

**COUNTY OF RENSSELAER,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information, and Federal and
New York State Department of Transportation
Financial Assistance Schedules for the
Year Ended December 31, 2010 and
Independent Auditors' Reports*

COUNTY OF RENSSELAER, NEW YORK
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Rensselaer, New York (the "County") as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hudson Valley Community College and the Rensselaer County Industrial Development Agency, which are shown as discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 of material misstatement. The financial statements of the Rensselaer County Industrial Development Agency were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County at December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the basic financial statements, the Enterprise Fund of the County has deficit net assets.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 18, 2011, on our consideration of County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis as listed in the forgoing table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America. This information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Combining Balance Sheet – Non-Major Governmental Funds and Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of New York State Department of Transportation assistance is presented for the purpose of additional analysis as required by the New York State Department of Transportation and Draft Part 43 of the New York State Codification of Rules and Regulations, and is not a required part of the basic financial statements. These schedules are the responsibility of the County's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

The County's basic financial statements include the operations of the Hudson Valley Community College and the Rensselaer County Industrial Development Agency, which expended \$16,674,307 and \$-0- of federal awards, respectively, which are not included in the County's Schedule of Expenditures of Federal Awards for the year ended December 31, 2010. Our audit, as described in our report on compliance and internal control over compliance applicable to each major federal award program, did not include the operations of the Hudson Valley Community College and the Rensselaer County Industrial Development Agency, as other auditors were engaged to perform such audits in accordance with OMB Circular A-133, as applicable.

Dresscher & Malecki LLP

May 18, 2011

COUNTY OF RENSSELAER, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2010

As management of the County of Rensselaer (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information contained in the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- ◆ The assets of the County, excluding discretely presented component units (the Rensselaer County Industrial Development Agency and the Hudson Valley Community College), exceeded total liabilities at the close of the most recent fiscal year by \$7,601,093 (*net assets*). The County has a net deficit in its *unrestricted net assets* category of \$7,752,631.
- ◆ The primary government's total net assets decreased by \$1,626,608 during the current fiscal year. The decrease represents the degree to which increases in expenses, particularly employee benefits, have outpaced increases in overall revenues.
- ◆ As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$35,348,390, an increase of \$10,009,316 in comparison with the prior year. Approximately 78.7 percent of this total amount, or \$27,811,917 is *available for spending* at the County's discretion (*unreserved, undesignated fund balance*).
- ◆ At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$9,324,095 or 3.9 percent of total General Fund expenditures.
- ◆ Net assets for the discretely presented component units, the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, were \$6,371,293 at December 31, 2010 and \$45,421,509 at August 31, 2010, respectively.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) governmental-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 assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement 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 principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to remove 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 activity of the County is the Van Rensselaer Manor.

The government-wide financial statements include, not only the County itself (known as the *primary government*), but also a legally separate college (Hudson Valley Community College) and a legally separate development agency (Rensselaer County Industrial Development Agency) for which the County is financially accountable. Financial information for these 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 the fiduciary fund.

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 fund balance sheet and the governmental fund 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 seven 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 and Capital Projects Funds, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregate presentation.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for its Van Rensselaer Manor (nursing home) operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for the operation of the health self-insurance, workers' compensation self-insurance and central internal services programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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 Van Rensselaer Manor, which is considered to be a major fund of the County. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are *not* reflected in the government-wide financial statements because the resources of the funds are *not* available to support the County's own programs. The accounting used for the fiduciary funds are much like that used for proprietary funds. The County maintains one fiduciary fund, the Agency Fund.

The basic fiduciary fund financial statement can be found on page 27 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 28-57 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$7,601,093 at the close of the most recent fiscal year.

THE COUNTY OF RENSSELAER'S NET ASSETS

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 122,720,583	\$ 101,813,978	\$ 17,647,587	\$ 16,543,759	\$ 140,368,170	\$ 118,357,737
Capital assets	<u>110,932,622</u>	<u>106,617,435</u>	<u>13,891,002</u>	<u>15,189,213</u>	<u>124,823,624</u>	<u>121,806,648</u>
Total assets	<u>233,653,205</u>	<u>208,431,413</u>	<u>31,538,589</u>	<u>31,732,972</u>	<u>265,191,794</u>	<u>240,164,385</u>
Current liabilities	76,621,764	67,808,380	3,339,887	3,111,013	79,961,651	70,919,393
Non-current liabilities	<u>141,043,267</u>	<u>124,858,117</u>	<u>36,585,783</u>	<u>35,159,174</u>	<u>177,629,050</u>	<u>160,017,291</u>
Total liabilities	<u>217,665,031</u>	<u>192,666,497</u>	<u>39,925,670</u>	<u>38,270,187</u>	<u>257,590,701</u>	<u>230,936,684</u>
Net assets (deficit):						
Invested in capital assets						
net of related debt	23,250,443	24,682,148	(10,613,095)	(10,436,084)	12,637,348	14,246,064
Restricted	2,716,376	2,730,634	-	-	2,716,376	2,730,634
Unrestricted	<u>(9,978,645)</u>	<u>(11,647,866)</u>	<u>2,226,014</u>	<u>3,898,869</u>	<u>(7,752,631)</u>	<u>(7,748,997)</u>
Total net assets (deficit)	<u>\$ 15,988,174</u>	<u>\$ 15,764,916</u>	<u>\$ (8,387,081)</u>	<u>\$ (6,537,215)</u>	<u>\$ 7,601,093</u>	<u>\$ 9,227,701</u>

At the end of the current fiscal year, the County's governmental activities is able to report positive balances in two categories of net assets, both invested in capital assets, net of related debt and restricted net assets report positive balances. Unrestricted net assets show a deficit balance, which indicates its long term outlook does rely on future revenue streams.

The business-type activity reports a positive unrestricted net assets and a deficit in the invested in capital assets, net of related debt category.

The deficit in the County's business-type activities of the Van Rensselaer Manor that are invested in capital assets, net of related debt, indicates that it has borrowed to finance the acquisition of a substantial portion of its assets and that the assets are depreciating more quickly than the debt to acquire such assets is being paid.

An additional portion of the County's net assets represents resources that are subject to external restrictions on how they may be used.

There was an improvement of \$1,669,221 (from a prior year deficit balance of \$11,647,866 at December 31, 2009) in unrestricted net assets reported in the County's governmental activities. The change reflects the overall change in total net assets as a result of operating activities during 2010.

The County's total net assets decreased \$1,626,608 during the current fiscal year. Key elements of this increase are as follows:

THE COUNTY OF RENSSELAER'S CHANGES IN NET ASSETS (DEFICIT)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 34,271,544	\$ 30,891,052	\$ 30,016,302	\$ 29,458,424	\$ 64,287,846	\$ 60,349,476
Operating grants and contributions	93,558,194	90,615,176	5,416,793	5,358,618	98,974,987	95,973,794
Capital grants and contributions	8,866,022	5,939,206	-	-	8,866,022	5,939,206
General revenues:						
Real property taxes and tax items	61,502,259	59,466,760	-	-	61,502,259	59,466,760
Non-property taxes	71,443,319	68,644,880	-	-	71,443,319	68,644,880
Use of money and property	2,383,504	2,851,092	-	-	2,383,504	2,851,092
Other	1,149,249	978,983	-	-	1,149,249	978,983
Total revenues	<u>273,174,091</u>	<u>259,387,149</u>	<u>35,433,095</u>	<u>34,817,042</u>	<u>308,607,186</u>	<u>294,204,191</u>
Expenses:						
General government support	43,862,277	39,491,133	-	-	43,862,277	39,491,133
Education	25,648,406	22,293,129	-	-	25,648,406	22,293,129
Public safety	34,599,497	31,970,009	-	-	34,599,497	31,970,009
Health	20,479,611	21,462,496	-	-	20,479,611	21,462,496
Transportation	9,665,326	11,425,142	-	-	9,665,326	11,425,142
Economic opportunity and development	125,091,382	117,263,631	-	-	125,091,382	117,263,631
Culture and recreation	536,392	554,491	-	-	536,392	554,491
Home and community services	5,703,019	4,721,228	-	-	5,703,019	4,721,228
Interest and fiscal charges	4,664,923	5,269,811	-	-	4,664,923	5,269,811
Van Rensselaer Manor	-	-	39,982,961	38,262,989	39,982,961	38,262,989
Total expenses	<u>270,250,833</u>	<u>254,451,070</u>	<u>39,982,961</u>	<u>38,262,989</u>	<u>310,233,794</u>	<u>292,714,059</u>
Transfers	<u>(2,700,000)</u>	<u>(3,456,039)</u>	<u>2,700,000</u>	<u>3,456,039</u>	<u>-</u>	<u>-</u>
Change in net assets (deficit)	223,258	1,480,040	(1,849,866)	10,092	(1,626,608)	1,490,132
Net assets (deficit)—beginning	<u>15,764,916</u>	<u>14,284,876</u>	<u>(6,537,215)</u>	<u>(6,547,307)</u>	<u>9,227,701</u>	<u>7,737,569</u>
Net assets (deficit)—ending	<u>\$ 15,988,174</u>	<u>\$ 15,764,916</u>	<u>\$ (8,387,081)</u>	<u>\$ (6,537,215)</u>	<u>\$ 7,601,093</u>	<u>\$ 9,227,701</u>

Governmental activities. Governmental activities increased the County's net assets by \$223,258. A summary of revenues for governmental activities for the years ended December 31, 2010 and 2009 is presented on the following page.

