386,829.

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, 2015, the market value, as reported by the New York State Deferred Compensation Plan, of the plan assets totaled \$127,973,558.

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 and miscellaneous liability. 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 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 activity of the Plan is recorded in the County's General Fund.

The Plan maintains insurance coverage for claims in excess of \$1,000,000. 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, 2015.

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
2015	\$ 24,344,927	\$ 3,769,097	\$ 2,610,741	\$ 25,503,283
2014	23,595,823	3,281,238	2,532,134	24,344,927

The financial information for the self-insurance plan is reported on the modified accrual basis within the General Fund.

11. LEASES

Operating Leases—The County leases buildings and equipment under non-cancelable operating leases. Total costs for such leases were \$3,603,949 for governmental activities for the year ended December 31, 2015. Future minimum lease payments at December 31, 2015 are presented below:

Year Ending December 31,	Governmental Activities
2016	\$ 3,714,269
2017	3,384,291
2018	<u>1,536,797</u>
Total	<u>\$ 8,635,357</u>

A. Discretely presented component units:

i) Dutchess Community College

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

The future minimum payments required under the lease as of August 31, 2015 are presented below:

Year Ending August 31,	Principal	Interest
2016	\$ 216,988	\$ 81,517
2017	226,776	71,693
2018	237,005	61,427
2019	247,695	50,698
2020	258,868	39,483
Thereafter	<u>773,693</u>	<u>46,547</u>
Total	<u>\$ 1,961,025</u>	<u>\$ 351,365</u>

Interest expense related to capital lease obligations was approximately \$90,917 in 2015.

Operating Leases—The College leases buildings for use in its operations under operating lease agreements which expire at various times through August 2017. The agreements require the following minimum future annual lease payments as of August 31, 2015:

Year Ending August 31,	
2016	573,570
2017	<u>576,570</u>
Total	<u>\$ 1,150,140</u>

Rental expense for 2015 was approximately \$574,000.

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

In addition to the College, its component unit the Association entered into a capital lease agreement to finance the purchase of geothermal pumps used to heat the student resident halls. Interest on the capital lease is 3.48% and the outstanding balance on the lease is \$583,781.

12. LONG-TERM DEBT

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, workers' compensation and general claims, other post-employment benefits ("OPEB") obligation, net pension liability, compensated absences, and environmental clean up. A summary of changes in the County's long-term liabilities for the year ended December 31, 2015 is presented on the following page.

	Balance 1/1/2015 (as restated)	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Governmental activities:					
Bonds payable:					
Serial bonds	\$ 104,076,200	\$ 41,119,898	\$ 29,553,208	\$ 115,642,890	\$ 15,673,644
Premiums on serial bonds	4,977,056	3,462,480	685,536	7,754,000	569,993
DTASC tobacco settlement bonds	29,375,000	-	1,770,000	27,605,000	-
Discount on DTASC bonds	(1,168,879)	-	(70,431)	(1,098,448)	(495,008)
DTASC subordinate turbo CABs	47,845,546	3,286,723	-	51,132,269	-
Total bonds payable	185,104,923	47,869,101	31,938,313	201,035,711	15,748,629
Workers' compensation and general claims	32,844,927	3,769,097	10,110,741	26,503,283	1,275,164
OPEB obligation	157,171,086	22,180,323	5,170,205	174,181,204	-
Net pension liability*	19,500,790	-	4,922,236	14,578,554	-
Compensated absences	8,553,064	650,967	61,219	9,142,812	457,141
Environmental clean up	2,408,000	-	2,369,500	38,500	38,500
Total governmental activities	<u>\$ 405,582,790</u>	<u>\$ 74,469,488</u>	<u>\$ 54,572,214</u>	<u>\$ 425,480,064</u>	<u>\$ 17,519,434</u>
Business-type activities:					
Bonds payable:					
Airport bonds	\$ 1,784,150	\$ 708,741	\$ 997,913	\$ 1,494,978	\$ 278,708
Transportation bonds	1,308,491	845,121	422,720	1,730,892	291,408
Total bonds payable	3,092,641	1,553,862	1,420,633	3,225,870	570,116
OPEB obligation	1,161,053	135,443	1,747	1,294,749	-
Net pension liability*	112,125	-	28,302	83,823	-
Compensated absences	52,166	-	3,492	48,674	2,434
Total business-type activities	<u>\$ 4,417,985</u>	<u>\$ 1,689,305</u>	<u>\$ 1,454,174</u>	<u>\$ 4,653,116</u>	<u>\$ 572,550</u>

*(Reductions to the net pension liability are shown net of additions).

Bonds Payable—General obligation bonds of the County (not including the DTASC debt) are issued principally as serial bonds, which are due at various times through 2035. The bonds are issued primarily to finance acquisition or construction of capital facilities. Bonds have been issued to advance-refund previously issued bonds. These bonds are guaranteed by the full faith and credit of the County and are being repaid from applicable taxes. Principal and interest payments are included in the expenditures of the General Fund. The County has utilized 5.47% of its constitutional debt limit as of December 31, 2015.

On June 11, 2015, the County issued \$14,800,000 in public improvement refunding serial bonds, which refunded \$4,450,000 and \$10,700,000 of previously issued 2004 and 2006 serial bonds. The refunding bonds were issued at a premium of \$1,395,024 and included issuance costs of \$143,049. The interest rate on the refunding bond ranges from 2.0 to 5.0 percent. The County deposited \$16,051,975 with an escrow agent and as a result, the portion of the original bonds are considered refunded and the liability of these bonds, \$15,150,000 has been removed from the financial statements. The refunding bonds will provide a net present value debt service savings of \$865,201.

On December 2, 2015, the County issued \$27,873,760 in public improvement serial bonds. The bonds were issued at a premium of \$2,067,456, and the interest rate on the bonds ranges from 2.0 to 5.0 percent. The bonds are expected to mature on May 1, 2035.

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”).

The payment of the Series 2003 Term Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued operations of the OPMs. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Bond Indenture and amounts established and held in accordance with the Bond Indenture. The Series 2003 Term Bonds are subject to “Turbo Redemptions”, which represent the requirement contained in the Indenture to apply 100% of all collections that are in excess of the requirements in the Indenture for the funding of the operating expenses; interest, sinking fund installments, and term bond maturities; maintenance of the Liquidity Reserve Account; to the redemption of Series 2003 Term Bonds on each distribution date in ascending order of maturity. Such surplus collections will be deposited in an account established and maintained by the trustee under the Indenture (the Turbo Redemption Account). Turbo Redemptions will be credited against sinking fund installments for any particular Series 2003 Term Bonds in ascending order of sinking fund installment dates. Turbo Redemptions are not scheduled amortization payments are to be made only from surplus collections. In June 2015, DTASC made a Turbo Redemption payment of \$1,770,000.

In the event sufficient funds are not available to meet Planned Payment Maturities, Rated Maturity dates will be used.

Interest is payable on the Series 2003 Term Bonds on June 1 and December 1 of each year. Planned Principal Payments and Rate Maturities are scheduled only on June 1 of each year although principal could be paid semiannually if actual principal payments are slower than Planned Principal Payments. Failure to pay interest on the Series 2003 Term Bonds when due or principal of the Series 2003 Term Bonds when due on a Rated Maturity Date will constitute a default.

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 has four components and payments on the Subordinate Turbo CABs are subordinate to the Series 2003 Term Bonds.

Changes in Tobacco Settlement Bonds, Series 2003, for the year ended December 31, 2015 is presented below:

Description	Year of Maturity	Interest Rate	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015
Tobacco Settlement Bonds:						
Series 2003	2043	various	\$ 29,375,000	\$ -	\$ 1,770,000	\$ 27,605,000
Less:						
Bond discount			1,168,879	-	70,431	1,098,448
Net Tobacco Settlement Bonds			<u>\$ 28,206,121</u>	<u>\$ -</u>	<u>\$ 1,699,569</u>	<u>\$ 26,506,552</u>

DTASC debt service requirements based upon planned principal payments for Tobacco Settlement Bonds, Series 2003 is presented below:

Year Ending December 31,	Principal	Interest	Total
2016	\$ -	\$ 1,649,462	\$ 1,649,462
2017	-	1,649,463	1,649,463
2018	-	1,649,462	1,649,462
2019	-	1,649,463	1,649,463
2020	-	1,649,462	1,649,462
2021-2025	-	8,247,313	8,247,313
2026-2030	-	8,247,313	8,247,313
2031-2035	4,560,000	7,896,581	12,456,581
2036-2040	11,185,000	5,318,550	16,503,550
2041-2043	11,860,000	1,480,200	13,340,200
Total	<u>\$ 27,605,000</u>	<u>\$ 39,437,269</u>	<u>\$ 67,042,269</u>

Subordinate Turbo CABs—Interest on the Subordinate Turbo CABs is compounded semiannually 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, 2015 follows:

	Interest Rate (%)	Original Principal	Balance 1/1/2015	Annual Net Interest Accretion	Turbo Redemption Payments	Balance 12/31/2015
Subordinate Turbo CABs	6.00%-7.85%	<u>\$ 26,236,279</u>	<u>\$ 47,845,546</u>	<u>\$ 3,286,723</u>	<u>\$ -</u>	<u>\$ 51,132,269</u>

Redemption of the Subordinate Turbo CABs consists of four installments, and will be due and payable on the maturity dates as presented below:

Series 2005 S1	—	June 1, 2038
Series 2005 S2	—	June 1, 2050
Series 2005 S3	—	June 1, 2055
Series 2005 4B	—	June 1, 2060

Amortization of Bond Premiums and Discount—The County issued serial bonds which included a bond premium. The premiums are being amortized on a straight-line basis over the life of the bonds, with maturity dates ranging from 2021 to 2034. The total unamortized premiums as of December 31, 2015 was \$7,754,000. During 2003, DTASC issued bonds totaling \$45,912,363 and included a bond discount of \$1,902,637. The discount is being amortized over the life of the bonds, which mature in 2020. The unamortized discount as of December 31, 2015 was \$1,098,448.

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, 2015, the County reported \$25,503,283 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 worker's 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 calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The County's long-term OPEB obligation is estimated to be \$174,181,204 and \$1,294,749 at December 31, 2015, 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 \$14,578,554 and \$83,823 in the governmental and business-type activities, respectively. Refer to Note 7 for additional information related to the County's net pension liability.

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, 2015 for governmental and business-type activities are \$9,142,812 and \$48,674, respectively.

Environmental Clean Up—The results of the County's evaluation of its underground storage tank removal concluded with an estimate of \$38,500 liability being recorded in the governmental activities of the government-wide financial statements.

The following is a maturity schedule of the County's indebtedness:

Governmental Activities					
Year ending December 31,	Serial Bonds	DTASC			
		Premiums on Serial Bonds	Tobacco Settlement Bonds	Discount on DTASC Bonds	DTASC Subordinate Turbo CABs
2016	\$ 15,673,644	\$ 569,993	\$ -	\$ (495,008)	\$ -
2017	14,341,421	569,993	-	(165,533)	-
2018	12,691,398	569,993	-	(202,340)	-
2019	11,826,302	569,993	-	(215,273)	-
2020	9,977,735	569,993	-	(20,294)	-
2021-2025	31,581,352	2,491,135	-	-	-
2026-2030	15,122,038	1,506,466	-	-	-
2031-2035	4,429,000	906,434	4,560,000	-	-
2036-2040	-	-	11,185,000	-	-
2041 and thereafter	-	-	11,860,000	-	51,132,269
Total	<u>\$ 115,642,890</u>	<u>\$ 7,754,000</u>	<u>\$ 27,605,000</u>	<u>\$ (1,098,448)</u>	<u>\$ 51,132,269</u>

(continued)

(concluded)

Governmental Activities						
Year ending December 31,	Workers' Compensation and General Claims	OPEB	Net Pension Liability	Compensated Absences	Environmental Clean Up	Total
2016	\$ 1,275,164	\$ -	\$ -	\$ 457,141	\$ 38,500	\$ 17,519,434
2017	-	-	-	-	-	14,745,881
2018	-	-	-	-	-	13,059,051
2019	-	-	-	-	-	12,181,022
2020	-	-	-	-	-	10,527,434
2021-2025	-	-	-	-	-	34,072,487
2026-2030	-	-	-	-	-	16,628,504
2031-2035	-	-	-	-	-	9,895,434
2036-2040	-	-	-	-	-	11,185,000
2041 and thereafter	25,228,119	174,181,204	14,578,554	8,685,671	-	285,665,817
Total	<u>\$ 26,503,283</u>	<u>\$ 174,181,204</u>	<u>\$ 14,578,554</u>	<u>\$ 9,142,812</u>	<u>\$ 38,500</u>	<u>\$ 425,480,064</u>