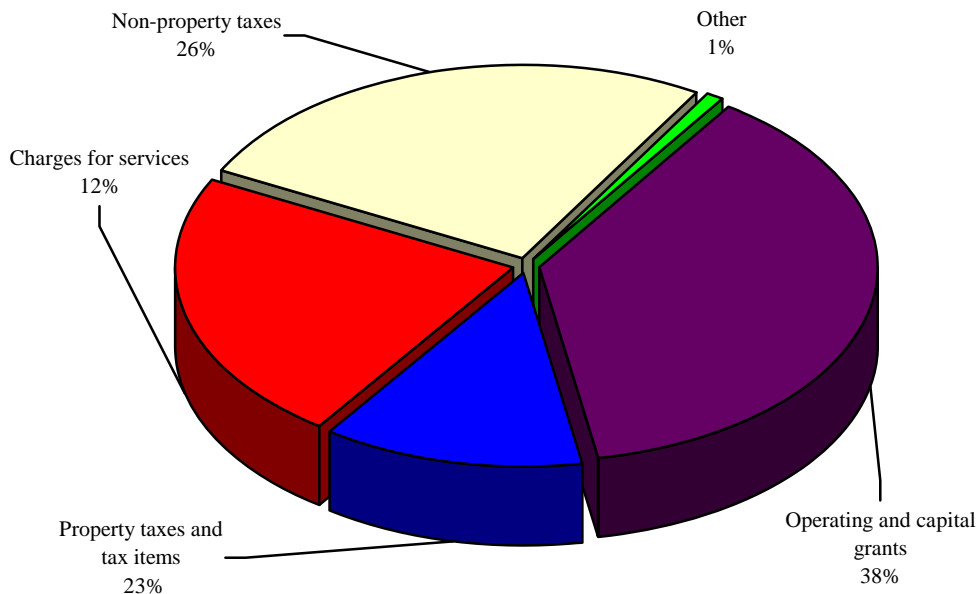
SUMMARY OF REVENUES — GOVERNMENTAL ACTIVITIES

	Year Ended December 31,		Increase/(Decrease)	
	2010	2009	\$	%
Charges for services	\$ 34,271,544	\$ 30,891,052	\$ 3,380,492	10.9
Operating and capital grants	102,424,216	96,554,382	5,869,834	6.1
Property taxes and tax items	61,502,259	59,466,760	2,035,499	3.4
Non-property taxes	71,443,319	68,644,880	2,798,439	4.1
Use of money and property	2,383,504	2,851,092	(467,588)	(16.4)
Other	1,149,249	978,983	170,266	17.4
Total revenues	\$ 273,174,091	\$ 259,387,149	\$ 13,786,942	5.3

- ◆ Operating and capital grants increased by \$5,869,834, from the prior year. The increase is primarily due to expansion of eligibility and benefits under the federal Food Stamp Program.
- ◆ Charges for services increased by \$3,380,492 or 10.9% from the prior year. The increase is a result of an increase in departmental and intergovernmental charges associated with the County jail.
- ◆ Non-property taxes (primarily sales tax) increased by \$2,798,439, or 4.1 percent from the prior year, which is a result of favorable sales within the County as compared to the prior year.

As presented below, the most significant sources of revenues for governmental activities are operating and capital grants, which account for 38 percent of total revenues; non-property taxes, which account for 26 percent of total revenue; and property taxes and tax items, which account for 23 percent of total revenues for the year ended December 31, 2010.

REVENUES BY SOURCE — GOVERNMENTAL ACTIVITIES



A summary of program expenses of governmental activities for the years ended December 31, 2010 and 2009 is presented below.

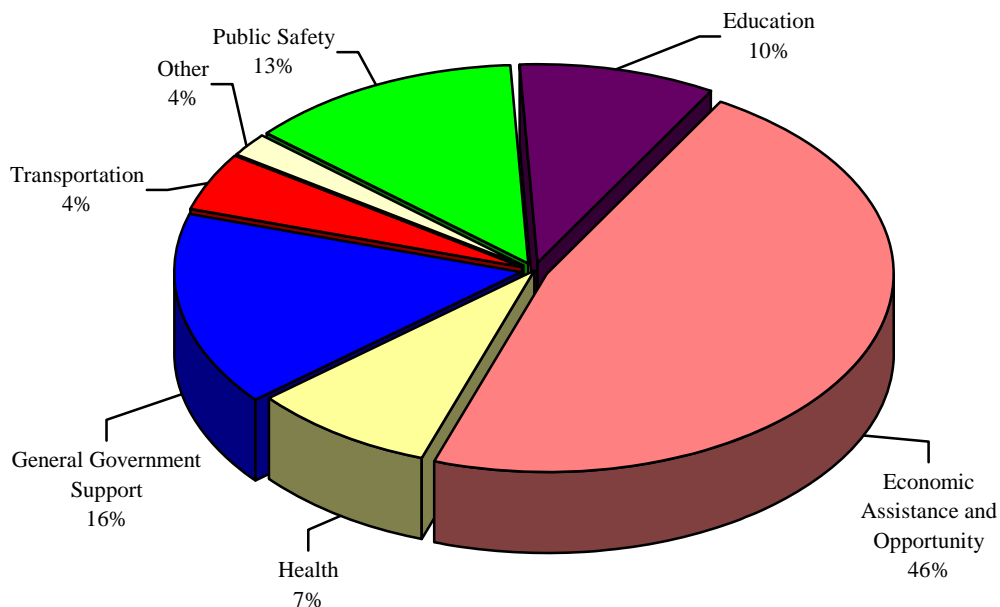
SUMMARY OF PROGRAM EXPENSES — GOVERNMENTAL ACTIVITIES

	Year Ended December 31,		Increase/(Decrease)	
	2010	2009	Dollars	Percent
General government support	\$ 43,862,277	\$ 39,491,133	\$ 4,371,144	11.1
Education	25,648,406	22,293,129	3,355,277	15.1
Public safety	34,599,497	31,970,009	2,629,488	8.2
Health	20,479,611	21,462,496	(982,885)	(4.6)
Transportation	9,665,326	11,425,142	(1,759,816)	(15.4)
Economic assistance and opportunity	125,091,382	117,263,631	7,827,751	6.7
Culture and recreation	536,392	554,491	(18,099)	(3.3)
Home and community services	5,703,019	4,721,228	981,791	20.8
Interest and fiscal charges	4,664,923	5,269,811	(604,888)	(11.5)
Total program expenses	<u>\$ 270,250,833</u>	<u>\$ 254,451,070</u>	<u>\$ 15,799,763</u>	6.2

The most significant increase in expenses occurred in the economic assistance and opportunity category, which increased \$7,827,751 or 6.7% from the prior year. The increase was driven primarily by additional expenditures in the County’s federal programs, resulting from increased cash payments for food stamps, as well as the continuation of federal stimulus funds received during the year ended December 31, 2010.

As presented below, the County’s most significant expense categories for governmental activities are economic assistance and opportunity (primarily composed of social service costs), which accounts for approximately 46 percent of program expenses; general government support expenses, which accounts for approximately 16 percent of program expenses; and public safety expenses which are approximately 13 percent of program expenses.

EXPENSES BY TYPE — GOVERNMENTAL ACTIVITIES



Business-type activities. Business-type activities (Van Rensselaer Manor) decreased the County's net assets by \$1,849,866. Operating revenues and expenses for the year ended December 31, 2010 increased 1.8 percent and 4.7 percent, respectively, from the year ended December 31, 2009.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2010 and 2009 is presented as follows:

SUMMARY OF OPERATING REVENUES AND EXPENSES — BUSINESS-TYPE ACTIVITIES

	Year Ended December 31,		Increase/(Decrease)	
	2010	2009	\$	%
Operating revenues:				
Charges for services	\$ 30,016,302	\$ 29,458,424	\$ 557,878	1.9
Operating grants and contributions	5,416,793	5,358,618	58,175	1.1
Total operating revenues	<u>\$ 35,433,095</u>	<u>\$ 34,817,042</u>	<u>\$ 616,053</u>	1.8
Operating expenses:				
Nursing and medical	\$ 16,441,091	\$ 15,728,348	\$ 712,743	4.5
Ancillary	7,257,144	7,136,021	121,123	1.7
Administrative and general	3,575,604	3,635,661	(60,057)	(1.7)
Fringe benefits	7,768,583	6,595,780	1,172,803	17.8
Other post-employment benefits	1,608,705	1,553,737	54,968	3.5
Interest expense	1,257,945	1,661,761	(403,816)	(24.3)
Depreciation	1,548,595	1,535,242	13,353	0.9
Bad debt expense	316,019	132,300	183,719	138.9
Total operating expenses	<u>\$ 39,773,686</u>	<u>\$ 37,978,850</u>	<u>\$ 1,794,836</u>	4.7

The most significant source of revenues relating to the County's business-type activities is charges for services, of which increased 1.9 percent during 2010. Operating grants and contributions remained stable during 2010 with an increase of 1.1 percent.

Overall expenses increased by \$1,794,836 or 4.7%. The increase is primarily the result of increasing operating costs, particularly from employee fringe benefits.

Financial Analysis of the Government's 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 near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

THE COUNTY OF RENSSELAER'S GOVERNMENTAL FUNDS' FUND BALANCES

December 31, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Reserved	\$ 833,142	\$ -	\$ 2,965,495	\$ 3,798,637
Unreserved:				
Designated	3,293,344	-	444,492	3,737,836
Undesignated	<u>9,324,095</u>	<u>13,512,438</u>	<u>4,975,384</u>	<u>27,811,917</u>
Total fund balances	<u>\$ 13,450,581</u>	<u>\$ 13,512,438</u>	<u>\$ 8,385,371</u>	<u>\$ 35,348,390</u>

December 31, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Reserved	\$ 916,488	\$ -	\$ 2,983,219	\$ 3,899,707
Unreserved:				
Designated	-	-	662,917	662,917
Undesignated	<u>8,850,995</u>	<u>7,519,757</u>	<u>4,405,698</u>	<u>20,776,450</u>
Total fund balances	<u>\$ 9,767,483</u>	<u>\$ 7,519,757</u>	<u>\$ 8,051,834</u>	<u>\$ 25,339,074</u>

As of the end of the current fiscal year, the County governmental funds reported combined ending fund balances of \$35,348,390, an increase of \$10,009,316 in comparison with the prior year. Of the total governmental fund, fund balance of \$35,348,390, approximately 78.7 percent (\$27,811,917) constitutes *unreserved, undesignated fund* balance, of which \$13,512,438 is set aside for capital projects, and the remaining is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed for a variety of purposes. The increase in total fund balance is primarily due to favorable operations with the County General Fund.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$9,324,095, while total fund balance was \$13,450,581. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total General Fund expenditures. Unreserved, undesignated fund balance represents approximately 3.9 percent of total General Fund expenditures, while total fund balance represents approximately 5.7 percent of that same amount. The fund balance of the General Fund increased by \$3,683,098 during the current fiscal year primarily as a result of the County's ability to control costs across many areas of County government, especially in the areas of health and public safety.

The fund balance in the Capital Projects Fund increased from \$7,519,757 at December 31, 2009 to \$13,512,438 at December 31, 2010. The increase is the result of revenues and other financing sources associated with ongoing capital projects exceeding capital outlay during 2010.