Business-type Activities						
Year ending December 31,	Airport Bonds	Transportation Bonds	OPEB	Net Pension Liability	Compensated Absences	Total
2016	\$ 278,708	\$ 291,408	\$ -	\$ -	\$ 2,434	\$ 572,550
2017	252,978	280,601	-	-	-	533,579
2018	262,599	206,003	-	-	-	468,602
2019	172,146	206,552	-	-	-	378,698
2020	154,400	207,865	-	-	-	362,265
2021-2025	374,147	444,281	-	-	-	818,428
2026-2030	-	93,182	-	-	-	93,182
2031-2035	-	1,000	1,294,749	83,823	46,240	1,425,812
Total	<u>\$ 1,494,978</u>	<u>\$ 1,730,892</u>	<u>\$ 1,294,749</u>	<u>\$ 83,823</u>	<u>\$ 48,674</u>	<u>\$ 4,653,116</u>

Interest requirements relating to bonds payable are as follows:

Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2016	\$ 4,259,286	\$ 123,972	\$ 4,383,258
2017	3,697,620	99,818	3,797,438
2018	3,074,479	78,659	3,153,138
2019	2,507,300	57,369	2,564,669
2020	2,024,190	41,917	2,066,107
2021-2025	5,558,226	88,280	5,646,506
2026-2030	1,727,297	6,875	1,734,172
2031-2035	279,469	28	279,497
Total	<u>\$ 23,127,867</u>	<u>\$ 496,918</u>	<u>\$ 23,624,785</u>

A. 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, 2015:

	Balance 9/1/2014 (as restated)	Additions	Reductions	Balance 8/31/2015	Due Within One Year
Capital lease obligations	\$ 2,168,648	\$ -	\$ 207,623	\$ 1,961,025	\$ 216,988
Compensated absences	2,751,559	137,864	275,000	2,614,423	261,000
Net pension liability	1,828,995	-	461,661	1,367,334	-
OPEB obligation	52,919,891	6,066,247	1,424,562	57,561,576	-
Total long-term liabilities	<u>\$ 59,669,093</u>	<u>\$ 6,204,111</u>	<u>\$ 2,368,846</u>	<u>\$ 63,504,358</u>	<u>\$ 477,988</u>

In addition to the College, its component unit, the Association reported a long-term mortgage payable and capital leases in the amounts of \$26,201,425 and \$564,506, respectively, as of August 31, 2015.

ii) Dutchess County Resource Recovery Agency

Bonds Payable

2007 Tax-Exempt Forward Series

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 on the following page.

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

Bonds payable, with interest payable semi-annually on January 1 and July 1, consisted of the following as of December 31, 2015:

Interest Rate	Issue Date	Maturity Date	Outstanding December 31, 2015
5.00%	2007	2016	975,000
5.00%	2007	2017	1,020,000
5.00%	2007	2018	1,070,000
5.00%	2007	2019	1,125,000
4.25%	2007	2020	1,180,000
4.25%	2007	2021	1,230,000
4.25%	2007	2022	1,285,000
4.50%	2007	2023	1,340,000
4.50%	2007	2024	1,400,000
4.50%	2007	2025	1,465,000
4.50%	2007	2026	1,530,000
4.50%	2007	2027	1,595,000
			15,215,000
			(975,000)
			<u>\$ 14,240,000</u>

Annual amortization and sinking fund requirements for bonds payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2016	\$ 975,000	\$ 672,013	\$ 1,647,013
2017	1,020,000	622,138	1,642,138
2018	1,070,000	569,888	1,639,888
2019	1,125,000	515,013	1,640,013
2020	1,180,000	461,813	1,641,813
2021-2025	6,720,000	1,479,094	8,199,094
2026-2027	3,125,000	142,089	3,267,089
Total	<u>\$ 15,215,000</u>	<u>\$ 4,462,048</u>	<u>\$ 19,677,048</u>

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, 2015 these debt service reserves exceeded their funding requirements.

OPEB Obligation—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 calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The Agency's long-term OPEB obligation is estimated to be \$624,781 at December 31, 2015.

Net Pension Liability—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 \$17,583.

iii) Dutchess County Water and Wastewater Authority

Bonds Payable—The Authority issues revenue bonds to finance the acquisition of systems and the cost of the capital renovations to those systems and to pay costs of issuance.

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. Two additional supplemental resolutions were adopted in 2014.

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 fifteen 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 and two issues in 2015.

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.

Debt service requirements to maturity as of December 31, 2015 are as follows:

Description	Maturity	Interest Rate (%)	Balance December 31, 2015
1998 Revenue Bonds (Zero Coupon) Series One	2029	3.90-5.40	\$ 3,817,818
2000 Service Agreement Revenue Bond Series 2000	2020	5.65	300,000
2001 Service Agreement Revenue (Refunding) Bond Series 2001	2041	3.00-5.36	1,153,410
2004 Water Service Agreement Revenue Bond Series 2004	2024	2.00-4.25	1,140,000
2004 Sewer Service Agreement Revenue Bond Series 2004	2024	2.00-4.25	1,215,000
2009 Water Service Agreement Revenue Bond Series 2009	2029	3.00-5.00	5,815,000
2009 Water Service Agreement Revenue Bond Series 2009	2030	5.62-5.96	1,347,524
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	4,780,000
New York State Environmental Facilities Corporation State Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2011 C	2023	0.54-3.17	1,400,000
2011 Service Agreement Revenue Bond Series 2011	2041	3.50-4.25	1,805,000
New York State Environmental Facilities Corporation Revenue Refunding Bond Series 2014B	2026	0.15-2.75	314,054
New York State Environmental Facilities Corporation Revenue Refunding Bond Series 2014B	2037	0.15-4.20	1,904,533
Total bonds			24,992,339
Accreted interest recorded on zero coupon bonds			7,165,955
Total bonds payable			32,158,294
Portion due within one year			(2,083,587)
Net long-term bonds payable			\$ 30,074,707

Debt issued and outstanding under the above listed authorizations as of December 31, 2015 is presented below:

	Balance 1/1/2015 (as restated)	Additions	Payments	Balance 12/31/2015	Due Within One Year
Bonds payable*	\$ 33,610,643	\$ 657,651	\$ 2,110,000	\$ 32,158,294	\$ 2,083,587
Long-term bond anticipation notes**	575,635	-	394,832	180,803	-
Net pension liability***	200,578	-	50,628	149,950	-
OPEB liability	1,242,623	144,206	-	1,386,829	-
	<u>\$ 35,629,479</u>	<u>\$ 801,857</u>	<u>\$ 2,555,460</u>	<u>\$ 33,875,876</u>	<u>\$ 2,083,587</u>

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

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

In addition to pledging its revenues and other rights as described above, the Authority made certain covenants including that it will fix, charge and collect water rates together with other Authority revenues in amounts sufficient to provide for operating expenses as included in the Authority's budget. The Authority also pledges to maintain, in full force and effect, the service agreement with Dutchess County, as is further described in Note 14.

13. 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 net investment in capital assets is presented on the following page.

*Bonds payable increased by \$657,651 in adjustments for accreted interest on 1998 series I debt, 2001 debt, and 2009 debt.

**The Shore Haven water system improvements bond anticipation note was reclassified to short-term.

***Reductions to the net pension liability are shown net of additions.

Capital assets, net of accumulated depreciation		\$ 175,624,129
Intangible asset, net of amortization		8,229,694
Less related debt:		
Serial bonds issued for capital improvements	(108,067,890)	
Premium on serial bonds	(7,754,000)	
DTASC bonds	(53,841,279)	
Discount on DTASC bonds	1,098,448	
Serial bonds issued on behalf of Dutchess Community College	4,580,434	
Unspent debt proceeds reported within the Capital Projects Fund	<u>26,642,925</u>	<u>(137,341,362)</u>
Net investment in capital assets		<u>\$ 46,512,461</u>

- **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, \$36,843,068, is restricted for debt service, \$17,446,975, capital projects, \$14,475,619, and other restrictions, which represents workers' compensation, \$2,978,956, self-insurance, \$768,553, unallocated capital reserves, \$904,602, and miscellaneous special reserves, \$268,363.
- **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, 2015 is presented on the 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 \$4,645,391, \$222,542 and \$34,852, respectively, at December 31, 2015.
- **Inventories**—Represents the portion of fund balance, \$109,440, 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. As of December 31, 2015, the County had the following restricted fund balances:

	General Fund	Capital Projects Fund	DTASC Fund	Total
Restricted for:				
Workers' compensation	\$ 2,978,956	\$ -	\$ -	\$ 2,978,956
Self insurance	768,553	-	-	768,553
Capital projects	904,602	41,118,544	-	42,023,146
Debt service	7,231,718	-	3,497,814	10,729,532
Other	<u>268,363</u>	<u>-</u>	<u>-</u>	<u>268,363</u>
Total restricted fund balance	<u>\$ 12,152,192</u>	<u>\$ 41,118,544</u>	<u>\$ 3,497,814</u>	<u>\$ 56,768,550</u>

- ***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 Other***—Represents reserves established within the General Fund which will be used to support for special purposes.

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, 2015, 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, 2015, the County reported the following fund balances assignments:

	General Fund	DTASC	Nonmajor Governmental Funds	Total
Assigned for:				
Encumbrances	\$ 8,639,500	\$ -	\$ 40,588	\$ 8,680,088
Subsequent year's expenditures	9,500,000	-	1,245,000	10,745,000
Specific use	-	41,540	2,705,370	2,746,910
Total assigned fund balance	<u>\$ 18,139,500</u>	<u>\$ 41,540</u>	<u>\$ 3,990,958</u>	<u>\$ 22,171,998</u>

- ***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 2016 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.

14. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government and its component units during the year ended December 31, 2015:

	Component Unit	Nature of Transaction
Dutchess Community College	\$ 10,837,898	Operating and capital support
Dutchess County Resource Recovery Agency	690,652	Net service fee
Dutchess County Water and Wastewater Authority	2,842,496	Net service fee
Aggregated Nonmajor Component Units	525,787	Charges for services
Total	<u>\$ 14,896,833</u>	

The County paid economic support to the above component units based on contractual obligations between the parties (see Note 18).

A. Discretely presented component units:

i) Dutchess County Resource Recovery Agency:

Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$690,652 during 2015. At December 31, 2015 \$690,652 was due from Dutchess County and included in intergovernmental receivables.

During 2015, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$140,624.

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 2015, the Authority recorded net revenues of \$2,842,496, having recorded a return of \$75,720 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.

15. 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, 2015 is shown on the following page.

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 4,919,613	\$ -
Capital Projects Fund	-	4,323,580
Nonmajor governmental funds	-	25,962
Proprietary funds:		
Airport Fund	15	73,886
Transportation Fund	281	496,481
Total	<u>\$ 4,919,909</u>	<u>\$ 4,919,909</u>

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, 2015:

	Governmental funds		Proprietary funds		
	Transfers in:				
Transfers out:	General Fund	Nonmajor Funds	Airport Fund	Transportation Fund	Total
Governmental funds:					
General Fund	\$ -	\$ 799,226	\$ 576,216	\$ 2,200,612	\$ 3,576,054
Capital Projects Fund	1,067,639	-	-	-	1,067,639
Proprietary fund:					
Transportation Fund	50,000	-	-	-	50,000
Total	\$ 1,117,639	\$ 799,226	\$ 576,216	\$ 2,200,612	\$ 4,693,693

16. 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, 2015 is presented below:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
ASSETS				
Cash and cash equivalents	\$ 6,977,065	\$ 96,292,908	\$ 94,988,341	\$ 8,281,632
Intergovernmental receivables	955,975	-	955,975	-
Total assets	<u>7,933,040</u>	<u>96,292,908</u>	<u>95,944,316</u>	<u>8,281,632</u>
LIABILITIES				
Agency liabilities	7,905,230	90,811,063	90,434,661	8,281,632
Due to other funds	27,810	520	28,330	-
Total liabilities	<u>\$ 7,933,040</u>	<u>\$ 90,811,583</u>	<u>\$ 90,462,991</u>	<u>\$ 8,281,632</u>

17. 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 PBA contract is negotiated through December 31, 2015 and the CSEA and DCSEA are negotiated through December 31, 2016.

18. 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, 2015, the County recorded the following significant encumbrances:

Description	Amount
General Fund—Municipal contracts and shared services	\$ 1,000,000
General Fund—Workers' compensation benefits and awards	2,090,218

The County had the following outstanding construction projects in progress as of December 31, 2015, as evidenced by contractual commitments.