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

The unrestricted net assets of Van Rensselaer Manor (the County's only enterprise fund) at the end of year amounted to \$2,226,014 and the total net asset deficit was \$8,387,081. During 2010, this total net deficit was increased by \$1,849,866. The operating activities of the Manor for 2010 showed an operating loss of \$4,340,591 and the nonoperating revenues and expenses (primarily a contribution from the County's General Fund) netted to a total nonoperating revenue of \$2,490,725, which resulted in the reduction in the net deficit by \$1,849,866.

General Fund Budgetary Highlights

The *Statements of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual* for the County's major funds which adopt an annual budget provide the reader of the statements detailed information about how the County's budgets were amended throughout the year. In addition, "budget to actual" variances are displayed.

The County's adopted budget assumed that the General Fund would not require the use of appropriated fund balance to meet operational needs; however, outstanding encumbrances from the prior year resulted in the appropriation of \$602,065 of fund balance.

Throughout the year, the County's budget is modified, usually to reflect the acceptance of new state and federal grants. These grants explain the majority of the increases in appropriations and revenue from the adopted to modified budget scenarios. Significant grants for which the budget was amended throughout the year included state grants for farmland protection and various health programs. Overall, the General Fund's budgeted appropriations increased by approximately 1.5 percent during the year.

For the General Fund, actual revenues were less than budgeted by \$5,483,143. This significant variance in budgeted revenues is attributable to state aid, which consisted primarily of aid for social service programs and is offset as discussed in the ensuing paragraph.

The General Fund had a favorable variance from budgetary appropriations of \$9,197,315. The primary positive variances were realized in public safety and health. The County achieved savings in several other budgeted areas, with the most significant being economic assistance and opportunity and general government support.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2010 amounts to \$124,823,624 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, infrastructure, and machinery and equipment.

A summary of the County's capital assets is as follows:

**THE COUNTY OF RENSSELAER'S CAPITAL ASSETS
(Net of Depreciation)**

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 672,880	\$ 672,880	\$ 550,000	\$ 550,000	\$ 1,222,880	\$ 1,222,880
Construction in progress	42,385,929	34,914,480	-	-	42,385,929	34,914,480
Land improvements	47,300	68,200	-	-	47,300	68,200
Buildings and building improvements	27,240,913	29,015,915	9,148,637	9,871,577	36,389,550	38,887,492
Equipment	6,283,850	7,201,839	4,192,365	4,767,636	10,476,215	11,969,475
Infrastructure	34,301,750	34,744,121	-	-	34,301,750	34,744,121
Total	\$ 110,932,622	\$ 106,617,435	\$ 13,891,002	\$ 15,189,213	\$ 124,823,624	\$ 121,806,648

Total government activities capital asset additions for 2010 were \$11,154,151, with major additions being in the construction in progress (representing ongoing capital projects) for County jail renovations and expansion. Governmental activities depreciation for 2010 was \$6,838,964.

Business-type activities had capital asset acquisitions of \$250,384 for 2010, which represents new equipment purchases. Business-type activities depreciation for 2010 was \$1,548,595.

In the business-type activity depreciation expense and capital asset disposals exceeded the value of assets added, leading to the total net decrease in the book value of assets of \$1,254,748.

For additional information on capital assets, please refer to the notes to the financial statements.

Long-term debt. The County currently has approximately \$95,000,000 in total bonded debt for functions considered governmental activities. This includes serial bonds (and accreted interest on capital appreciation bonds) and bonds issued by the Rensselaer Tobacco Asset Securitization Corporation (the "RTASC").

Additionally, during the year ended December 31, 2010, the County entered into Energy Performance Contracts for design and construction of more energy efficient systems with the sewer district sites and County building. The outstanding principal amounted to \$13,510,618 as of December 31, 2010.

As previously discussed, the RTASC is considered a component unit of the County and its long-term debt is included within the non-current liabilities of the County. The long-term debt of RTASC is \$45,158,421. The County created the RTASC in 2001. The purpose of RTASC was to issue bonds backed by the County's interests in the national tobacco Master Settlement Agreement ("MSA") in exchange for the County's future rights to a portion of this revenue stream. The County was entitled to the proceeds of this sale as compensation. In turn, the County set aside the majority of the proceeds in an irrevocable trust to legally defease over \$26,000,000 in outstanding long-term bonds; the additional proceeds were set aside for capital projects.

The County's business-type activity, Van Rensselaer Manor, also has long-term debt issued and recorded as a liability. The amount outstanding primarily consists of leasehold revenue bonds originally issued in 1994 and refunded in 2009, for purposes of constructing a new nursing home. The outstanding principal totals \$27,825,000 as of December 31, 2010.

The County also has debt for deferred pension liabilities and compensated absences.

The County has an "A2" rating from Moody's Investors Service and a AA- rating from Standard & Poor's.

For additional information on the County's long-term debt, refer to the notes to the financial statements.

Economic Factors and Next Year's Budgets

New York State requires that counties expend significant local resources for unfunded mandates. In recent years, rapid growth in some of these programs has placed fiscal stress on many counties, including Rensselaer.

In particular, the expansion of the state run Medicaid program has caused the County to experience expenditure increases despite a "cap" in the percentage of annual growth. New York State's current financial difficulties only increase the likelihood that they will continue to pass additional costs down to the county level.

The current national economic conditions will also place stress on New York State counties over the foreseeable future. As a result of the difficult economy, the County may need to fund increases in mandated economic assistance programs. However, the County has benefited from significant Local Medicaid FMAP (Federal Medicaid Assistance Percentage) increases as part of the America Recovery and Reinvestment Act of 2009. This additional "stimulus" was extended for an additional six months in 2011 but is expected to expire on June 30, 2011.

Other significant risks include:

- ◆ Proposed New York State legislation which would cap local property tax increases without relieving counties of rapidly increasing state mandates. Escalation of expenses associated with mandated programs would likely exceed the additional tax levy allowed under the cap, potentially leading to structurally imbalanced budgets.
- ◆ Rising employee benefit costs in the form of increased contributions to the New York State Local Retirement System, and for rising health insurance premiums for both active employees and retirees.
- ◆ The uncertainty of the local economic recovery and the effect that the difficult economy is having on general revenue collections such as property, mortgage and sales taxes.
- ◆ Increasing public safety costs, including new debt service and personnel costs related to the mandated expansion of the Rensselaer County Jail.
- ◆ The ability of the County to continue to control costs at the Van Rensselaer Manor Nursing Home, combined with potential decreases in state and federal reimbursement for providing these services.

- ◆ New York State's current cash flow problems which have been passed down to local governments in the form of delayed or reduced reimbursements.

Despite these factors, Rensselaer County was able to develop a budget for 2011 which did not rely heavily upon fund balance or a significant property tax increase to fund its operations. The County's economic development efforts have been successful in attracting new technology jobs and adding additional retail business. As part of New York's Capital Region, the County continues to experience lower unemployment rates as compared to other regions of the State. The County's property tax base has remained stable despite the overall national housing market.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Fiscal Officer, Rensselaer County Bureau of Finance, 1600 Seventh Avenue, Troy, New York 12180.

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BASIC FINANCIAL STATEMENTS

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COUNTY OF RENSSELAER, NEW YORK

Statement of Net Assets (Deficits)

December 31, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Industrial Development Agency	Hudson Valley Community College August 31, 2010
ASSETS					
Cash and cash equivalents	\$ 32,878,217	\$ 3,210	\$ 32,881,427	\$ 4,481,799	\$ 46,460,051
Restricted cash	16,064,023	188,279	16,252,302	357,520	-
Investments	-	-	-	-	5,230,353
Property taxes receivable (net of allowance)	26,988,183	-	26,988,183	-	-
Other receivables (net of allowance)	15,845,085	13,185,737	29,030,822	165,818	8,249,588
State and federal receivables	23,127,652	-	23,127,652	-	-
Internal balances	398,280	1,168,125	1,566,405	-	-
Due from other governments	6,987,082	-	6,987,082	-	-
Inventories	269,340	202,206	471,546	-	519,797
Prepays	162,721	1,667	164,388	-	905,135
Other assets	-	-	-	801,177	1,412,152
Assets held by trustee	-	2,898,363	2,898,363	-	14,810,368
Capital assets not being depreciated	43,058,809	550,000	43,608,809	-	-
Capital assets, net of accumulated depreciation	<u>67,873,813</u>	<u>13,341,002</u>	<u>81,214,815</u>	<u>2,118,153</u>	<u>125,090,758</u>
Total assets	<u>233,653,205</u>	<u>31,538,589</u>	<u>265,191,794</u>	<u>7,924,467</u>	<u>202,678,202</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	13,105,401	877,871	13,983,272	78,796	14,425,260
Accrued liabilities	13,694,589	2,461,126	16,155,715	-	4,836,643
Pension contributions payable	4,563,759	-	4,563,759	-	-
Internal balances	4,388,663	-	4,388,663	-	-
Due to other governments	19,398,334	890	19,399,224	-	-
Unearned revenues	5,293,939	-	5,293,939	-	18,819,848
Bond anticipation notes payable	7,000,000	-	7,000,000	-	-
Tax anticipation notes payable	8,000,000	-	8,000,000	-	-
Amounts held on behalf of HVCC	1,177,079	-	1,177,079	-	-
Non-current liabilities:					
Due within one year	6,909,342	2,754,227	9,663,569	198,972	17,608,238
Due within more than one year	<u>134,133,925</u>	<u>33,831,556</u>	<u>167,965,481</u>	<u>1,275,406</u>	<u>101,566,704</u>
Total liabilities	<u>217,665,031</u>	<u>39,925,670</u>	<u>257,590,701</u>	<u>1,553,174</u>	<u>157,256,693</u>
NET ASSETS (DEFICITS)					
Invested in capital assets, net of related debt	23,250,443	(10,613,095)	12,637,348	726,152	45,549,901
Restricted for:					
Contractual receivable	66,000	-	66,000	-	-
Handicapped parking	32,693	-	32,693	-	-
Debt service	2,617,683	-	2,617,683	-	-
Scholarships and fellowships	-	-	-	-	5,062,796
Capital projects and debt service	-	-	-	-	2,458,290
South Troy Industrial Park Project	-	-	-	357,520	-
Unrestricted	<u>(9,978,645)</u>	<u>2,226,014</u>	<u>(7,752,631)</u>	<u>5,287,621</u>	<u>(7,649,478)</u>
Total net assets (deficits)	<u>\$ 15,988,174</u>	<u>\$ (8,387,081)</u>	<u>\$ 7,601,093</u>	<u>\$ 6,371,293</u>	<u>\$ 45,421,509</u>

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

COUNTY OF RENSSELAER, NEW YORK

Statement of Activities

Year Ended December 31, 2010

Function/Program	Expense	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Industrial Development Agency	Hudson Valley Community College August 31, 2010
Primary government:									
Governmental activities:									
General government support	\$ 43,862,277	\$ 7,432,133	\$ 1,272,785	\$ -	\$ (35,157,359)	\$ -	\$ (35,157,359)		
Education	25,648,406	6,957,442	7,760,500	5,439,124	(5,491,340)	-	(5,491,340)		
Public safety	34,599,497	1,303,151	1,712,850	11,265	(31,572,231)	-	(31,572,231)		
Health	20,479,611	9,200,690	16,096,647	-	4,817,726	-	4,817,726		
Transportation	9,665,326	-	89,606	3,415,633	(6,160,087)	-	(6,160,087)		
Economic assistance and opportunity	125,091,382	3,984,630	66,197,412	-	(54,909,340)	-	(54,909,340)		
Culture and recreation	536,392	-	413,394	-	(122,998)	-	(122,998)		
Home and community services	5,703,019	5,393,498	15,000	-	(294,521)	-	(294,521)		
Interest and fiscal charges	4,664,923	-	-	-	(4,664,923)	-	(4,664,923)		
Total governmental activities	<u>270,250,833</u>	<u>34,271,544</u>	<u>93,558,194</u>	<u>8,866,022</u>	<u>(133,555,073)</u>	<u>-</u>	<u>(133,555,073)</u>		
Business-type activities:									
Van Rensselaer Manor	39,982,961	30,016,302	5,416,793	-	-	(4,549,866)	(4,549,866)		
Total primary government	<u>\$ 310,233,794</u>	<u>\$ 64,287,846</u>	<u>\$ 98,974,987</u>	<u>\$ 8,866,022</u>	<u>(133,555,073)</u>	<u>(4,549,866)</u>	<u>(138,104,939)</u>		
Component units:									
Industrial Development Agency	\$ 1,805,694	\$ 1,422,137	\$ 590,547	\$ -				\$ 206,990	\$ -
Hudson Valley Community College	126,884,253	58,139,335	63,885,622	12,853,478				-	7,994,182
Total component units	<u>\$ 128,689,947</u>	<u>\$ 59,561,472</u>	<u>\$ 64,476,169</u>	<u>\$ 12,853,478</u>				<u>206,990</u>	<u>7,994,182</u>
General revenues:									
Real property taxes and tax items					61,502,259	-	61,502,259	-	-
Non-property taxes					71,443,319	-	71,443,319	-	-
Use of money and property					2,383,504	-	2,383,504	400,825	513,983
Fines and forfeitures					389,807	-	389,807	-	-
Sale of property and compensation for loss					38,294	-	38,294	-	-
Miscellaneous					721,148	-	721,148	21,986	2,601,453
Transfers					(2,700,000)	2,700,000	-	-	-
Total general revenues and transfers					<u>133,778,331</u>	<u>2,700,000</u>	<u>136,478,331</u>	<u>422,811</u>	<u>3,115,436</u>
Change in net assets					223,258	(1,849,866)	(1,626,608)	629,801	11,109,618
Net assets (deficit)—beginning					<u>15,764,916</u>	<u>(6,537,215)</u>	<u>9,227,701</u>	<u>5,741,492</u>	<u>34,311,891</u>
Net assets (deficit)—ending					<u>\$ 15,988,174</u>	<u>\$ (8,387,081)</u>	<u>\$ 7,601,093</u>	<u>\$ 6,371,293</u>	<u>\$ 45,421,509</u>

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

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COUNTY OF RENSSELAER, NEW YORK

**Balance Sheet
Governmental Funds
December 31, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 14,483,486	\$ 6,430,674	\$ 7,662,554	\$ 28,576,714
Cash with fiscal agent	-	16,064,023	-	16,064,023
Property taxes receivable (net of allowance)	20,218,311	-	-	20,218,311
Other receivables	11,518,546	171,926	3,412,330	15,102,802
State and federal receivables	20,195,886	2,342,317	589,449	23,127,652
Due from other funds	1,013,973	43,439	71,667	1,129,079
Due from other governments	6,901,689	-	-	6,901,689
Inventories	5,121	-	264,219	269,340
Prepaid expenditures	2,280	-	-	2,280
Total assets	<u>\$ 74,339,292</u>	<u>\$ 25,052,379</u>	<u>\$ 12,000,219</u>	<u>\$ 111,391,890</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,703,603	\$ 1,916,862	\$ 890,194	\$ 12,510,659
Accrued liabilities	1,054,009	-	108,504	1,162,513
Due to other funds	5,699,254	-	532,328	6,231,582
Due to other governments	17,952,334	1,446,000	-	19,398,334
Deferred revenues	14,452,244	-	1,695,905	16,148,149
Pension contributions payable	4,027,267	-	387,917	4,415,184
Bond anticipation notes payable	-	7,000,000	-	7,000,000
Tax anticipation notes payable	8,000,000	-	-	8,000,000
Amounts held on behalf of HVCC	-	1,177,079	-	1,177,079
Total liabilities	<u>60,888,711</u>	<u>11,539,941</u>	<u>3,614,848</u>	<u>76,043,500</u>
Fund balances:				
Reserved for:				
Contractual receivables	66,000	-	-	66,000
Encumbrances	605,229	-	83,593	688,822
Handicapped parking	32,693	-	-	32,693
Tax stabilization	129,220	-	-	129,220
Inventories	-	-	264,219	264,219
Debt service	-	-	2,617,683	2,617,683
Unreserved, designated for:				
Subsequent years' expenditures	293,344	-	444,492	737,836
Retirement contribution	3,000,000	-	-	3,000,000
Unreserved, undesignated reported in:				
General fund	9,324,095	-	-	9,324,095
Special revenue funds	-	-	4,975,384	4,975,384
Capital projects fund	-	13,512,438	-	13,512,438
Total fund balances	<u>13,450,581</u>	<u>13,512,438</u>	<u>8,385,371</u>	<u>35,348,390</u>
Total liabilities and fund balances	<u>\$ 74,339,292</u>	<u>\$ 25,052,379</u>	<u>\$ 12,000,219</u>	<u>\$ 111,391,890</u>

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

COUNTY OF RENSSELAER, NEW YORK
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets (Deficits)
December 31, 2010

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

Total fund balance—governmental funds		\$ 35,348,390
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$233,280,078 and the accumulated depreciation is \$122,347,456.		110,932,622
To recognize interest accrual on long term debt. Accrued interest for general obligation bonds is \$925,037 and accrued interest on RTASC bonds is \$135,946 at year end.		(1,060,983)
Uncollected property taxes are not available to pay for current period expenditures and therefore are deferred in the funds.		10,854,210
Internal service funds are used by management to charge the costs of management information systems and other internal services in addition to health insurance and workers' compensation. The assets and liabilities of the internal service funds are included in the governmental statement of net assets.		957,202
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds, as follows:		
Bonds payable	\$ (49,983,217)	
RTASC bonds and accreted interest	(45,467,739)	
Installment purchase debt	(13,510,618)	
Compensated absences	(10,613,990)	
Retirement liabilities	(3,411,761)	
Judgements and claims	(867,628)	
Other post employment benefits	<u>(17,497,632)</u>	(141,352,585)
Bond issuance costs have been recognized as an expenditure within the fund statements, but are amortized over the life of the debt issuance for the government-wide statements. The balance of these deferred costs, net of amortization is \$309,318.		<u>309,318</u>
Total net assets—governmental activities		<u>\$ 15,988,174</u>

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

COUNTY OF RENSSELAER, NEW YORK

**Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 44,687,740	\$ -	\$ 6,720,975	\$ 51,408,715
Real property tax items	6,103,617	-	-	6,103,617
Nonproperty tax items	70,572,276	-	871,043	71,443,319
Departmental income	15,440,561	-	5,393,498	20,834,059
Intergovernmental charges	9,352,725	4,286,323	-	13,639,048
Use of money and property	206,936	44,098	2,132,470	2,383,504
Fines and forfeitures	389,807	-	-	389,807
Sale of property and compensation for loss	12,121	-	26,173	38,294
Miscellaneous	621,972	-	99,176	721,148
Interfund revenues	975,407	-	-	975,407
State aid	38,438,616	5,496,232	2,055,367	45,990,215
Federal aid	53,434,265	1,371,531	1,628,205	56,434,001
Tobacco settlement revenue	-	-	2,300,896	2,300,896
Total revenues	<u>240,236,043</u>	<u>11,198,184</u>	<u>21,227,803</u>	<u>272,662,030</u>
EXPENDITURES				
Current:				
General government support	38,639,932	-	850,356	39,490,288
Education	17,056,560	-	-	17,056,560
Public safety	30,630,297	-	242,393	30,872,690
Health	19,324,311	-	-	19,324,311
Transportation	543,702	-	8,164,039	8,707,741
Economic assistance and opportunity	120,336,454	-	2,054,981	122,391,435
Culture and recreation	464,085	-	-	464,085
Home and community services	1,284,179	-	3,590,423	4,874,602
Employee benefits	-	-	1,929,285	1,929,285
Debt service:				
Principal	4,803,400	-	1,801,609	6,605,009
Interest	3,451,230	-	2,266,648	5,717,878
Capital outlay	-	18,626,271	-	18,626,271
Total expenditures	<u>236,534,150</u>	<u>18,626,271</u>	<u>20,899,734</u>	<u>276,060,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,701,893</u>	<u>(7,428,087)</u>	<u>328,069</u>	<u>(3,398,125)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	129,935	27,718	15,616	173,269
Transfers out	(2,717,570)	(145,551)	(10,148)	(2,873,269)
Premium on debt issuance	-	27,983	-	27,983
Proceeds from issuance of debt	-	13,510,618	-	13,510,618
Tax sale certificates proceeds	4,105,782	-	-	4,105,782
Tax sale certificates reserve and issuance costs	(1,536,942)	-	-	(1,536,942)
Total other financing sources (uses)	<u>(18,795)</u>	<u>13,420,768</u>	<u>5,468</u>	<u>13,407,441</u>
Net change in fund balances	3,683,098	5,992,681	333,537	10,009,316
Fund balances—beginning	9,767,483	7,519,757	8,051,834	25,339,074
Fund balances—ending	<u>\$ 13,450,581</u>	<u>\$ 13,512,438</u>	<u>\$ 8,385,371</u>	<u>\$ 35,348,390</u>