Project	Encumbrances Outstanding
Transportation	\$ 152,401
County roads and bridges	10,500,384
Parks and recreation	902,585
Building and building improvements	1,091,501
Jail project - design phase	1,055,192
Total	<u>\$ 13,702,063</u>

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, 2015, the County has provided \$8,229,694 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 \$274,571 in 2015.

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, 2015, the County's portion of these costs was \$3,533,148.

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.

19. 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.

A. 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 OMB Circular A-133 and Uniform Guidance, as applicable, is performed in conjunction with the audit of the Sponsor and is included in the Sponsor's report.

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

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

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

Operations Service Agreement—The Agency has entered into an operations service agreement, with a commercial corporation wherein the corporation has agreed to operate the resource recovery plant, and the Agency is required to provide the plant with a guaranteed amount of solid waste, provide an ash landfill, and pay fees to the corporation. The 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 plant, adjusted based upon changes in labor and material price indexes. During 2015, the Agency caused to have delivered 154,966 tons, and 73,796 tons in the first half of 2014 (old operator), and 77,027 tons in the second half of 2014 (new operator), totaling 150,823 acceptable 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, currently expiring January 1, 2018.

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.

Landfill Agreement—Effective January 1, 2013, the Agency entered into a contract with a hauler and a landfill for the transportation and disposal of ash residue. The contract period is through June 30, 2014 with provisions for renewal at the Agency's option for four one year periods and provisions for fee increases accordingly. During 2014, the Agency renewed the contract for an additional year, through June 30, 2016.

Economic Dependency—The Agency is entitled to receive net service fees from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover operating expenses and debt service requirements. Although these payments are subject to resolutions by the Dutchess County Legislature approving the appropriation, no approvals have yet been made for payment of 2015 fees due to the Agency by the Legislature. For the years ended 2015, the Agency recorded net service revenue of \$690,652.

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

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 and the former Operator have yet to agree to and accept the annual reconciliations for the years 2008 through 2014. Any amounts due to or from the Operator were expected to be settled concurrently with the expiration of the current contract in June 30, 2014; however, settlement as of the date of the audit report had not been reached. A new agreement with the new Operator was in effect July 2014. The Agency and the current Operator have agreed upon and accepted the 2015 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, auto of \$1,000,000, general liability of \$3,000,000, property of \$37,117,699 and workers’ compensation of \$100,000.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2016, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

A. Discretely presented component units

i) Dutchess County Water and Wastewater Authority

The Authority has signed transfer agreements and a memorandum of understanding regarding the acquisition of various new water and wastewater systems in 2016.

The Authority has received an award letter for \$404,619 in funding from the NYS Local Government Efficiency Program for the consolidation of certain water systems. This project is expected to begin in 2016.

The Authority entered into a contract with Dutchess County in October 2015 to act as Program Administrator for a construction project to construct a new pipeline expected to begin in 2016. The Authority will receive \$125,000 for providing the program management services.

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REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF DUTCHESS, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plans
Year Ended December 31, 2015

Primary government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of January 1, 2015	\$ -	\$ 263,537,265	\$ 263,537,265	\$ -	\$ 114,070,716	231.0%
As of January 1, 2013	-	310,314,836	310,314,836	-	106,629,230	291.0%
As of January 1, 2011	-	317,867,649	317,867,649	-	111,789,696	284.3%

Discretely presented component units:

Dutchess Community College:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of September 1, 2014	\$ -	\$ 64,708,432	\$ 64,708,432	\$ -	\$ 25,421,014	254.5%
As of September 1, 2013	-	73,831,086	73,831,086	-	24,661,449	299.4%
As of September 1, 2012	-	68,890,220	68,890,220	-	25,993,680	265.0%

Dutchess County Resource Recovery Agency:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of December 31, 2014	\$ -	\$ 1,027,127	\$ 1,027,127	\$ -	\$ 282,986	363.0%
As of December 31, 2011	-	1,027,127	1,027,127	-	344,260	298.4%
As of August 1, 2009	-	701,700	701,700	-	360,022	194.9%

Dutchess County Water and Wastewater Authority:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of December 31, 2014	\$ -	\$ 1,645,843	\$ 1,645,843	\$ -	\$ 1,513,848	108.7%
As of December 31, 2011	-	1,195,514	1,195,514	-	1,322,276	90.4%
As of August 1, 2009	-	1,703,200	1,703,200	-	n/a	n/a

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Two Fiscal Years

	Year Ended December 31,	
	2015	2014
Measurement date	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%
Governmental Activities:		
County's proportion of the net pension liability	0.4315423%	0.4315423%
County's proportionate share of the net pension liability	<u>\$ 14,578,554</u>	<u>\$ 19,500,790</u>
County's covered-employee payroll	<u>\$ 111,314,366</u>	<u>\$ 106,341,809</u>
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.1%	18.3%
Business-type Activities:		
County's proportion of the net pension liability	0.0024813%	0.0024813%
County's proportionate share of the net pension liability	<u>\$ 83,823</u>	<u>\$ 112,125</u>
County's covered-employee payroll	<u>\$ 640,032</u>	<u>\$ 640,050</u>
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.1%	17.5%
Discretely presented component units:		
Dutchess Community College (the "College"):		
	Year Ended August 31,	
	2015	2014
College's proportion of the net pension liability	0.0404747%	n/a
College's proportionate share of the net pension liability	<u>\$ 1,367,334</u>	n/a
College's covered-employee payroll	<u>\$ 9,576,118</u>	n/a
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.3%	n/a

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Two Fiscal Years

(concluded)

	Year Ended December 31,	
	2015	2014
Dutchess County Resource Recovery Agency (the "Agency"):		
Agency's proportion of the net pension liability	0.0005205%	n/a
Agency's proportionate share of the net		
pension liability	<u>\$ 17,583</u>	n/a
Agency's covered-employee payroll	<u>\$ 269,736</u>	n/a
Agency's proportionate share of the net		
pension liability as a percentage		
of its covered-employee payroll	6.5%	n/a
Dutchess County Water and Wastewater Authority (the "Authority"):		
Authority's proportion of the net pension liability	0.0044387%	n/a
Authority's proportionate share of the net		
pension liability	<u>\$ 149,950</u>	n/a
Authority's covered-employee payroll	<u>\$ 1,513,848</u>	n/a
Authority's proportionate share of the net		
pension liability as a percentage		
of its covered-employee payroll	9.9%	n/a

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Contributions—
Employees' Retirement System
Last Two Fiscal Years

	Year Ended December 31,	
	2015	2014
Governmental Activities:		
Contractually required contributions	\$ 20,233,084	\$ 19,363,553
Contributions in relation to the contractually required contribution	<u>(20,233,084)</u>	<u>(19,363,553)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 111,314,366	\$ 106,341,809
Contributions as a percentage of covered-employee payroll	18.2%	18.2%

Business-type Activities:		
Contractually required contributions	\$ 126,635	\$ 131,931
Contributions in relation to the contractually required contribution	<u>(126,635)</u>	<u>(131,931)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 640,032	\$ 640,050
Contributions as a percentage of covered-employee payroll	19.8%	20.6%

Discretely presented component unit:
Dutchess Community College (the "College"):

	Year Ended August 31,	
	2015	2014
Contractually required contributions	\$ 1,897,221	n/a
Contributions in relation to the contractually required contribution	<u>(1,897,221)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	n/a
College's covered-employee payroll	\$ 9,576,118	n/a
Contributions as a percentage of covered-employee payroll	19.8%	n/a

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Contributions—
Employees' Retirement System
Last Two Fiscal Years

(concluded)

	Year Ended December 31,	
	2015	2014
Dutchess County Resource Recovery Agency (the "Agency"):		
Contractually required contributions	\$ 56,026	n/a
Contributions in relation to the contractually required contribution	<u>(56,026)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	n/a
Agency's covered-employee payroll	\$ 269,736	n/a
Contributions as a percentage of covered-employee payroll	20.8%	n/a
Dutchess County Water and Wastewater Authority (the "Authority"):		
Contractually required contributions	\$ 256,914	n/a
Contributions in relation to the contractually required contribution	<u>(256,914)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	n/a
Authority's covered-employee payroll	\$ 1,513,848	n/a
Contributions as a percentage of covered-employee payroll	17.0%	n/a

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability (Asset)—Teachers' Retirement System
Last Two Fiscal Years

Discretely Presented Component Unit:

Dutchess Community College (the "College"):

	Year Ended August 31,	
	2015	2014
Measurement date	June 30, 2014	n/a
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.5%	n/a
College's proportion of the net pension liability (asset)	0.032025%	n/a
College's proportionate share of the net pension liability (asset)	<u>\$ (3,326,364)</u>	n/a
College's covered-employee payroll	<u>\$ 5,442,419</u>	n/a
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(61.1%)	n/a

COUNTY OF DUTCHESS, NEW YORK
Schedule of the Local Government's Contributions—
Teachers' Retirement System
Last Two Fiscal Years

Discretely Presented Component Unit:

Dutchess Community College (the "College"):

	Year Ended August 31,	
	2015	2014
Contractually required contributions	\$ 954,056	n/a
Contributions in relation to the contractually required contribution	(954,056)	n/a
Contribution deficiency (excess)	\$ -	n/a
College's covered-employee payroll	\$ 5,442,416	n/a
Contributions as a percentage of covered-employee payroll	17.5%	n/a

COUNTY OF DUTCHESS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 106,051,577	\$ 106,051,577	\$ 107,242,325	\$ 1,190,748
Sales and use taxes (includes other taxes)	177,877,000	177,877,000	180,677,216	2,800,216
Departmental income	23,249,659	23,848,179	25,473,941	1,625,762
Use of money and property	1,019,258	1,019,258	4,509,749	3,490,491
Miscellaneous	2,554,987	3,659,947	6,556,072	2,896,125
Grants and aid	102,908,006	105,098,968	113,441,366	8,342,398
Total revenues	<u>413,660,487</u>	<u>417,554,929</u>	<u>437,900,669</u>	<u>20,345,740</u>
EXPENDITURES				
Current:				
General government support	67,840,098	78,065,401	71,734,291	6,331,110
Education	13,463,884	13,458,910	13,322,914	135,996
Public safety	59,365,938	62,836,417	58,498,589	4,337,828
Health	56,191,248	57,566,056	53,366,230	4,199,826
Transportation	2,787,381	2,787,381	2,775,767	11,614
Economic assistance and opportunity	145,549,550	145,635,942	136,855,100	8,780,842
Culture and recreation	1,918,219	2,035,795	1,971,815	63,980
Home and community services	7,931,067	7,953,952	8,735,855	(781,903)
Employee benefits	56,510,903	57,086,473	54,884,212	2,202,261
Debt service:				
Principal	15,166,662	15,384,172	15,363,921	20,251
Interest	<u>3,462,367</u>	<u>3,593,879</u>	<u>3,565,752</u>	<u>28,127</u>
Total expenditures	<u>430,187,317</u>	<u>446,404,378</u>	<u>421,074,446</u>	<u>25,329,932</u>
Excess (deficiency) of revenues over expenditures	<u>(16,526,830)</u>	<u>(28,849,449)</u>	<u>16,826,223</u>	<u>45,675,672</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	-	1,117,639	1,117,639
Transfers out	(2,624,262)	(4,476,054)	(3,576,054)	900,000
Proceeds of serial bonds	-	7,575,000	7,575,000	-
Proceeds of advanced refunding bonds	-	13,856,683	13,856,683	-
Payment to escrow agent	<u>-</u>	<u>(15,108,658)</u>	<u>(15,108,658)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,574,262)</u>	<u>1,846,971</u>	<u>3,864,610</u>	<u>2,017,639</u>
Net change in fund balance*	(19,101,092)	(27,002,478)	20,690,833	47,693,311
Fund balances—beginning	<u>71,202,973</u>	<u>71,202,973</u>	<u>71,202,973</u>	<u>-</u>
Fund balances—ending	<u>\$ 52,101,881</u>	<u>\$ 44,200,495</u>	<u>\$ 91,893,806</u>	<u>\$ 47,693,311</u>

* 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 note to the required supplementary information is an integral part of this schedule.

COUNTY OF DUTCHESS, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2015

1. 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.

Excess of Expenditures Over Appropriations—The County's General Fund appropriations for the year ended December 31, 2015 exceeded the adjusted budget as follows:

- *Home and community services*—Exceeded the adjusted budget by \$781,903. The variance is due to increased costs related to the County's division of water resources.