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

COUNTY OF RENSSELAER, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2010

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

Net change in fund balances—total governmental funds \$ 10,009,316

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and capital disposals in the current period. 4,315,187

The issuance of long-term debt (e.g., bonds, capital leases) provide 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 assets. Also, the governmental funds report the effects of issuance costs when the debt is first issued, whereas these items are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (9,387,209)

Governmental funds report interest expenditures on long-term debt when such interest is paid. However, in the statement of activities interest on long-term debt is reported as an expense as it accrues. 28,706

In the statement of activities, certain operating expenses -- compensated absences (vacation & sick leave), amounts due to retirement systems, judgments and claims, and other post-employment benefits -- 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 is as follows:

Compensated absences	\$ (1,087,004)	
Retirement liability	(1,090,878)	
Other post-employment benefits	(4,284,407)	
Workers' compensation judgment and claims	<u>(335,652)</u>	(6,797,941)

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,421,087

Internal service funds are used by management to charge the costs of management information systems and other internal services in addition to health insurance and workers' compensation. The net revenue of certain activities of internal service funds is reported within the governmental activities. 634,112

Change in net assets of governmental activities \$ 223,258

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

COUNTY OF RENSSELAER, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 44,468,025	\$ 44,468,025	\$ 44,687,740	\$ 219,715
Real property tax items	5,734,599	5,734,599	6,103,617	369,018
Nonproperty tax items	71,278,708	71,278,708	70,572,276	(706,432)
Departmental income	16,446,503	16,451,598	15,440,561	(1,011,037)
Intergovernmental charges	9,370,226	9,370,226	9,352,725	(17,501)
Use of money and property	268,575	268,575	206,936	(61,639)
Fines and forfeitures	467,194	467,194	389,807	(77,387)
Sale of property and compensation for loss	3,044	3,044	12,121	9,077
Miscellaneous	805,704	855,938	621,972	(233,966)
Interfund revenues	1,016,824	1,016,824	975,407	(41,417)
State aid	38,910,978	41,042,533	38,438,616	(2,603,917)
Federal aid	<u>25,060,878</u>	<u>25,538,627</u>	<u>24,210,970</u>	<u>(1,327,657)</u>
Total revenues	<u>213,831,258</u>	<u>216,495,891</u>	<u>211,012,748</u>	<u>(5,483,143)</u>
EXPENDITURES				
Current:				
General government support	39,655,170	39,809,808	38,639,932	1,169,876
Education	17,010,176	17,182,001	17,056,560	125,441
Public safety	32,207,097	33,038,473	30,630,297	2,408,176
Health	21,917,105	22,507,718	19,324,311	3,183,407
Transportation	549,378	689,378	543,702	145,676
Economic assistance and opportunity	94,763,485	92,938,196	91,113,159	1,825,037
Culture and recreation	625,623	625,623	464,085	161,538
Home and community services	773,091	1,417,137	1,284,179	132,958
Debt service:				
Principal	4,901,502	4,825,901	4,803,400	22,501
Interest	<u>3,487,131</u>	<u>3,473,935</u>	<u>3,451,230</u>	<u>22,705</u>
Total expenditures	<u>215,889,758</u>	<u>216,508,170</u>	<u>207,310,855</u>	<u>9,197,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,058,500)</u>	<u>(12,279)</u>	<u>3,701,893</u>	<u>3,714,172</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	215,500	215,500	129,935	(85,565)
Transfers out	-	(2,717,570)	(2,717,570)	-
Tax sale certificates proceeds	3,500,000	3,500,000	4,105,782	605,782
Tax sale certificates reserve and issuance costs	<u>(1,657,000)</u>	<u>(1,657,000)</u>	<u>(1,536,942)</u>	<u>120,058</u>
Total other financing sources (uses)	<u>2,058,500</u>	<u>(659,070)</u>	<u>(18,795)</u>	<u>640,275</u>
Net change in fund balances	-	(671,349)	3,683,098	4,354,447
Fund balances—beginning	<u>9,767,483</u>	<u>9,767,483</u>	<u>9,767,483</u>	<u>-</u>
Fund balances—ending	<u>\$ 9,767,483</u>	<u>\$ 9,096,134</u>	<u>\$ 13,450,581</u>	<u>\$ 4,354,447</u>

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

COUNTY OF RENSSELAER, NEW YORK

Statement of Net Assets (Deficit)

Proprietary Funds

December 31, 2010

	Business-type Activities — Enterprise Fund	Governmental Activities — Internal Service Funds
	Van Rensselaer Manor	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,210	\$ 4,301,503
Restricted cash and cash equivalents	188,279	-
Accounts receivable (net of allowance for uncollectibles)	13,185,737	742,283
Due from other governments	-	85,393
Due from other funds	1,168,125	1,395,999
Inventories	202,206	-
Prepaid assets	1,667	160,441
Total current assets	14,749,224	6,685,619
Non-current assets:		
Assets held by trustee	2,898,363	-
Capital assets not being depreciated	550,000	-
Capital assets, net of accumulated depreciation	13,341,002	-
Total non-current assets	16,789,365	-
Total assets	31,538,589	6,685,619
LIABILITIES		
Current liabilities:		
Accounts payable	877,871	594,742
Accrued liabilities	2,461,126	4,701,221
Pension contributions payable	-	148,575
Due to other funds	-	283,879
Due to other governments	890	-
Retirement costs—current	1,519,227	-
Long-term debt—current	1,235,000	-
Total current assets	6,094,114	5,728,417
Non-current liabilities:		
Accrued workers' compensation liability	729,461	-
Accrued retirement costs—excluding current portion	386,481	-
Accrued other post employment benefits	6,548,154	-
Long-term debt—excluding current portion	26,167,460	-
Total non-current liabilities	33,831,556	-
Total liabilities	39,925,670	5,728,417
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	(10,613,095)	-
Unrestricted	2,226,014	957,202
Total net assets (deficit)	\$ (8,387,081)	\$ 957,202

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

COUNTY OF RENSSELAER, NEW YORK
Statement of Revenues, Expenses and Changes in Net Assets (Deficit)
Proprietary Funds
Year Ended December 31, 2010

	Business-type Activities — Enterprise Fund	Governmental Activities — Internal Service Funds
	Van Rensselaer Manor	
Operating revenues:		
Net patient service revenue	\$ 30,016,302	\$ -
Charges for services—interfund	-	22,559,654
Charges for services—intergovernmental	5,300,000	643,606
Other operating revenues	116,793	-
Total operating revenues	<u>35,433,095</u>	<u>23,203,260</u>
Operating expenses:		
Nursing and medical services	16,441,091	-
Dietary	3,122,833	-
Household and plant operation	4,134,311	-
Administrative and general services	3,575,604	-
Fringe benefits	7,768,583	654,181
Other post employment benefits	1,608,705	-
Interest expense	1,257,945	-
Depreciation	1,548,595	-
Personal service	-	1,864,183
Contractual expenses	-	20,053,849
Equipment	-	7,386
Bad debt expense	316,019	-
Total operating expenses	<u>39,773,686</u>	<u>22,579,599</u>
Operating (loss) income	<u>(4,340,591)</u>	<u>623,661</u>
Non-operating revenues (expenses):		
Contribution from County	2,700,000	-
Other non-operating expenses	(209,275)	-
Interest income	-	10,451
Total non-operating revenues (expenses)	<u>2,490,725</u>	<u>10,451</u>
Change in net assets (deficit)	(1,849,866)	634,112
Total net assets (deficit)—beginning	<u>(6,537,215)</u>	<u>323,090</u>
Total net assets (deficit)—ending	<u>\$ (8,387,081)</u>	<u>\$ 957,202</u>

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

COUNTY OF RENSSELAER, NEW YORK

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2010

	Business-type Activities — Enterprise Fund	Governmental Activities — Internal Service Funds
	Van Rensselaer Manor	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for patient care or services provided	\$ 29,485,315	\$ 23,007,116
Payments to suppliers for goods and services	(7,008,058)	(19,882,424)
Payments to employees for services	(27,314,170)	(2,573,391)
Payments for interest	(1,227,285)	-
Internal activity—payment made from County	4,858,924	467,193
Other operating revenue	116,793	-
Net cash (used) provided by operating activities	(1,088,481)	1,018,494
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Contributions and advances from (to) County	2,700,000	-
Other non-operating expenditures	(209,275)	-
Interest earned (fees incurred) on bank accounts	(238)	10,451
Net cash provided (used) by non-capital financing activities	2,490,487	10,451
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures, net	(250,384)	-
Net decrease in assets held by trustee	3,140	-
Principal payments on long-term debt	(1,155,000)	-
Net cash used by capital and related financing activities	(1,402,244)	-
Net (decrease) increase in cash and cash equivalents	(238)	1,028,945
Cash and cash equivalents—beginning	3,448	3,272,558
Cash and cash equivalents—ending	\$ 3,210	\$ 4,301,503

(continued)

COUNTY OF RENSSELAER, NEW YORK

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2010

		(concluded)
	Business-type Activities — Enterprise Fund	Governmental Activities — Internal Service Funds
	Van Rensselaer Manor	
Reconciliation of operating (loss) income to net cash (used) provided by operating activities:		
Operating (loss) income	\$ (4,340,591)	\$ 623,661
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:		
Depreciation expense	1,548,595	-
Amortization of issuance costs	30,660	-
(Increase) in accounts receivable	(5,920,951)	(110,751)
(Increase) in due from other governments	-	(85,393)
(Increase) in inventory	(23,056)	-
Decrease in prepaid expenses	-	110,000
Decrease in due from other funds	4,858,924	476,207
Increase (decrease) in accounts payable	(125,389)	68,811
Increase (decrease) in due to other governments	405,983	(9,014)
Increase in compensation and related costs	167,009	-
Increase in retirement and workers' compensation	942,244	65,967
Increase in other post employment benefits	1,608,705	-
(Decrease) in other accrued expenses	(240,614)	(120,994)
Total adjustments	<u>3,252,110</u>	<u>394,833</u>
Net cash (used) provided by operating activities	<u>\$ (1,088,481)</u>	<u>\$ 1,018,494</u>

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

COUNTY OF RENSSELAER, NEW YORK

Statement of Fiduciary Net Assets

Fiduciary Fund

December 31, 2010

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 4,743,919
Due from other funds	<u>3,220,538</u>
Total assets	<u>\$ 7,964,457</u>
LIABILITIES	
Accounts payable	\$ 132,490
Agency liabilities	7,433,687
Due to other funds	<u>398,280</u>
Total liabilities	<u>\$ 7,964,457</u>
NET ASSETS	
Total net assets	<u>\$ -</u>

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

COUNTY OF RENSSELAER, NEW YORK
Notes to the Financial Statements
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County of Rensselaer, New York (the “County”) 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. The more significant of the County’s accounting policies are described below.

A. Reporting entity

The County was established in 1791 and is governed by County Law, other general laws of the State of New York and various local laws. The County Charter was adopted September 7, 1972, effective January 1, 1974. The County Executive and County Legislature govern the County. The County Executive appoints the Chief Fiscal Officer, the Administrator of the Bureau of Finance.

Independently elected officials of the County include:

County Executive
County Legislators (19)
District Attorney
County Clerk
Sheriff

The County provides mandated social service programs such as Medicaid, Temporary Assistance for Needy Families and Safety Net. The County also provides services and facilities in the areas of culture, recreation, education, police, youth, health, senior services, roads, and sanitary sewerage. These general government programs and services are financed by various taxes, state and federal aid and departmental revenue (which is primarily comprised of service fees and various types of program-related charges). Additionally, the County also operates a nursing home.

The component units subsequently discussed are included in the County’s reporting entity because of the significance of their operational and financial relationships with the County.

Discretely Presented Component Units—The component unit columns in the basic financial statements include the financial data of the County’s two discretely presented component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

- **Rensselaer County Industrial Development Agency**—The Rensselaer County Industrial Development Agency (the “Agency”) was created April 1, 1974 by a special act of the New York State Legislature based upon the need to maintain and stimulate the economy and industry of Rensselaer County by providing attractive programs of industrial financing. The financial statements of the Agency have been prepared on an accrual basis.

The Agency does not record the property and related bond financing on its books since it only assists in obtaining monies for such projects. Equipment owned by the Agency is stated at cost less accumulated depreciation. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset. The annual financial report can be obtained by writing the Rensselaer County Industrial Agency, Rensselaer County Economic Development and Planning Department, 1600 Seventh Avenue, Troy, New York 12180.

- **Hudson Valley Community College**—The Hudson Valley Community College (“HVCC”) was established under Article 126 of the Education Act of the State of New York under the sponsorship of Rensselaer County. A Board of Trustees operates the College under paragraph (C) of the Subdivision 6 of Section 6304 of the Education Act of the State of New York. There are ten board members, five are appointed by the County Legislature, the Governor appoints four, and one is an elected student. HVCC is included based on its August 31, 2009 fiscal year end. The annual financial report can be obtained by writing the Chief Fiscal Officer, Hudson Valley Community College, 80 Vandenburgh Avenue, Troy, New York 12180.

The financial statements of HVCC have been prepared on the accrual basis.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as: (1) expenditures, in the case of normal replacement of moveable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

The financial statements of HVCC include two discretely presented component units; the Faculty Student Association and the Hudson Valley Community College Endowment Corporation.

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

- **Rensselaer Municipal Leasing Corporation**—The Rensselaer Municipal Leasing Corporation (“Corporation”), a not-for-profit corporation incorporated in the State of New York, was established in 1994 to assist the County in acquiring, financing, constructing, and leasing any buildings, equipment or other facilities that may be useful to or usable by the County. The Corporation is exempt from Federal income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

In June 1994, by resolution, the Corporation issued leasehold mortgage revenue bonds to finance the construction of a new County nursing home, the Van Rensselaer Manor (the “Manor”), on land leased from the County. The County entered into an agreement with the Corporation to lease the project facility, with the option to buy, through June 1, 2024, for amounts equal to the annual bond principal and interest payments. Upon termination of the lease term, title to the project facility will transfer to the County.

The annual financial report may be obtained by writing the Rensselaer County Bureau of Economic Development and Planning, Rensselaer County Office Building, 1600 Seventh Avenue, Troy, New York 12180.

- **Rensselaer Tobacco Asset Securitization Corporation**—The Rensselaer Tobacco Asset Securitization Corporation (“RTASC”) is a special purpose local development corporation organized under the Not-for-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from, the County. Although legally separate and independent of the County, RTASC is considered an affiliated organization and, therefore, is reported as a blended component unit of the County. The annual financial report may be obtained by writing the Rensselaer County Bureau of Finance, Rensselaer County Office Building, 1600 Seventh Avenue, Troy, New York 12180.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* have been included as part of the program expenses reported for the various functional activities. *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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when the underlying exchange transaction has occurred and the resources are available. Revenues are

considered *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 revenues to be available if they are collected within 180 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, are recorded only when payment is due.

Real property taxes, non-property 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County considers the following governmental funds as major funds:

- *General Fund*—This fund is the principal operating fund of the County and is used to account for all financial resources except those required to be accounted for in other funds.
- *Capital Projects Fund*—The capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

The County reports one major proprietary fund as follows:

- *Enterprise Fund*—This fund is used to account for operations which provide goods or services to the general public. These ongoing activities are similar to those found in the private sector; therefore, the determination of net income is necessary for sound financial administration. The County maintains one enterprise fund to account the Manor, which is a New York State licensed 362-bed skilled nursing and health related facility.

Additionally, the County reports the following fund types:

- *Internal Service Funds*—These funds are used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The County maintains the following internal service funds:
 - ◆ *Self-Insurance Fund*—This fund is used to account for the County’s self-insurance program for workers’ compensation benefits.
 - ◆ *Risk Retention Funds*—The County maintains two separate risk retention funds; one to account for the County’s insurance program for health, dental, and unemployment benefits and another to account for the County’s insurance program for liability coverage.
 - ◆ *Internal Service Fund*—This fund is used to account for a variety of services including data processing, purchasing, printing, automotive maintenance and several finance-oriented services.
- *Fiduciary Fund*—The Agency Fund is used to account for assets held by the County as an agent for other governments or other funds, such as payroll withholdings.

Private-sector standard of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise buds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments and charges between the County's sewer and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise and Internal Service Funds are charges to patients for care and charges to County departments for services, respectively. Operating expenses for the Enterprise and Internal Service Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

Cash, cash equivalents and investments—Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the County. State statutes and various resolutions of the County Legislature govern the County's investment policies. Permissible investments include obligations of the U.S. Treasury and U.S. Government agencies, repurchase agreements and obligations of New York State or its localities. Investments are stated at fair value based on quoted market prices.

Restricted cash—Represents debt proceeds held by the trustee banks to be drawn down as the County incurs eligible project costs and deposits held in custody for patients of the Van Rensselaer Manor.

Inventories—All inventories, which are comprised of general supplies, prescription drugs, and medical and other supplies, are valued at the lower of cost using the first-in/first out method or market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

Assets held by trustees—Certain resources set aside for the repayment of the County's Enterprise

Fund’s revenue bonds are classified as assets held by trustees on the balance sheet because they are maintained by the trustee agent and their use is limited.

Capital assets—Capital assets include property, buildings, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are incurred.

The County depreciates capital assets using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Land improvements	20
Infrastructure:	
Dams and drainage systems	100
Water and sewer systems	50
Traffic control systems	40
Bridges and culverts	30
Roads	20
Machinery and equipment	3-10

Long-term obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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.

Compensated absences—According to various union contracts, County employees are entitled to personal leave, sick leave and vacations annually as follows:

Personal leave	0-5 days
Sick leave	13 days
Vacation	10-25 days

Vacation time vests for both union and non-union employees to a maximum of 30 days. Accordingly, liabilities for vacation time of \$3,883,432 are reported as long-term debt in the government-wide financial statements. These payments are also budgeted annually without accrual and expenditure will be recorded when paid. Similar liabilities related to services rendered to the Manor are included in accrued liabilities of the enterprise fund in the amount of \$744,431.

An additional accrued liability of \$6,730,558 is reported within long-term debt in the government-wide financial statements for the value of sick leave, which will eventually be used to pay the retired employee's share of post employment health insurance premiums. A similar liability is included in accrued liabilities of the enterprise fund in the amount of \$802,060.

Payment of compensated absences recorded as long-term debt in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the future payment of compensated absences when such payments become due.

Encumbrances—Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Fund balances—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Insurance

The County assumes liability for some risk including, but not limited to, workers' compensation. Asserted and incurred but not reported claims and judgments 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 reasonable estimated. Such recording is consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Governmental fund type estimated current contingent liabilities (i.e., those to be liquidated with available financial resources in the ensuing year) for property damage and personal injury liabilities are recorded in the General Fund. The long-term portion (i.e., liabilities to be paid from future resources) is recorded within long-term debt in the government-wide financial statements.

F. Net resident service revenue at Van Rensselaer Manor

Van Rensselaer Manor recognizes revenue at the standard room rates as patient days are incurred. Payments for services rendered to patients covered by Medicare, Medicaid and certain other prospective rate or cost based third-party payers are generally less than established rates and contractual allowances are recorded to reflect these differences.

The rate established by the third-party payers is based on a defined cost of service in providing patient care and is subject to audit by the third-party payers. Any adjustments to previously reimbursed amounts resulting from these audits are recognized when they are known.

Final determination of amounts due the facility under these cost reimbursement programs is subject to audit or review by the respective administrative agencies and provision has been made for estimated adjustments that may result. Differences between estimated amounts accrued and final settlements are reported in operations in the year of settlement. The Medicare cost report has been audited and settled through 2009. The Medicaid cost reports for years 2009 and prior have been submitted to the regulators.

G. Recognition of federal aid related to food stamps

The Department of Health and Human Services requires disclosure of cash payments for food stamps made to the residents of the County. For the year ended December 31, 2010, the value of cash payments made to residents of the County for food stamps totaled \$29,223,295 and has been recorded in the General Fund as a revenue and expenditure per GASB Statement No. 24.

H. Pensions

Nearly all County employees are members of various New York State retirement systems. The County is invoiced annually by the systems for its share of the costs.

I. Interfund revenues

The County allocates General Fund costs incurred in the general administration of the County to other funds based on their proportionate benefit of the total costs allocated. In 2010, the County has reported interfund revenues in the General Fund of \$975,407 representing an allocation of costs to various special revenue funds and Van Rensselaer Manor. The amounts are reported as general government support expenditures in the General Fund as well as in the benefiting funds.