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FEDERAL AWARDS INFORMATION

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COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures (3)
U.S. Department of Agriculture				
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>				
<i>SNAP Cluster:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	\$ -	\$ 2,356,938
Total U.S. Department of Agriculture			-	2,356,938
U.S. Department of Housing and Urban Development				
<i>Direct Program:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	1,495,447	1,495,447
Home Investment Partnerships Program	14.239	N/A	454,217	454,217
Continuum of Care Program	14.267	N/A	591,603	591,603
Total U.S. Department of Housing and Urban Development			2,541,267	2,541,267
U.S. Department of the Interior / National Park Service				
<i>Direct Program:</i>				
National Heritage Area Federal Financial Assistance	15.939	N/A	-	5,000
Total U.S. Department of the Interior / National Park Service			-	5,000
U.S. Department of Justice				
<i>Direct Program:</i>				
State Criminal Alien Assistance Program	16.606	N/A	-	131,761
Total U.S. Department of Justice			-	131,761
U.S. Department of Labor				
<i>Passed through NYS Department of Labor:</i>				
Trade Adjustment Assistance	17.245	80060	49,496	49,496
<i>Workforce Investment Act Cluster:</i>				
WIA/WIOA Adult Program	17.258	80060	561,049	561,049
WIA/WIOA Youth Activities	17.259	80060	579,062	579,062
WIA/WIOA Dislocated Workers Formula Grants	17.278	80060	585,512	585,512
<i>Total Workforce Investment Act Cluster</i>			1,725,623	1,725,623
Total U.S. Department of Labor			1,775,119	1,775,119
U.S. Department of Transportation				
<i>Direct Program:</i>				
Airport Improvement Program	20.106	N/A	-	1,343,265
<i>Federal Transit Cluster:</i>				
Federal Transit Capital Investment Grants	20.500	N/A	-	2,196,275
Federal Transit Formula Grants	20.507	N/A	-	1,874,081
Bus and Bus Facilities Formula Program	20.526	N/A	-	1,612,000
<i>Total Federal Transit Cluster</i>			-	5,682,356
New Freedom Program	20.521	N/A	85,059	85,059
<i>Passed through NYS Department of Transportation:</i>				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MPO C33462	-	119,940
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	8755.26	-	21,801
Highway Planning and Construction	20.205	8755.38	-	26,554
Highway Planning and Construction	20.205	8755.41	-	1,052,355
Highway Planning and Construction	20.205	8755.44	-	128,429

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures (3)
Highway Planning and Construction	20.205	8755.45	-	18,941
Highway Planning and Construction	20.205	8755.86	-	13,770
Highway Planning and Construction	20.205	8755.91	-	110,047
Highway Planning and Construction	20.205	8756.01	-	(444,641)
Highway Planning and Construction	20.205	8757.26	-	40,826
Highway Planning and Construction	20.205	8757.27	-	1,599,127
Highway Planning and Construction	20.205	8757.37	-	463,719
Highway Planning and Construction	20.205	8758.69	-	215,667
Highway Planning and Construction	20.205	8758.71	-	32,652
Highway Planning and Construction	20.205	8758.74	-	11,659
Highway Planning and Construction	20.205	MPO C33462	-	415,884
Highway Planning and Construction	20.205	8757.53	-	(514,210)
Highway Planning and Construction	20.205	8760.26	-	(21,556)
<i>Total Highway Planning and Construction Cluster</i>			-	3,171,024
<i>Passed through NYS Governor's Traffic Safety Committee and</i>				
<i>Stop DWI Foundation:</i>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	HS1-2015/00169(088)	-	61,190
National Priority Safety Programs	20.616	HS1-2016/00033-(088)	-	33,216
<i>Passed through NYS STOP-DWI Foundation:</i>				
State and Community Highway Safety	20.600	HS1-2015/ TBS-00020-(014)	-	53,403
Occupant Protection Incentive Grants	20.602	CPS-2015/ TSB-00025-(014)	-	13,608
Occupant Protection Incentive Grants	20.602	PTS-2015/ TSB-00025-(014)	-	77,843
<i>Total Highway Safety Cluster</i>			-	239,260
Total U.S. Department of Transportation			85,059	10,640,904
U.S. Department of Education				
<i>Passed through NYS Department of Health:</i>				
Special Education—Grants for Infants and Families	84.181	C02476	-	56,498
Total U.S. Department of Education			-	56,498
U.S. Department of Health and Human Services				
<i>Direct Program:</i>				
Medical Reserve Corps Small Grant Program	93.008	N/A	-	3,500
<i>Passed through Health Research Institute:</i>				
Public Health Emergency Preparedness	93.069	001600-10	-	216,330
Hospital Preparedness Program (HPP) and Public Health				
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	4975-01	-	39,535
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	HSLC-DC	-	8,000
<i>Passed through NYS Office for the Aging:</i>				
Special Programs for the Aging, Title III, Part D— Disease Prevention and Health Promotion Services	93.043	N/A	-	14,286

(continued)

COUNTY OF DUTCHESS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1)	Federal CFDA Number (2)	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures (3)
<i>Aging Cluster:</i>				
Special Programs for the Aging, Title III, Part B— Grants for Supportive Services and Senior Centers	93.044	N/A	-	280,713
Special Programs for the Aging, Title III, Part C—Nutrition Services	93.045	N/A	-	383,075
Nutrition Services Incentive Program	93.053	N/A	-	114,199
<i>Total Aging Cluster</i>			-	777,987
Special Programs for the Aging, Title IV and Title II—Discretionary Projects	93.048	N/A	-	4,218
National Family Caregiver Support Title III, Part E	93.052	N/A	-	109,281
Medicare Enrollment Assistance Program	93.071	N/A	-	14,174
Medical Assistance Program	93.778	N/A	-	189,343
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	-	31,890
<i>Passed through NYS Department of Health:</i>				
Immunization Cooperative Agreements	93.268	C0028288	-	74,436
Medical Assistance Program	93.778	N/A	-	3,364,488
Maternal and Child Health Services Block Grant to the States	93.994	C020605	-	28,388
Maternal and Child Health Services Block Grant to the States	93.994	C029713	-	29,408
<i>Passed through National Association of County and City Health Officials:</i>				
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	2015-070114	-	20,884
<i>Passed through NYS Board of Elections:</i>				
Voting Access for Individuals with Disabilities Grants to States	93.617	T002780/T002968	-	153,498
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>				
Temporary Assistance for Needy Families	93.558	N/A	367,264	13,318,982
Child Support Enforcement	93.563	N/A	-	2,277,678
Low-Income Home Energy Assistance	93.568	N/A	-	5,536,672
<i>Passed through NYS Office of Children and Family Services:</i>				
Guardianship Assistance	93.090	N/A	-	44,905
Promoting Safe and Stable Families	93.556	N/A	-	283,842
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	-	272,929
Foster Care, Title IV-E	93.658	N/A	-	5,776,115
Adoption Assistance	93.659	N/A	-	1,702,315
Social Services Block Grant	93.667	N/A	-	3,791,260
Chafee Foster Care Independence Program	93.674	N/A	-	43,386
<i>Passed through NYS Division of Alcoholism and Alcohol Abuse:</i>				
Medical Assistance Program	93.778	N/A	-	46,936
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	-	66,494
Total U.S. Department of Health and Human Services			367,264	38,241,160
U.S. Department of Homeland Security				
<i>Direct Program:</i>				
State Homeland Security Program	97.073	N/A	-	2,298
<i>Passed through NYS Emergency Management Office:</i>				
Emergency Management Performance Grants	97.042	N/A	-	78,268
<i>Passed through NYS Office of Homeland Security:</i>				
Homeland Security Grant Program	97.067	C97021/C97023	-	444,985
Total U.S. Department of Homeland Security			-	525,551
Total Expenditures of Federal Awards (4)			\$ 4,768,709	\$ 56,274,198

(concluded)

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

COUNTY OF DUTCHESS, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of County of Dutchess, New York (the "County") under programs of the federal government for the year ended December 31, 2015. 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 of expenditures of federal awards:

- (1) 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.
- (2) Source: Catalog of Federal Domestic Assistance.
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (4) 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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.

5. NON-MONETARY FEDERAL PROGRAM

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed “nonmonetary programs.” New York State makes payments of benefits directly to vendors, primarily utility companies on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA Number 93.568).

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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**

Honorable County Executive and County Legislature
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 Standard*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Dutchess, New York (the "County") as of and for the year ended December 31, 2015 (with the Dutchess Community College for the year ended August 31, 2015), 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 19, 2016. Our report is qualified on the aggregate discretely presented component units and includes a reference to other auditors who audited the financial statements of 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 Local Development Corporation, 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. The financial statements of the Dutchess County Soil and Water Conservation District have not been audited.

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 entity'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 over financial reporting 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 and therefore, material weaknesses or

significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 or other matters 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 19, 2016

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**

Honorable County Executive and County Legislature
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 U.S. *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, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Dutchess Community College, which received \$21,274,682 in federal awards which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2015. Our compliance audit, described below, did not include the operations of the Dutchess Community College because other auditors were engaged to perform such audit in accordance with the Uniform Guidance or OMB Circular A-133, as applicable.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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* ("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 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, 2015.

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 as a basis for designing 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 have not been 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.

 Duesch & Mader LLP

September 19, 2016

COUNTY OF DUTCHESS, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*

*(which report is qualified on the aggregate discretely presented
component units and includes a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	☐ Yes	☒ None reported
Noncompliance material to the financial statements noted?	☐ Yes	☒ No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	☐ Yes	☒ None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☒ None

Identification of major federal programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
<i>SNAP Cluster:</i>	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Airport Improvement Program	20.106
Child Support Enforcement	93.563
Foster Care, Title IV-E	93.658
Adoption Assistance	93.659

Dollar threshold used to distinguish between Type A and Type B programs? \$ 1,688,226

Auditee qualified as low-risk auditee?	☒ Yes	☐ No

Section II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings noted.

COUNTY OF DUTCHESS, NEW YORK
Summary Schedule of Prior Audit Findings and Planned Corrective Action Plan
Year Ended December 31, 2015
(Follow up of December 31, 2014 Findings)

Finding 2014-001—Enterprise Funds' Fiscal Stability

Criteria: Enterprise funds are established to account for specific purpose governmental activities in a manner which is similar to that of a private sector business. The County's Airport and Transportation Funds are financed through user fees and charges and should generate sufficient revenue to support the operations.

Condition and Context: Currently, the General Fund is subsidizing a portion of the enterprise funds' operations through operating transfers. During the year ended December 31, 2014, the General Fund transferred \$619,545 and \$2,260,921 to the Airport and Transportation Funds, respectively.

Effect or Potential Effect: This subsidy to the enterprise funds has decreased the General Fund fund balance by \$2,880,466 during the year ended December 31, 2014.

Cause: The County's enterprise funds are not generating sufficient revenues to support operations.

Recommendation: We recommend that the County continue to evaluate the operations of the enterprise funds to implement operating models which the General Fund is not relied upon to subsidize the shortfall of operating revenues.

View of Responsible Officials and Corrective Action Plan: An operational and financial assessment of the Dutchess County Airport was recently completed to analyze various operational models at other Airports and review potential options available to the county. This study was initiated to meet the county's goal of finding the most effective ways for the Airport to become financially self-sustaining positioning the Airport as both a transportation resource for the region, as well as a source for increased opportunities for economic development. Based on findings of the study funding was recently approved to develop an RFP to hire an FBO (fixed-base operator) to be responsible for the activities of the airport. The Administration is also working with the Dutchess County Water & Wastewater Authority and the Dutchess County Planning & Development Department to develop plans to provide municipal water service to the Airport in order to promote future development and associated revenues. The County has secured a \$750,000 NYS economic development grant for a water infrastructure project at the Dutchess County Airport and continues to look for additional funding opportunities. The Airport is managing tenant leases to retain and promote maximum occupancy of lease spaces in the terminal building, outbuildings, hangars and tie-downs. An Open House will be held again this year to promote Airport awareness and foster a positive public image of the Airport. The Airport continues to focus on grant opportunities, setting competitive aviation fuel pricing and periodically adjusting user fees to maximize revenues while remaining competitive with other similar size airports in the region. Debt service previously budgeted in the EA fund for the county balefill project has been transferred to the general fund, resulting in annual decrease in the airport subsidy of \$154,800. Although the bale fill is located on Airport property, this project was not related to the operations of the Airport. Therefore, it's more appropriately budgeted in the general fund. Over the last three years, the adopted general fund contribution to the Airport has decreased by \$314,949, going from \$793,403 in 2011 down to \$478,454 for 2014.

Again in 2015, the adopted general fund contribution to the Airport decreased to \$443,897 and the 2016 general fund contribution is expected to be less than \$275,000. This significant reduction is the result of the County's new agreement with FlightLevel Dutchess, LLC, an independent fixed based operator, to provide aviation-related services at the Dutchess County Airport.

As the fixed based operator, FlightLevel Dutchess, LLC will provide line services such as fueling, hangaring, tie-down and parking, aircraft rental, aircraft maintenance and other services. FlightLevel will also provide customers with pilot lounges, car service and taxi scheduling, as well as hotel reservation assistance. FlightLevel will make an initial capital investment of up to \$100,000 to make improvements at both the Terminal and Hangar 9 buildings. Within the first three years of the agreement, FlightLevel will establish an aircraft maintenance repair station. They will also pay fees to store and sell fuel through the "fuel farm" located at the Airport. The County will receive 10% of gross revenue for all aircraft sales involving Dutchess County-based aircraft. The agreement calls for a minimum annual guarantee of \$200,000 (prorated for 2015), and also allows for optional 7 years additional terms for each \$500,000 spent in connection with the construction of a new hangar, up to a total of 40 years.

This public-private partnership eliminates the taxpayer subsidy for general operating costs at the Dutchess County Airport while enhancing services and the overall economic benefit of the Airport. Annual debt service expense related to various capital improvements will continue to be incurred by the County. The existing debt service expense decreases each year and will be eliminated in 10 years.

The largest growing expenditure for the Public Transportation Division is the payment to our transportation management contractor for their employee salaries and fringe benefits. Units installed in the fare boxes in 2013 will be activated in 2015, facilitating change in the form of a debit card for passengers who do not have exact change. This will also reduce the opportunity for potential fraud and cash handling errors insuring that all revenues collected are accounted for. The Public Transportation Division will continue to pursue all grant opportunities. Bus fares, routes and schedules will continue to be evaluated and adjusted periodically as needed to maximize ridership and revenue. A contractor has been selected to manage the transit system advertising programs. External advertising frames will be installed on all existing and new buses in 2014 with the goal to generate advertising revenue and reduce the general fund contribution. Our goal is to deliver quality transportation services at a reasonable cost to the public who rely on these services, while minimizing the impact to our taxpayers and fund balance.

Follow up: The County subsidizes a portion of its business-type activities annually. The difference between estimated operating expenses and the subsidy is utilized to establish fees and charges.

APPENDIX E

Proposed Form of Opinion of Bond Counsel

Upon delivery of the Series 2017 Bonds, Bond Counsel proposes to deliver its approving opinion in substantially the following form:

May __, 2017

Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, New York 12601

Re: Dutchess County Resource Recovery Agency
Solid Waste Revenue Refunding Bonds, Series 2017 (AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Dutchess County Resource Recovery Agency (the "Agency"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State") in connection with the authorization and issuance by the Agency of its \$_____ Dutchess County Resource Recovery Agency Solid Waste Revenue Refunding Bonds, Series 2017 (AMT) (the "Bonds"). The Bonds are being issued pursuant to Title 13-D of Article 8 of the Public Authorities Law of the State (collectively, the "Act") and a General Bond Resolution dated as of August 6, 1998, as supplemented by a Series 2017 Supplemental Resolution dated as of March 1, 2017 (collectively, the "Resolution").

The Bonds are issued for the principal purpose of refunding, prior to maturity, the Agency's outstanding Solid Waste System Revenue Bonds, Series 2007 (the "Refunded Bonds"). The Bonds are dated, mature, are payable, bear interest and are subject to redemption all as set forth in the Resolution.

As Bond Counsel to the Agency, we have reviewed the Constitution and statutes of the State, including the Act, a certified copy of the proceedings of the Agency, a certified copy of the Resolution, the Tax Certificate of the Agency dated the date hereof (the "Tax Certificate"), an opinion of counsel to the Agency, certificates of the Agency, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. 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 Resolution and the Tax 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 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency,

receivership, reorganization, arrangement, fraudulent conveyance, moratorium and 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 entities such as the Agency in the State. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agency was duly created and is validly existing under the provisions of the Act as a public benefit corporation of the State with full power and authority to issue the Bonds for the purposes described above and to perform all its obligations under the Resolution.
2. The Agency has full power and authority to adopt the Resolution. The Resolution has been duly and lawfully adopted by the Agency, is in full force and effect, and is valid and binding upon the Agency.
3. The Bonds have been duly and validly authorized and issued by the Agency and are valid and binding special obligations of the Agency as provided in the Resolution.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Interest on the Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York). Notwithstanding the foregoing, no opinion is expressed as to the exclusion from gross income for federal income tax purposes of interest on any Bonds during a period in which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of facilities for which proceeds of the Bonds were used, or is a "related person" of such a "substantial user". 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 Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX F

Definitions of Certain Terms

The following terms have the meanings stated herein when used in the Official Statement:

“Account” or “Accounts” means one or more of the special accounts created and established pursuant to the General Resolution or a Series Resolution.

“Accrued Debt Service” means, as of any date of calculation, an amount equal to the sum of the amounts of Accrued Debt Service with respect to all Series of Bonds, calculating the Accrued Debt Service with respect to each Series of Bonds at an amount equal to the sum of (i) the interest on the Bonds of such Series accrued and unpaid to the end of the then current calendar month and (ii) that portion of the Principal Installment for such Series next due which would have accrued (if deemed to accrue daily in amounts from the next preceding Principal Payment Date for such Series or, if there shall be no such Principal Payment Date, from a date one year preceding such next Principal Payment Date) to the end of such calendar month.

“Accrued Interest” means the portion of Accrued Debt Service referred to in clause (i) of the definition of Accrued Debt Service.

“Accrued Principal Installment” means the portion of Accrued Debt Service referred to in clause (ii) of the definition of Accrued Debt Service.

“Act” means Title 13-D of Article 8 of the Public Authorities Law of the State of New York, as amended, and as hereafter amended from time to time.

“Agency” means (i) the Dutchess County Resource Recovery Agency and its successors and assigns and (ii) any political subdivision resulting from or surviving any consolidation or merger to which the Agency or its successors or assigns may be a party.

“Agency Documents” means the General Resolution, the Disposal Service Agreement, the Service Agreement, the Service Guarantee, the MRF Service Agreement, the MRF Disposal Service Agreement and any Landfill Capacity Agreement.

“Amortized Value” means, with respect to Qualified Investments purchased at a premium above or at a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such Qualified Investments were purchased by the number of days remaining to the first call date (if callable) or the maturity date (if not callable) of such Qualified Investments at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (i) in the case of Qualified Investments purchased at a premium, by deducting the product thus obtained from the purchase price and (ii) in the case of Qualified Investments purchased at a discount, by adding the product thus obtained to the purchase price.

“Assigned Documents” means the Service Agreement, the Disposal Service Agreement, the Energy Sales Agreements, the Service Guarantee, the MRF Service Agreement, the MRF Disposal Service Agreement, the Recovered Materials Sales Agreements, the Recyclables Sales Agreements, any Landfill Capacity Agreement and such other agreements as shall become subject to the Lien of the General Resolution.

“Authorized Newspapers” means general circulation newspapers or financial journals customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and circulated in the Borough of Manhattan, City and State of New York.

“Authorized Representative” means, in the case of the Agency, the Chairman, the Vice Chairman or the Executive Director of the Agency; in the case of the Facility Operator or the Guarantor, its president or any vice president; in the case of the County, the County Executive or the Acting County Executive; and in all cases, such

additional persons as, at the time, are duly designated to act on behalf of the Agency, the Facility Operator, the Guarantor or the County, as the case may be.

“Bond Counsel” means an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized, acceptable to the Agency.

“Bondholder” or “Holder” or “Owner” means the registered owner of any Bond.

“Bond Insurance Policy” means individually and collectively any municipal bond new issue insurance policy issued by the Bond Insurer or by another bond insurance provider that guarantees payment of principal of and interest on any Bonds.

“Bond Insurance Premium” means an amount payable as a premium to obtain or retain in force a Bond Insurance Policy.

“Bond Insurer Default” means the failure of the Bond Insurer to comply with the payment obligations of the Bond Insurer under the Bond Insurance Policy.

“Bond Payment Dates” means each date on which interest or both principal and interest shall be payable on any of the Bonds according to their respective terms so long as any of the Bonds shall be Outstanding.

“Bond Register” means the registry books maintained by the Bond Registrar showing the registered owners of the Bonds.

“Bond Registrar” means the Trustee acting as such.

“Bonds” means any of the bonds of the Agency authorized by the General Resolution and issued pursuant to a Series Resolution.

“Bond Year” means a twelve-month period beginning on January 1 in any year and ending on December 31 of the same year; provided, however, that the initial Bond Year shall begin on the date on which the initial series of Bonds is delivered and end on the immediately succeeding December 31.

“Budget” means the Agency’s operating budget, as the same shall be amended from time to time.

“Business Day” means a day which is not a Saturday, Sunday or a legal holiday on which banking institutions located in the city in which the Trustee, the Bond Insurer or its designee for payment, the Bank or the Remarketing Agent is located are required or authorized to remain closed or on which the New York Stock Exchange is closed.

“Bypass Waste” shall have the meaning given to it in the Service Agreement.

“Closing Date” means with respect to a Series of Bonds the date on which the Agency delivers such series of Bonds to the underwriter thereof and such underwriter accepts delivery and pays for such Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations of the Department of the Treasury promulgated thereunder.

“Completion Date” means the date of completion of a Project as specified in the Series Resolution relating to such Project.

“Condemnation” means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any governmental entity or other Person acting under governmental authority.

“Costs of Issuance Account” means the Account so designated which is created by Section 5.1(a) of the General Resolution.

“Cost of a Project” means all those costs and items of expense enumerated in Section 5.3(a)(ii) of the General Resolution.

“County” means the County of Dutchess, State of New York.

“Credit Enhancement” means any instrument issued for the purpose of providing security for payment of the Principal Amount of, Redemption Price of, premium of, if any, and interest on any Bonds, including, but not limited to, a letter of credit, guaranty, standby loan commitment, standby bond purchase agreement, insurance policy or surety bond or any combination thereof.

“Debt Service Fund” means the Fund so designated which is created by Section 5.1(a) of the General Resolution.

“Debt Service Payment” means, with respect to any Bond Payment Date, (i) interest payable on such Bond Payment Date on all Bonds then Outstanding, plus (ii) the Principal Amount, if any, payable on such Bond Payment Date on all such Bonds, plus (iii) the premium, if any, payable on all such Bonds on such Bond Payment Date, plus (iv) the Sinking Fund Installments, if any, payable on such Bond Payment Date with respect to all such Bonds, plus (v) amounts payable as repayments due under any Liquidity Facility.

“Debt Service Requirement”, as used to refer to payments of Principal Amount of, Sinking Fund Installments for, and interest on the Bonds, means, as of any date of calculation and with respect to any Bond Year, an amount equal to the sum of (i) interest scheduled to accrue on the Bonds Outstanding as of the date of calculation during such Bond Year (except to the extent that such interest shall be provided for out of proceeds of the Bonds, including investment income thereon), and (ii) that portion of each Principal Installment on the Bonds which would accrue during such Bond Year if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for the Bonds (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the date of such Principal Installment or from the date of issuance of the first Series of the Bonds, whichever is later). Such interest and Principal Installments for the Bonds shall be calculated on the assumption that no Bonds Outstanding on the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

“Debt Service Reserve Fund” means the Fund so designated which is created by Section 5.1(a) of the General Resolution.

“Debt Service Reserve Fund Requirement” means, as of any date of calculation, an amount of money equal to the Debt Service Requirement becoming due in the Bond Year in which the calculation is made or in any succeeding Bond Year, whichever is greater; provided, however, that such amount shall not be in excess of any limitation on such reserve set forth in the Code.

“Disposal Service Agreement” means the Solid Waste Disposal Service Agreement dated as of December 1, 1984 between the County and the Agency, as amended, and as further amended, modified or supplemented from time to time in accordance with its terms.

“DTC” or “Depository” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Energy and Recovered Materials Revenues” means Revenues referred to in clauses (iii) and (iv) of the definition of “Revenues”.

“Energy Sales Agreements” means any agreement between the Agency and any Person providing for the sale of steam and/or electricity recovered by operation of the Facility, in each case, as such agreement may be amended, modified or supplemented from time to time in accordance with its terms.

“Event of Default” means any of the events defined as Events of Default by Section 8.1 of the General Resolution.

“Excepted Payments” means those payments referred to in the definition of Unassigned Rights.

“Extraordinary Services” and “Extraordinary Expenses” mean all services rendered and all expenses, including legal expenses, incurred by the Trustee or any Paying Agent under the General Resolution or any Series Resolution other than Ordinary Services and Ordinary Expenses.