J. Medicaid services

The New York State Department of Health processes payments for Medicaid services through a third-party contractor. The County is subsequently billed for its share of expenditures as established by State laws and regulations. A new law was enacted (Chapter 58 of the Laws of 2006) to cap county Medicaid costs at calendar 2006 levels and permanently capped future growth rates at 3.0%. The cap is established based on each County's local share of expenditures during 2005 calendar base year.

K. Use of 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 revenues, expenditures, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

L. Impacts of accounting pronouncements

The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 59, *Financial Instruments Omnibus*, effective for the year ending December 31, 2011; and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the year ending December 31, 2012; and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the year ended December 31, 2013. The County is therefore unable to disclose the impact that adopting GASB Statements No. 54, 57, 59, 60, 61 and 62 will have on its financial position and results of operations when such statements are adopted.

During the year ended December 31, 2010, the County implemented GASB Statements No. 51 *Accounting and Financial Reporting for Intangible Assets*; No. 53, *Accounting and Financial Reporting for Derivative Investments*; and No. 58, *Accounting and Reporting for Chapter 9 Bankruptcies* were implemented and had no material impact to the County.

2. BUDGETS AND BUDGETARY DATA

The County's annual procedures in establishing the budgetary data reflected in the basic financial statements are as follows:

- Prior to October 20th, the Budget Director, on behalf of the County Executive, submits to the County Legislature a tentative budget for the following fiscal year to commence on January 1.
- The tentative budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments.
- The Legislature acts on the tentative budget prior to December 5th.
- The Budget Director is authorized to approve all budget transfer requests within departmental budgets except for personal service transfers and interdepartmental and interfund transfers, which must be approved by the Legislature.
- Formal annual budgetary accounts are adopted and employed for control of all governmental funds except the Capital Projects Fund. Budgetary control over individual capital projects is provided by Legislative approval or bond authorizations and provision of bond indebtedness.

- Total expenditures for each object may not legally exceed the total appropriations for that object. Encumbrances outstanding at year-end are accounted for by a reservation of fund balance. During the year ended December 31, 2010, supplemental appropriations in the amount of \$3,335,982 were approved in the General Fund. These additional appropriations were funded by increases to estimated revenues.
- The County does not budget for the value of revenues and expenditures related to food stamps that is passed through the County. In the current year, food stamps, with a 2010 value of \$29,223,295 is excluded from both federal revenues and economic assistance and opportunity on the budgetary basis schedules.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

County monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Total cash and cash equivalents reported by the County at December 31, 2010 is as follows:

Governmental Funds	\$ 28,576,714
Enterprise Fund	3,210
Internal Service Fund	4,301,503
Agency Fund	4,743,919
Total	<u>\$ 37,625,346</u>

The County's cash and cash equivalents were comprised of the following at December 31, 2010:

	Maturity Date	Fair Value at December 31, 2010
Petty cash (uncollateralized)	n/a	\$ 4,620
Deposits with financial institutions	n/a	35,014,382
Money market funds	n/a	76,458
Discount note	1/4/2010	2,529,886
Total		<u>\$ 37,625,346</u>

Restricted cash—Total governmental activities restricted cash of \$16,064,023, represents (\$12,314,023 of Installment Purchase proceeds and \$3,750,000 of New York State Environmental Facilities Corporation (“EFC”) loan) proceeds held by the trustee bank to be drawn down as the County incurs eligible project costs. Business-type activities restricted cash represents deposits totaling \$188,279, which are held in custody for patients of the Van Rensselaer Manor.

Deposits with financial institutions—All deposits are carried at fair value, and are classified by credit risk category as follows:

	<u>December 31, 2010</u>	
Credit risk category:	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 16,444,319	\$ 18,148,739
Uninsured:		
Collateral held by bank's agent in County's name	<u>18,570,063</u>	<u>18,893,364</u>
Total deposits	<u>\$ 35,014,382</u>	<u>\$ 37,042,103</u>

Cash equivalents—Cash equivalents, in the case of RTASC, include money market accounts and a discount note with a maturity date within three months of year end, and are, therefore, considered to be cash equivalents at December 31, 2010. These cash equivalents are carried at fair value as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Money market funds	\$ 76,458	\$ 76,458
Discount note	<u>2,529,886</u>	<u>2,529,886</u>
Total	<u>\$ 2,606,344</u>	<u>\$ 2,606,344</u>

Custodial credit risk – deposits—Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2010, all of the County's deposits were insured or collateralized.

Industrial Development Agency Component Unit—Deposits totaled \$4,495,399 (includes restricted cash of \$357,520) and were fully collateralized at December 31, 2010.

HVCC Component Unit—Deposits and investments totaled \$66,500,772 and were fully collateralized or insured at August 31, 2010.

4. REAL PROPERTY AND NONPROPERTY TAXES

Real property tax levies are fully accrued at the beginning of the fiscal year and are received and accounted for in the General Fund. Accruals for "due to other funds" are recorded in the General Fund for the portion of the tax revenue allocated to other funds. The current year's property taxes are levied and the prior year's unpaid school taxes are re-levied on a warrant to collect taxes by December 31 based on the fully assessed value of real property within the County. The fourteen towns are responsible for collection of the tax warrant until March 31. At that time, settlement proceedings take place whereby the County becomes the collecting agent and the towns receive full credit for their entire levy. The County becomes the enforcement agent for tax liens on all County real property except property within the cities of Troy and Rensselaer. The County has entered into agreements with these cities whereby the cities assess and collect all City and County taxes on property within each City and serve as enforcement agent for tax liens on such property. County taxes collected by the cities are remitted to the County periodically.

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable \$9,114,516 that represents taxes re-levied for schools is recognized as a liability and is included in due to other governments. Another portion of the receivable \$10,854,210 that is not considered available under the modified accrual basis of accounting, i.e. not collected within sixty days, is recorded as deferred revenue.

Tax rates are calculated using assessments prepared by individual town and city assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessed value of real property included in the tax levy of 2010 is approximately \$5.3 billion. The total County levy, including all charge backs, for 2010 was \$72.0 million. County tax rates vary by each assessing unit due to differences in equalization rates. The statutory maximum tax rate is 1.5% of the 5-year average of the equalized assessment. The 2010 levy represents approximately 38.08% of the maximum statutory levy.

Pursuant to section 1048 of the State Real Property Tax Law (RPTL) and County Local Law No. 3-93, the County is authorized to sell certain tax sale certificates (TSCs). These TSCs, which represent liens on certain outstanding property taxes, are sold to a trust, which in turn issues certificates of participation in the trust. Under the terms of sale, the County transfers all tax and interest collected by the County for these TSCs to the trustee. The trustee will use these collections to redeem the certificates of participation and to make semi-annual interest payments to the holders of the certificates of participation. These certificates of participation do not constitute debt of the County.

During 2010, 2009 and 2008, the County sold TSCs totaling \$4,105,782, \$4,153,249, and, \$3,432,348, respectively, which represented liens on certain outstanding property taxes for 2009, 2008 and 2007. Of these amounts, \$2,199,544 and \$1,402,127 were collected related to the 2009 and 2008 TSC sales and subsequently transferred to the trustee during 2010. As of December 31, 2010, \$4,105,782, \$1,953,705 and \$1,090,219 remained outstanding on the 2010, 2009 and 2008 sales, respectively.

The primary non-property tax item is sales tax totaling \$8,149,822, which is accrued as revenue based on the date on which the underlying sale occurs and is included in other receivables.

Effective September 1, 1994, the countywide sales tax was increased from seven percent to eight percent. The County's current authorization for the additional 1% sales tax was commenced on December 1, 2009 and extends to November 30, 2011. The County allocates a percentage of the sales tax to the cities, towns and villages within the County. The agreements with cities relating to calculation and distribution of their proportional share of sales tax are negotiated through November 30, 2014.

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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 County also utilizes a pooled cash account between County governmental funds and the enterprise fund (Van Rensselaer Manor), whereby, the General Fund maintains the enterprise fund cash and utilizes an interfund receivable/payable for amount being pooled.

Interfund receivables, payables, and transfers of the County as of, and for the year ended December 31, 2010 are presented below.

<u>Fund</u>	<u>Interfund</u>			
	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,013,973	\$ 5,699,254	\$ 129,935	\$ 2,717,570
Capital Projects Fund	43,439	-	27,718	145,551
Other governmental funds	71,667	532,328	15,616	10,148
Enterprise Fund	1,168,125	-	2,700,000	-
Internal Service Fund	1,395,999	283,879	-	-
Agency Fund	3,220,538	398,280	-	-
Total	<u>\$ 6,913,741</u>	<u>\$ 6,913,741</u>	<u>\$ 2,873,269</u>	<u>\$ 2,873,269</u>

6. RECEIVABLES

Revenues accrued by the County consist of the following:

A. Other receivables—Represent amounts due from various sources. Amounts accrued at December 31, 2010 are:

<u>Fund</u>	
General Fund	\$ 11,518,546
Capital Projects Fund	171,926
Other governmental funds	3,412,330
Enterprise Fund	13,185,737
Internal Service Fund	742,283
Total	<u>\$ 29,030,822</u>

B. State and federal receivables—Primarily represent claims for reimbursement of expenditures in administering various mental health and social service programs. Amounts are net of related advances from New York State. Amounts accrued at December 31, 2010 are:

<u>Fund</u>	
General Fund	\$ 20,195,886
Capital Projects Fund	2,342,317
Other governmental funds	589,449
Total	<u>\$ 23,127,652</u>

C. Due from other governments—Represents amounts due primarily from other local municipalities for chargebacks and other miscellaneous items. Amounts accrued at December 31, 2010 are:

<u>Fund</u>	
General Fund	\$ 6,901,689
Internal Service Fund	85,393
Total	<u>\$ 6,987,082</u>

7. CAPITAL ASSETS

A. Governmental activities—Capital asset activity for the primary government’s governmental activities, for fiscal year ending December 31, 2010, was as follows:

	Primary Government - Governmental Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 672,880	\$ -	\$ -	\$ 672,880
Construction in progress	34,914,480	7,471,449	-	42,385,929
Total capital assets not being depreciated	<u>35,587,360</u>	<u>7,471,449</u>	<u>-</u>	<u>43,058,809</u>
Capital assets, being depreciated:				
Land improvements	6,918,050	-	-	6,918,050
Buildings and building improvements	63,230,520	30,408.00	-	63,260,928
Infrastructure	86,286,266	2,802,028	-	89,088,294
Equipment	30,370,686	850,266	(266,955)	30,953,997
Total capital assets being depreciated	<u>186,805,522</u>	<u>3,682,702</u>	<u>(266,955)</u>	<u>190,221,269</u>
Less accumulated depreciation for:				
Land improvements	(6,849,850)	(20,900)	-	(6,870,750)
Buildings and building improvements	(34,214,605)	(1,805,410)	-	(36,020,015)
Infrastructure	(51,542,145)	(3,244,399)	-	(54,786,544)
Equipment	(23,168,847)	(1,768,255)	266,955	(24,670,147)
Total accumulated depreciation	<u>(115,775,447)</u>	<u>(6,838,964)</u>	<u>266,955</u>	<u>(122,347,456)</u>
Total capital assets, being depreciated, net	<u>71,030,075</u>	<u>(3,156,262)</u>	<u>-</u>	<u>67,873,813</u>
Governmental activities capital assets, net	<u>\$ 106,617,435</u>	<u>\$ 4,315,187</u>	<u>\$ -</u>	<u>\$ 110,932,622</u>

Construction in progress for governmental activities consists primarily of the County’s ongoing public safety building expansion. As of December 31, 2010, the value of construction in progress for this project was \$40,014,000. The County expects that the project will be deemed substantially complete in 2011, at which time the asset will be reclassified as a depreciable asset.