“Facility” means all elements of the resource recovery facility owned by the Agency located at Sand Dock Road, Poughkeepsie, New York, the site, the buildings, equipment, rolling stock, machinery and other real and personal property, including any improvements, additions or modifications thereto.

“Facility Operator” or “Contractor” means Wheelabrator Dutchess County LLC and its successors and assigns.

“Facility Operator Compensation” means all compensation, including, without limitation, Service Fees, payable by the Agency to the Facility Operator under the Service Agreement.

“Fund” or “Funds” means one or more special trust funds created and established pursuant to the General Resolution.

“General Reserve Fund” means the Fund so designated which is created pursuant to Section 5.1(a) of the General Resolution.

“Government Obligations” means direct obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States, or receipts evidencing an interest therein.

“Guaranteed Annual Tonnage” shall mean 140,000 tons per year of Solid Waste or such other amount as set forth in the certificate of an Authorized Representative of the Agency and an Independent Engineer delivered pursuant to Section 6.20(c) of the General Resolution.

“Guarantor” means Wheelabrator Technologies, Inc. and its successors and assigns.

“Hazardous Waste” means any waste that is subject to regulation as a hazardous waste under applicable federal or state statute or regulation.

“Independent Counsel” means an attorney or attorneys or firm or firms of attorneys duly admitted to practice law before the highest court in any state of the United States of America or in the District of Columbia and not a full time employee of the Agency, the County, the Facility Operator or the Trustee.

“Independent Engineer” means a qualified professional engineer or firm of engineers with expertise in solid waste management acceptable to the Bond Insurer (which may be retained by the Agency for other purposes but which may not be a full time employee of the Agency) selected by the Agency.

“Insured Bonds” means any Series of Bonds that are insured by a Bond Insurer.

“Interest Account” means the Account so designated which is created by Section 5.1(a) of the General Resolution.

“Interest Payment Date” means the date on which an interest installment is due with respect to a Series of Bonds as specified in a Series Resolution.

“Interest Payment Date” means each January 1 and July 1 commencing July 1, 2017.

“Landfill” means the landfill or landfills or such other lease, contract, or rights to a landfill which is available for the disposal of ash, Bypass Waste or other Solid Waste by the Agency.

“Landfill Capacity Agreement” means any agreement providing for the disposal of ash, Bypass Waste or other materials by the Agency.

“Lien” means any interest in Property securing an obligation owed to a Person whether such interest is based on the common law, statute or contract, and including, but not limited to, a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term “Lien” includes reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including, but not limited to, mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar encumbrances affecting real property. For the purposes of the Resolution, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

“MRF” means the Materials Recovery Facility owned by the Agency and operated pursuant to the MRF Service Agreement.

“Mandatory Recycling Law” means the local law enacted by the County Legislature in 1990, as amended, providing for the mandatory collection and disposition of Recyclables in the County.

“Net Proceeds” means so much of the gross proceeds with respect to which that term is used as remains after payment of all expenses, costs, and taxes (including attorneys’ fees) incurred in obtaining such gross proceeds.

“Net Service Fees” means those amounts required to be paid by the County to the Agency pursuant to Article V of the Disposal Service Agreement.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 3.1 of the General Resolution

“Office of the Trustee” means the principal corporate trust office of the Trustee, presently located at One M&T Plaza, 7th Floor, Buffalo, New York 14203.

“Operating Expenses” means the Agency’s expenses for operation, maintenance, repairs and ordinary replacements of the System or any Project and shall include, without limitation, all fees, charges and expenses incurred by the Agency in connection with the handling and disposal of Bypass Waste and ash residue (including transportation costs and landfill usage fees), all compensation (including Service Fees) payable to the Facility Operator under the Service Agreement, all payments due to any Person under any Energy Sales Agreement, or for operation of other System components, administrative expenses, insurance premiums, legal and engineering expenses, consulting and technical expenses, payments to pension, retirement, health and hospitalization funds, annual charges payable by the Agency pursuant to any licenses, orders or other authorizations from any agency or regulatory body having lawful jurisdiction, any taxes, governmental charges and any other expenses required to be paid by the Agency, or to the extent properly and directly attributable to the operation of the System or any Project; financing costs of any Series of Bonds if such costs are not paid or provided for from the proceeds derived from the sale of such Series of Bonds including, without limitation, any Bond Insurance Premium, charges or fees for Credit Enhancement costs; all fees and expenses, legal and otherwise, arising in connection with the defense or prosecution by the Agency of litigation or other proceedings relating to the System and the Ordinary and Extraordinary Expenses of the Trustee and any Paying Agent required to be paid under the General Resolution and any Series Resolution. Operating Expenses shall not include Debt Service Payments or any provision for depreciation, amortization or similar charges, or any costs or expenses for new construction or reconstruction other than restoration of any component of the System or any Project to the condition of serviceability thereof when new.

“Operating Fund” means the Fund so designated which is created by Section 5.1(a) of the General Resolution.

“Operating Fund Requirement” means for any particular calendar month an amount equal to the Operating Expenses shown on the Agency’s Budget for such calendar month.

“Ordinary Services” and “Ordinary Expenses” means those services normally rendered and those expenses, including legal expenses, normally incurred by a trustee or paying agent, as the case may be, under instruments similar to the General Resolution.

“Outstanding”, when used with reference to a Bond or Bonds, or any Series thereof, as of any particular date, means all Bonds which have been authenticated and delivered hereunder, except:

- (i) any Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee hereunder for cancellation;
- (ii) any Bond (or portion of a Bond) for the payment or redemption of which there has been separately set aside and held in the Redemption Account of the Debt Service Fund either:
 - (a) moneys in an amount sufficient to effect payment of the Principal Amount or applicable Redemption Price thereof, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys to such payment on the date so specified; or
 - (b) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the Principal Amount or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such Government Obligations to such payment on the date so specified; or
- (c) any combination of (a) and (b) above;
- (iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Section 2.14 of the Resolution; and
- (iv) any Bond deemed to have been paid as provided in Article VII hereof.

“Participants” means those brokers, dealers, banks and other financial institutions from time to time for which the Depository holds Series 2017 Bonds as securities depository.

“Paying Agent” means the Trustee, acting as such, and any additional paying agent for the Bonds appointed pursuant to the General Resolution or a Series Resolution and having the duties, responsibilities and rights provided for in the General Resolution and such Series Resolution, their respective successors and any other banking institution or corporation which may at any time be substituted in their respective place or places pursuant to the Resolution.

“Person” means an individual, partnership, corporation, trust or incorporated organization, and a government or agency or political subdivision thereof.

“Price” means the price of a Project as specified in the Series Resolution relating to such Project.

“Principal Account” means the Account so designated which is created by Section 5.1(a) of the General Resolution.

“Principal Amount” means with respect to any Bonds the par amount of such Bonds, or if issued in an amount less than the par amount of such Bonds, the issuance amount of such Bonds plus all accretions thereto as specified in the Series Resolution authorizing such Bonds.

“Principal Installment” for any Bond Year means, as of any date of calculation and with respect to the Bonds Outstanding as of such date, (i) the Principal Amount, if any, of such Bonds for which no Sinking Fund Installments have been established, due during such Bond Year and (ii) the Sinking Fund Installment, if any, of the Bonds for which Sinking Fund Installments have been established, due during such Bond Year, and (iii) the amount of the premium, if any, which would be applied upon redemption of the Bonds described in clause (ii) hereof in an amount equal to the Sinking Fund Installments due for such Bond Year.

“Principal Payment Date” means the date on which any Principal Installment shall become due during any Bond Year.

“Project” means any additions or extensions to, or modification or replacement of the component parts of the System as specified in a Series Resolution.

“Project Fund” means the Fund so designated which is created by Section 5.1(a) of the General Resolution.

“Project Development Period” means the period during which work will be undertaken with respect to a Project as specified in the Series Resolution relating to such Project.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Qualified Investments” means:

- (i) Government Obligations;
- (ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Corporations; guaranteed Title XI financing of the U.S. Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (collectively, “Agency Obligations”);
- (iii) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured general obligation debt is rated “A3” or better by Moody’s Investors Service and “A” or better by Standard & Poor’s Ratings Services, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is rated “A3” or better by Moody’s Investors Service and “A-” or better by Standard & Poor’s Ratings Services;
- (iv) commercial paper rated “Prime-1” by Moody’s Investors Service and “A-1” or better by Standard & Poor’s Ratings Services;
- (v) obligations rated “A3” or better by Moody’s Investors Service and “A” or better by Standard & Poor’s Ratings Services;
- (vi) deposits, Federal funds or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States (provided the Trustee receives a legal opinion to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank), which:
 - (a) has an unsecured, uninsured and unguaranteed obligation rated “Prime-1” or “A3” or better by Moody’s Investors Service and “A-1” or “A-” or better by Standard & Poor’s Ratings Services, or

(b) is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in (a) above;

(vii) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation;

(viii) investments in a money-market fund rated "Am" or "Am-G" or better by Standard & Poor's Ratings Services;

(ix) repurchase agreements with a term of one year or less with any institution with debt rated "AA" or commercial paper rated "A-1" (in each case by Standard & Poor's Ratings Services);

(x) repurchase agreements collateralized by Government Obligations or Agency Obligations with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Ratings Services, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, or (iii) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(c) a perfect first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(d) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to a debt service payment date; and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and

(xi) investment agreements with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's Investors Service and "A-" or better by Standard & Poor's Ratings Services, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided:

(a) interest is paid at such rate or rates specified by the agreement and at such intervals as shall be consistent with bond payment dates, and

(b) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

(c) the agreement is not subordinated to any other obligations of such insurance company or bank, and

(d) the same guaranteed interest rate will be paid on any future deposits made to restore the investment up to the maximum permitted amount, and

(e) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

"Rebate Amount" means, with respect to a particular Series of Bonds, the amount, if any, required to be deposited from time to time in the Rebate Fund in order to comply with the tax covenant contained in Section 6.14 of the General Resolution.

"Rebate Fund" means the Fund so designated which is created by Section 5.1(a) of the General Resolution.

"Record Date" means, with respect to any Bond Payment Date, the date (whether or not a Business Day) fifteen days next preceding such Bond Payment Date.

"Recovered Materials" means ferrous metal, aluminum, mixed heavy non-ferrous metals, aggregate material and any other materials agreed between the Agency and the Facility Operator to be recovered from Solid Waste.

"Recovered Materials Sales Agreements" means any agreement between the Agency and/or the Facility Operator and any other Person for the sale of Recovered Materials from the Facility.

"Recyclables" means office paper, cardboard, newspaper, cans, glass, plastic, aluminum products, tires and major appliances (as such terms are defined in the Mandatory Recycling Law) and such other materials as may be designated in accordance with the Mandatory Recycling Law.

"Recyclables Sales Agreements" means any agreement between the Agency and/or Facility Operator and any other Person for the sale of Recyclables from the System.

"Redemption Account" means the Account so designated which is created by Section 5.1(a) of the General Resolution.

"Redemption Price" means, when used with respect to a Bond, the Principal Amount of such Bond plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the General Resolution.

"Refunding Bonds" means any Bonds issued pursuant to Section 2.9 of the General Resolution.

"Remarketing Agent" means the Person appointed as the remarketing agent pursuant to a Series Resolution and having the duties, responsibilities and rights provided for in such Series Resolution and its successor or successors appointed in the manner provided in such Series Resolution.

"Representation Letter" means the letter from the Agency to the Depository in such form as shall be acceptable to the Agency and the Depository relating to the deposit of the Bonds with the Depository.

"Reserve and Contingency Fund" means the Fund so designated which is created by Section 5.1(a) of the General Resolution.

"Reserve and Contingency Fund Requirement" means an amount equal to ten percent (10%) of the Debt Service Requirement for the current Bond Year.

“Resolution” means this Solid Waste Management System Revenue Bonds General Bond Resolution, as the same may be amended or supplemented from time to time by any Supplemental Resolution.

“Revenue Fund” means the Fund so designated which is created by Section 5.1(a) of the General Resolution.

“Revenues” means all revenues, rates, tipping fees, user fees, charges, rents and other income and receipts derived from the construction or operation of the System including, without limitation, (i) all tipping fees, user fees or comparable charges collected by the Agency in respect of Solid Waste delivered to the Facility, the Landfill or other component of the System, (ii) all Net Service Fees, (iii) all moneys due to the Agency under the Energy Sales Agreements, (iv) all moneys due to the Agency under any Recovered Materials Sales Agreement or otherwise in respect of the sale or other disposition of Recovered Materials, (v) all moneys due to the Agency under any Recyclables Sales Agreements or otherwise in respect of the sale or other disposition of Recyclables, (vi) all insurance and Condemnation proceeds, (vii) earnings on the investment of funds held under the General Resolution which are received by or transferred to the Revenue Fund, (viii) all payments made by the Facility Operator to the Agency under Articles 7.2.1, 7.3, 7.4, 7.5, 7.6 and 10.4 of the Service Agreement and (ix) any amount payable by the Guarantor under the Service Guarantee; but excluding all payments due to the Agency pursuant to Article 9.9 of the Service Agreement and excluding all amounts received by the Agency as a result of the defense or prosecution by the Agency of litigation or other proceedings relating to the System.

“Serial Bonds” means the Bonds of any Series so designated in a Series Resolution.

“Series of Bonds” or “Bonds of a Series” means any series of Bonds authorized by the General Resolution and issued pursuant to a Series Resolution.

“Series Resolution” means a resolution adopted by the Agency pursuant to the General Resolution authorizing the issuance of a Series of Bonds.

“Service Agreement” means the Service Agreement dated as of July 1, 1989, as amended, by and among the Facility Operator, the Guarantor, and the Agency, modified or supplemented from time to time in accordance with its terms.

“Service Fee” shall have the meaning given to it in the Service Agreement.

“Service Guarantee” means the Guarantee by the Guarantor in favor of the Agency, as amended, modified or supplemented from time to time in accordance with its terms delivered pursuant to the Service Agreement.

“Sinking Fund Installment” means the amount of money required to be applied, on any Bond Payment Date, to the redemption (other than any redemption premium) of Bonds prior to maturity pursuant to the provisions of a Series Resolution, reduced by the Principal Amount of any Bonds of the series and the maturity with respect to which such Sinking Fund Installment is payable which (i) are purchased by the Trustee in accordance with Section 5.5(b) hereof, or (ii) are surrendered by the Agency to the Trustee for cancellation at least 45 days prior to such Bond Payment Date. Sinking Fund Installments shall be so reduced by the Principal Amount of such Bonds (to the extent not theretofore credited against any Sinking Fund Installment) in chronological order of the due dates of such Sinking Fund Installments until the full Principal Amount of such Bonds shall have been so credited.

“Solid Waste” means all materials or substances discarded or rejected as being spent, useless, worthless or in excess to the owners or those in possession at the time of such discard or rejection, including, but not limited to, garbage; refuse; industrial and commercial waste; rubbish; contained gaseous material; incinerator residue; demolition and construction debris; offal; occasional beds, mattresses, sofas, heavy appliances, bicycles and baby carriages; automobile or other vehicle tires (to the extent that air emission criteria are not violated); trees of no more than six feet long and one foot in diameter, branches, leaves and other grass and plant cuttings; excluding Unacceptable Waste and Recyclables.

“Solid Waste Disposal Facilities” means any “solid waste management-resource recovery facility” as such quoted term is defined in the Act.

“Solid Waste Disposal Facilities Costs” means costs incurred to provide property constituting “solid waste disposal facilities” within the meaning of the Code.

“State” means the State of New York.

“Stated Maturity” means the maturity date of a Series of Bonds specified in the Series Resolution relating to such Series of Bonds.

“Supplemental Resolution” means any Series Resolution or any resolution adopted by the Agency in accordance with Article XI of the Resolution amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution.

“System” shall mean the existing Solid Waste management system of the Agency, including the Facility, the Landfill and all improvements, repairs and extensions constructed and acquired by the Agency pursuant to the General Resolution, together with any and all improvements, repairs and extensions hereafter made to said System within and outside Dutchess County, New York, and shall include (without being limited to) facilities within Dutchess County for the collection, treatment and disposal of Solid Waste and By-Pass Waste and the collection and disposition of Recyclables and all lands or interests therein, plants, buildings, machinery, franchises, pipes, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection with the System, situated within and outside Dutchess County, New York.

“Tax-Exempt Bonds” means any Bonds the interest payable on which upon initial issuance was excludable from gross income under the Code, in the opinion of Bond Counsel.

“Term Bonds” means the Bonds of any Series so designated in a Series Resolution.

“Trustee” means Manufacturers and Traders Trust Company, and its successor or successors hereafter appointed in the manner provided in the General Resolution.

“Trust Estate” means all items of property referred to in Section 1.4 of the General Resolution.

“Unacceptable Waste” means sewage, sludge of any kind, other highly diluted water-carried materials or substances and those wastes in gaseous form; special nuclear or by-product materials within the meaning of the Atomic Energy Act of 1954, as amended; explosives; pathological and biological wastes; radioactive materials; ashes, foundry sand; human remains; motor vehicles, including such major motor vehicle parts as engine blocks, transmissions, rear ends, springs and fenders; agricultural and farm machinery and equipment; bulk liquid wastes; septic and cesspool pumpouts; noncombustible construction material and/or demolition debris; Hazardous Waste and such other materials or substances determined by the Agency to be unacceptable for treatment or processing in the System.

“Unassigned Rights” means the right to collect and enforce payment of all sums due to the Agency pursuant to Article 9.9 (and, to the extent related to payments due under Article 9.9, payments due under Article 9.1) of the Service Agreement.

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APPENDIX G

Service Agreement Termination Payment Schedule

Table 1: Termination Payment A ^{(a)(b)}

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014							\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
2015	\$1,980,000	\$1,960,000	\$1,940,000	\$1,920,000	\$1,900,000	\$1,880,000	\$1,860,000	\$1,840,000	\$1,820,000	\$1,800,000	\$1,780,000	\$1,760,000
2016	\$1,740,000	\$1,720,000	\$1,700,000	\$1,680,000	\$1,660,000	\$1,640,000	\$1,620,000	\$1,600,000	\$1,580,000	\$1,560,000	\$1,540,000	\$1,520,000
2017	\$1,500,000	\$1,480,000	\$1,460,000	\$1,440,000	\$1,420,000	\$1,400,000	\$1,380,000	\$1,360,000	\$1,340,000	\$1,320,000	\$1,300,000	\$1,280,000
2018	\$1,260,000	\$1,240,000	\$1,220,000	\$1,200,000	\$1,180,000	\$1,160,000	\$1,140,000	\$1,120,000	\$1,100,000	\$1,080,000	\$1,060,000	\$1,040,000
2019	\$1,020,000	\$1,010,536	\$1,001,111	\$991,667	\$982,222	\$972,778	\$963,333	\$953,889	\$944,444	\$935,000	\$925,556	\$916,111
2020	\$906,667	\$897,222	\$887,778	\$878,333	\$868,889	\$859,444	\$850,000	\$840,556	\$831,111	\$821,667	\$812,222	\$802,778
2021	\$793,333	\$783,889	\$774,444	\$765,000	\$755,556	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
2022	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
2023	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
2024	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
2025	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
2026	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
(a) 2027	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000

The termination payment is for the month in which the termination occurs.

- (b) If the Service Commencement Date occurs after July 1, 2014, all dates in this Table shall be adjusted to reflect that the first month in the Table is the month in which the Service Commencement Date occurred.

Table 2: Termination Payment B ^{(a)(b)}

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014							\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
2015	\$3,960,000	\$3,920,000	\$3,880,000	\$3,840,000	\$3,800,000	\$3,760,000	\$3,720,000	\$3,680,000	\$3,640,000	\$3,600,000	\$3,560,000	\$3,520,000
2016	\$3,480,000	\$3,440,000	\$3,400,000	\$3,360,000	\$3,320,000	\$3,280,000	\$3,240,000	\$3,200,000	\$3,160,000	\$3,120,000	\$3,080,000	\$3,040,000
2017	\$3,000,000	\$2,960,000	\$2,920,000	\$2,880,000	\$2,840,000	\$2,800,000	\$2,760,000	\$2,720,000	\$2,680,000	\$2,640,000	\$2,600,000	\$2,560,000
2018	\$2,520,000	\$2,480,000	\$2,440,000	\$2,400,000	\$2,360,000	\$2,320,000	\$2,280,000	\$2,240,000	\$2,200,000	\$2,160,000	\$2,120,000	\$2,080,000
2019	\$2,040,000	\$2,021,111	\$2,002,222	\$1,983,333	\$1,964,444	\$1,945,556	\$1,926,667	\$1,907,778	\$1,888,889	\$1,870,000	\$1,851,111	\$1,832,222
2020	\$1,813,333	\$1,794,444	\$1,775,556	\$1,756,667	\$1,737,778	\$1,718,889	\$1,700,000	\$1,681,111	\$1,662,222	\$1,643,333	\$1,624,444	\$1,605,556
2021	\$1,586,667	\$1,567,778	\$1,548,889	\$1,530,000	\$1,511,111	\$1,492,222	\$1,473,333	\$1,454,444	\$1,435,556	\$1,416,667	\$1,397,778	\$1,378,889
2022	\$1,360,000	\$1,341,111	\$1,322,222	\$1,303,333	\$1,284,444	\$1,265,556	\$1,246,667	\$1,227,778	\$1,208,889	\$1,190,000	\$1,171,111	\$1,152,222
2023	\$1,133,333	\$1,114,444	\$1,095,556	\$1,076,667	\$1,057,778	\$1,038,889	\$1,020,000	\$1,001,111	\$982,222	\$963,333	\$944,444	\$925,556
2024	\$906,667	\$887,778	\$868,889	\$850,000	\$831,111	\$812,222	\$793,333	\$774,444	\$755,556	\$736,667	\$717,778	\$698,889
2025	\$680,000	\$661,111	\$642,222	\$623,333	\$604,444	\$585,556	\$566,667	\$547,778	\$528,889	\$510,000	\$491,111	\$472,222
2026	\$453,333	\$434,444	\$415,556	\$396,667	\$377,778	\$358,889	\$340,000	\$321,111	\$302,222	\$283,333	\$264,444	\$245,556
2027	\$226,667	\$207,778	\$188,889	\$170,000	\$151,111	\$132,222	\$113,333	\$94,444	\$75,556	\$56,667	\$37,778	\$18,889

- (a) The termination payment is for the month in which the termination occurs.

- (b) If the Service Commencement Date occurs after July 1, 2014, all dates in this Table shall be adjusted to reflect that the first month in the Table is the month in which the Service Commencement Date occurred.

Appendix P-1
Termination Payment Schedule

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APPENDIX H

Form of Continuing Disclosure Agreement - Agency

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CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is entered into as of _____ 1, 2017 by and between DUTCHESS COUNTY RESOURCE RECOVERY AGENCY in the State of New York (the “Agency”) and MANUFACTURERS AND TRADERS TRUST COMPANY, as trustee (the “Trustee”) in connection with the issuance by the Agency of its \$_____ aggregate principal amount Solid Waste System Revenue Refunding Bonds, Series 2017 [AMT] (the “Series 2017 Bonds”).

The Series 2017 Bonds are being issued pursuant to the General Resolution (the “Resolution”), as amended and supplemented by the Agency by a Series 2017 Supplemental Resolution dated as of March 1, 2017 (the “Series 2017 Resolution”).

In order to permit the Underwriter (as defined below) to comply with the provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 in connection with the public offering of the Series 2017 Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Bondholders, as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency and the Trustee for the benefit of the Bondholders and Beneficial Owners (as defined below) of the Series 2017 Bonds and in order to assist Piper Jaffray & Co. (the “Underwriter”) in complying with the Rule (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which are incorporated herein by reference, unless otherwise defined in this Section, the following capitalized terms used in this Disclosure Agreement shall have the following meanings:

“Annual Report” shall mean any annual report provided by the Agency pursuant to and as described in Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any beneficial owner of a security, including a person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares investment power which includes the power to dispose, or to direct the disposition, of such security subject to certain exceptions as set forth in the Undertaking, as defined in Section 8 of this Disclosure Agreement. Any assertion of beneficial ownership must be filed with full documentary support, as part of the written request described in Section 8 of this Disclosure Agreement.

“Bondholder” shall mean any holder of the Series 2017 Bonds.

“Disclosure Representative” shall mean the Interim Executive Director of the Agency, Lindsay Carille, or her designee, or such other person as the Agency shall designate in writing to the Trustee from time to time.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system.

“Fiscal Year” shall mean the period of twelve months beginning January 1 of each year and ending on December 31 of the same year, or any other twelve month period adopted by the Agency, respectively, as its fiscal year for accounting purposes.

“Listed Events” shall mean any of the events listed in Subsection 4(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(i) of the Securities Exchange Act of 1934.

“Repository” shall mean the MSRB as the sole repository of information required to be provided pursuant to the Rule, in each instance through and in accordance with EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Report.

(a) The Agency shall provide, or shall cause the Trustee to provide, to the Repository an Annual Report containing the information listed below. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information, as provided in Section 4 hereof. If the Fiscal Year changes, the Agency shall give notice of such change in the same manner as required for a Listed Event. The Agency shall provide a copy of the Annual Report to the Trustee. The Annual Report shall be prepared on an annual basis within 180 days after the end of the 2017 Fiscal Year and each subsequent Fiscal Year thereafter.

(b) The Annual Report shall contain core financial information and operating data for the prior Fiscal Year, including (x) audited financial statements, if available, prepared in accordance with generally acceptable accounting principles in effect from time to time, or, if such annual audited financial statements are not available, annual unaudited financial statements shall be so provided and such annual audited financial statements shall be so delivered when they become available, and (y) material historical financial and operating data concerning the Solid Waste Management System and the Revenues of the Agency generally of the information type contained or cross-referenced in the Official Statement under the heading “THE AGENCY” and in the form found in APPENDIX A, “CONSULTING ENGINEER’S REPORT” - “Resource Recovery Facility Operating Results.”

(c) The Annual Report shall also contain information regarding (i) any litigation involving the Agency that could have a material affect on the operations or financial condition of the Agency; (ii) any material change in the arrangements by the Agency for the provision of solid waste disposal services; and (iii) the status of permits and approvals for and the physical condition of the solid waste facilities of the Agency.

(d) If within 190 days after the end of a Fiscal Year the Trustee has not received an Annual Report from the Agency for the preceding Fiscal Year, and the Trustee does not have actual knowledge that such Annual Report has been provided to the Repository, the Trustee shall send a notice to the Repository in substantially the form attached hereto as Exhibit A, with a copy to the Agency.

(e) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Agency is an “obligated person” (as defined by the Rule), which have been filed with the Repository. If the document included by reference is a final official statement, it must be available from the MSRB. The Agency shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events.

(a) The Agency shall provide, or shall cause the Trustee to provide, in a timely manner not later than ten (10) business days after the occurrence of the event, to the Repository, written notice of any of the following Listed Events with respect to the Series 2017 Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) 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 or determinations with respect to the tax status of the Series 2017 Bonds, or other material events affecting the tax status of the Series 2017 Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2017 Bonds;

- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Agency;
- (13) The consummation of a merger, consolidation, or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, 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; or
- (14) The appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Agency shall provide, or shall cause the Trustee to provide, in a timely manner to the Repository, written notice of a failure of any officer or other person authorized by the Agency to provide required annual financial information on or before the date specified in this Disclosure Agreement.

(c) The Trustee shall promptly, upon obtaining actual knowledge of the occurrence of any of the Listed Events, contact the applicable Disclosure Representative, inform such person of the event, and request that the Agency promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(d) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (c) or otherwise, the Agency shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material under applicable law, the Agency shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (g).

(f) If in response to a request under subsection (c), the Agency determines that the Listed Event would not be material under applicable law, the Agency shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (g).

(g) If the Trustee has been instructed by the Agency to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Agency. Notwithstanding the foregoing:

- (i) notice of the occurrence of a Listed Event described in subsections (a)(1) or (9) above shall be given by the Trustee unless the Agency gives the Trustee affirmative instructions not to disclose such occurrence;
- (ii) notice of the occurrence of a Listed Event described in subsection (a)(11) shall be given by the Trustee notwithstanding any instructions to the contrary by the Agency; and
- (iii) notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Series 2017 Bonds pursuant to the Resolution.

The Trustee shall file notice if the Agency fails to direct the Trustee pursuant to subparagraph (e) above, unless the Trustee has received an opinion of counsel to the effect that such event is not material.

Section 5. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2017 Bonds.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 8. Default; Venue. In the event of a failure of the Agency or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance. No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the requirements (the "Undertaking") or for any remedy for breach thereof, unless such Bondholder shall have filed with the Agency evidence of ownership and a written notice of and request to cure such breach, and the Agency shall have refused to comply within a reasonable time. All proceedings shall be instituted only as specified herein, in any federal court for the Western District of the State or, if in State court, in the Dutchess County Supreme Court and for the equal benefit of all holders of the outstanding bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

Section 9. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement or the notice parties may be given as follows:

To the Agency:

Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, New York 12603
Attention: Lindsay Carille, Interim Executive Director
Tel: (845) 463-6030

To the Trustee:

Manufacturers and Traders Trust Company
One M&T Plaza – 7th Floor
Buffalo, New York 14203
Attention: Corporate Trust Department

Any person may, by written notice to the other persons noted above, designate a different address, telephone, electronic transmission, or facsimile number(s) to which subsequent notices or communications should be sent.

Section 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Bondholders and Beneficial Owners (and the Trustee acting on behalf of Bondholders and/or Beneficial Owners), and shall create no rights in any other person or entity.

Section 11. Counterparts. This Disclosure Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12. Previous Non-Compliance. The Agency represents that, except as disclosed in the Official Statement, it has never failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in the Rule.

**DUTCHESS COUNTY RESOURCE RECOVERY
AGENCY**

By: _____
Lindsay Carille, Interim Executive Director

**MANUFACTURERS AND TRADERS TRUST
COMPANY, as Trustee**

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO REPOSITORY OF FAILURE
TO FILE ANNUAL REPORT**

Name of Issuer: Dutchess County Resource Recovery Agency

Name of Bond Issue: Dutchess County Resource Recovery Agency
\$_____ Solid Waste System Revenue Refunding Bonds,
Series 2017 [AMT] (the "Series 2017 Bonds")

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the Dutchess County Resource Recovery Agency (the "Agency") has not provided an Annual Report with respect to the above-named Series 2017 Bonds as required by the Continuing Disclosure Agreement, dated as of _____ 1, 2017 between the Agency and Manufacturers and Traders Trust Company, as Trustee. [The _____ anticipates that an Annual Report will be filed by _____.]

Dated: _____

By: _____

By: _____

APPENDIX I

Form of Continuing Disclosure Agreement - County

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CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is entered into as of _____ 1, 2017 by and between DUTCHESS COUNTY in the State of New York (the “County”) and MANUFACTURERS AND TRADERS TRUST COMPANY, as trustee (the “Trustee”) in connection with the issuance by the Dutchess County Resource Recovery Agency (the “Agency”) of its \$ _____ aggregate principal amount Solid Waste System Revenue Refunding Bonds, Series 2017 [AMT] (the “Series 2017 Bonds”).

The Series 2017 Bonds are being issued pursuant to the General Resolution (the “Resolution”), as amended and supplemented by the Agency by a Series 2017 Supplemental Resolution dated as of March 1, 2017 (the “Series 2017 Resolution”).

In order to permit the Underwriter (as defined below) to comply with the provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 in connection with the public offering of the Series 2017 Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Bondholders, as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County and the Trustee for the benefit of the Bondholders and Beneficial Owners (as defined below) of the Series 2017 Bonds and in order to assist Piper Jaffray & Co. (the “Underwriter”) in complying with the Rule (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which are incorporated herein by reference, unless otherwise defined in this Section, the following capitalized terms used in this Disclosure Agreement shall have the following meanings:

“Annual Report” shall mean any annual report provided by the County pursuant to and as described in Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any beneficial owner of a security, including a person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares investment power which includes the power to dispose, or to direct the disposition, of such security subject to certain exceptions as set forth in the Undertaking, as defined in Section 8 of this Disclosure Agreement. Any assertion of beneficial ownership must be filed with full documentary support, as part of the written request described in Section 8 of this Disclosure Agreement.

“Bondholder” shall mean any holder of the Series 2017 Bonds.

“Disclosure Representative” shall mean the Commissioner of Finance of the County, or such other person as the County shall designate in writing to the Trustee from time to time.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system.

“Fiscal Year” shall mean the period of twelve months beginning January 1 of each year and ending on December 31 of the same year, or any other twelve month period adopted by the County, respectively, as its fiscal year for accounting purposes.

“Listed Event” shall mean the event listed in Subsection 4(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(i) of the Securities Exchange Act of 1934.

“Repository” shall mean the MSRB as the sole repository of information required to be provided pursuant to the Rule, in each instance through and in accordance with EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Report.

(a) The County shall provide, or shall cause the Trustee to provide, to the Repository an Annual Report containing the information listed below. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information, as provided in Section 4 hereof. If the Fiscal Year changes, the County shall give notice of such change in the same manner as required for a Listed Event. The Annual Report shall be prepared on an annual basis within six months after the end of the 2017 Fiscal Year and each subsequent Fiscal Year thereafter.

(b) The Annual Report shall contain core financial information and operating data for the prior Fiscal Year, including (x) audited financial statements, if available, prepared in accordance with generally acceptable accounting principles in effect from time to time, or, if such annual audited financial statements are not available at such time, annual audited financial statements shall be so delivered within 60 days of their receipt by the County, and (y) information in a form generally consistent with the type contained or cross-referenced in APPENDIX D of the Official Statement under the headings “COUNTY INDEBTEDNESS,” “FINANCIAL FACTORS,” “REAL PROPERTY TAXES,” and “LITIGATION.”

(c) If within 190 days after the end of a Fiscal Year the Trustee does not have actual knowledge that such Annual Report has been provided to the Repository, the Trustee shall send a notice to the Repository in substantially the form attached hereto as Exhibit A, with a copy to the County.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the County is an “obligated person” (as defined by the Rule), which have been filed with the Repository. If the document included by reference is a final official

statement, it must be available from the MSRB. The County shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events.

(a) The County shall provide, or shall cause the Trustee to provide, in a timely manner to the Repository, written notice of the following Listed Event with respect to the Series 2017 Bonds, if material:

(1) Failure to comply with the requirements of Section 3 hereof.

(b) The Trustee shall promptly, upon obtaining actual knowledge of the occurrence of the Listed Event, contact the applicable Disclosure Representative, inform such person of the event, and request that the County promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (e).

(c) Whenever the County obtains knowledge of the occurrence of the Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the County has determined that knowledge of the occurrence of the Listed Event would be material under applicable law, the County shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the County determines that the Listed Event would not be material under applicable law, the County shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the County to report the occurrence of the Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the County.

The Trustee shall file notice if the County fails to direct the Trustee pursuant to subsection (d) above, unless the Trustee has received an opinion of counsel to the effect that such event is not material.

Section 5. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2017 Bonds.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver

would not, in and of itself, cause the undertakings to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 8. Default; Venue. In the event of a failure of the County or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution and the sole remedy under this Disclosure Agreement in the event of any failure of the County or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance. No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the requirements (the "Undertaking") or for any remedy for breach thereof, unless such Bondholder shall have filed with the County evidence of ownership and a written notice of and request to cure such breach, and the County shall have refused to comply within a reasonable time. All proceedings shall be instituted only as specified herein, in any federal court for the Western District of the State or, if in State court, in the Dutchess County Supreme Court and for the equal benefit of all holders of the outstanding bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

Section 9. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement or the notice parties may be given as follows:

To the County:

Dutchess County
22 Market Street
Poughkeepsie, NY 12601
Attention: Heidi Seelbach, Commissioner
Tel: (845) 486-2025

To the Trustee:

Manufacturers and Traders Trust Company
One M&T Plaza - 7th Floor
Buffalo, New York 14203
Attention: Corporate Trust Department

Any person may, by written notice to the other persons noted above, designate a different address, telephone, electronic transmission, or facsimile number(s) to which subsequent notices or communications should be sent.

Section 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Bondholders and Beneficial Owners (and the Trustee acting on behalf of Bondholders and/or Beneficial Owners), and shall create no rights in any other person or entity.

Section 11. Counterparts. This Disclosure Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12. Previous Non-Compliance. The County represents that, except as disclosed in the Official Statement, it has never failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in the Rule.

DUTCHESS COUNTY

By: _____
Heidi Seelbach, Commissioner

**MANUFACTURERS AND TRADERS TRUST
COMPANY, as Trustee**

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO REPOSITORY OF FAILURE
TO FILE ANNUAL REPORT**

Name of Issuer: Dutchess County Resource Recovery Agency

Name of Bond Issue: Dutchess County Resource Recovery Agency
\$_____ Solid Waste System Revenue Refunding Bonds,
Series 2017 [AMT] (the "Series 2017 Bonds")

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that Dutchess County (the "County") has not provided an Annual Report with respect to the above-named Series 2017 Bonds as required by the Continuing Disclosure Agreement, dated as of _____ 1, 2017 between the County and Manufacturers and Traders Trust Company, as Trustee. [The _____ anticipates that an Annual Report will be filed by _____.]

Dated: _____

By: _____

By: _____

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