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

Governmental activities:	
General government support	\$ 1,123,508
Public safety	1,831,603
Health	2,454
Transportation	3,327,397
Economic assistance and opportunity	57,094
Culture and recreation	23,436
Home and community service	473,472
Total depreciation expense—governmental activities	<u>\$ 6,838,964</u>

B. Business-type activities—Capital asset activity for the primary government’s business-type activities (Enterprise Fund), for fiscal year ending December 31, 2010, as presented below:

	Primary Government - Business-type Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Total capital assets not being depreciated	<u>550,000</u>	<u>-</u>	<u>-</u>	<u>550,000</u>
Capital assets, being depreciated:				
Buildings	20,439,030	-	-	20,439,030
Fixed equipment	10,873,491	-	-	10,873,491
Major moveable equipment	4,944,136	250,384	(62,412)	5,132,108
Total capital assets being depreciated	<u>36,256,657</u>	<u>250,384</u>	<u>(62,412)</u>	<u>36,444,629</u>
Less accumulated depreciation for:				
Buildings	(10,567,453)	(722,940)	-	(11,290,393)
Fixed equipment	(7,174,116)	(541,174)	-	(7,715,290)
Major moveable equipment	(3,875,875)	(284,481)	62,412	(4,097,944)
Total accumulated depreciation	<u>(21,617,444)</u>	<u>(1,548,595)</u>	<u>62,412</u>	<u>(23,103,627)</u>
Total capital assets, being depreciated, net	<u>14,639,213</u>	<u>(1,298,211)</u>	<u>-</u>	<u>13,341,002</u>
Business-type activities capital assets, net	<u>\$ 15,189,213</u>	<u>\$ (1,298,211)</u>	<u>-</u>	<u>\$ 13,891,002</u>

C. Discretely presented component units

A summary of the discretely presented component units’ capital assets by major classification follows:

i) Rensselaer County Industrial Development Agency

	Balance 12/31/2010
Building	\$ 2,700,000
Equipment	<u>125,032</u>
Total capital assets	2,825,032
Less: accumulated depreciation	<u>(706,879)</u>
Total capital assets, net	<u>\$ 2,118,153</u>

ii) Hudson Valley Community College

	Balance 8/31/2010
Land, land improvements and infrastructure	\$ 21,598,838
Buildings and building improvements	157,207,684
Furniture and equipment	<u>22,310,038</u>
Total capital assets	201,116,560
Less: accumulated depreciation	<u>(86,075,030)</u>
Total primary institution, capital assets, net	115,041,530
Add: component unit capital assets, net	<u>10,049,228</u>
Total Hudson Valley Community College	<u><u>\$ 125,090,758</u></u>

8. SHORT-TERM DEBT

Short-term debt of the County consists of tax anticipation notes (“TANs”) and bond anticipation notes (“BANs”) at December 31, 2010.

The liability for TANs is recorded within the General Fund, as that fund received the proceeds from the note. TANs have a maximum maturity of one year, and are supported by a guaranteed source of revenue, which must be used to pay off the outstanding TAN debt.

The County entered into a short-term project financing agreement with the New York State Environmental Facilities Corporation (the “Corporation”). As a result of this agreement, the County issued \$3,750,000 in zero interest financing for the County’s sewer system improvements capital project. The bond anticipation note is dated September 17, 2009 and matures on September 17, 2012. A repayment schedule is not yet available at this time.

The following is an analysis of the County’s short-term debt as of, and for the year ending, December 31, 2010:

Description	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
General Fund:					
<i>Tax anticipation notes:</i>					
Issued: 9/29/2009					
Maturity: 4/30/2010	1.02%	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
Issued: 9/16/2010					
Maturity: 4/29/2011	0.72%-0.82%	-	<u>8,000,000</u>	-	<u>8,000,000</u>
Total		<u>\$ 4,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 8,000,000</u>
Capital Projects Fund:					
<i>Bond anticipation notes:</i>					
Issued: 9/17/2009					
Maturity: 9/17/2012	0.00%	\$ 3,750,000	\$ -	\$ -	\$ 3,750,000
Issued: 8/19/2010					
Maturity: 8/19/2011	0.69%	-	<u>3,250,000</u>	-	<u>3,250,000</u>
Total		<u>\$ 3,750,000</u>	<u>\$ 3,250,000</u>	<u>\$ -</u>	<u>\$ 7,000,000</u>

9. LONG-TERM DEBT

The following is a summary of changes in the County's long-term liabilities for the year ended December 31, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Serial bonds/CAB principal	\$ 49,657,213	\$ -	\$ 3,836,713	\$ 45,820,500	\$ 5,015,056
CAB interest accretions	4,775,250	321,358	933,891	4,162,717	-
RTASC bonds and interest	45,162,703	1,085,036	780,000	45,467,739	1,075,000
RTASC bond issuance costs	(330,119)	-	20,801	(309,318)	-
Installment purchase debt	-	13,510,618	-	13,510,618	220,212
Compensated absences	9,526,986	1,087,004	-	10,613,990	530,700
Retirement obligations	2,320,883	1,423,153	332,275	3,411,761	68,374
Other post-employment benefits	13,213,225	5,224,837	940,430	17,497,632	-
Other long-term liabilities	531,976	335,652	-	867,628	-
Total governmental activities	<u>\$ 124,858,117</u>	<u>\$ 22,987,658</u>	<u>\$ 6,844,110</u>	<u>\$ 141,043,267</u>	<u>\$ 6,909,342</u>
Business type activities:					
Bond and mortgage	\$ 28,980,000	\$ -	\$ 1,155,000	\$ 27,825,000	\$ 1,235,000
Bond issuance costs	(453,200)	-	30,660	(422,540)	-
Retirement obligations	1,236,630	1,554,390	885,312	1,905,708	1,519,227
Other post-employment benefits	4,939,449	1,833,045	224,340	6,548,154	-
Other long-term liabilities	456,295	273,166	-	729,461	-
Total business-type activities	<u>\$ 35,159,174</u>	<u>\$ 3,660,601</u>	<u>\$ 2,295,312</u>	<u>\$ 36,585,783</u>	<u>\$ 2,754,227</u>

Discretely Presented Component Units					
	Balance			Balance	Due
	January 1, 2010	Increases	Decreases	December 31, 2010	Within One Year
IDA:					
Mortgage payable	\$ 1,662,389	\$ -	\$ 188,011	\$ 1,474,378	\$ 198,972
Total IDA	<u>\$ 1,662,389</u>	<u>\$ -</u>	<u>\$ 188,011</u>	<u>\$ 1,474,378</u>	<u>\$ 198,972</u>
	Balance			Balance	Due
	September 1, 2009	Increases	Decreases	August 31, 2010	Within One Year
HVCC:					
Serial bonds	\$ 23,016,975	\$ -	\$ 1,988,296	\$ 21,028,679	\$ 2,809,944
Bond anticipation notes	-	3,527,543	-	3,527,543	3,527,543
DASNY bonds	47,617,045	2,560,574	4,330,257	45,847,362	3,342,618
Termination benefits	16,458,476	1,776,402	-	18,234,878	-
Other post-employment benefits	6,446,905	2,540,128	468,152	8,518,881	468,152
Association financing agreement	1,491,246	4,259,960	281,523	5,469,683	4,335,675
Capital leases	12,625,764	2,200,000	3,045,268	11,780,496	3,124,306
Other long-term liabilities	1,862,618	355,287	-	2,217,905	-
Total HVCC	<u>\$109,519,029</u>	<u>\$ 17,219,894</u>	<u>\$ 10,113,496</u>	<u>\$ 116,625,427</u>	<u>\$17,608,238</u>

A. Bond indebtedness—The County issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both governmental and business-type activities and the Hudson Valley Community College discretely presented component unit. A summary of bond transactions for the year ended December 31, 2010 is presented on the following pages.

<u>Description</u>	<u>Year Issue/ Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental funds:							
General:							
Public Safety Bldg	1991/2021	6.70	\$ 19,245,000	\$ 8,248,000	\$ -	\$ -	\$ 8,248,000
Jail (CAB)	1995/2011	4.6/5.85	942,000	80,508	-	28,759	51,749
Industrial Pk (CAB)	1995/2011	4.6/5.85	821,000	135,773	-	48,501	87,272
E-911 (CAB)	1995/2011	4.6/5.85	1,500,000	128,222	-	45,803	82,419
Radios (CAB)	1995/2011	4.6/5.85	250,000	21,344	-	7,625	13,720
Courts (CAB)	1995/2011	4.6/5.85	500,000	42,732	-	15,265	27,467
Courts (G/208/90)	1998/2013	4.00/5.25	290,000	77,846	-	24,870	52,976
Courts (G168/94)	1998/2013	4.00/5.25	1,223,000	328,298	-	104,885	223,413
Courts (G/405/96)	1998/2013	4.00/5.25	5,000,000	1,342,180	-	428,801	913,379
Courts (G/521/97)	1998/2013	4.00/5.25	10,000,000	2,684,361	-	857,603	1,826,758
800 Mhz Radio	1998/2013	4.00/5.25	3,750,000	1,006,634	-	321,601	685,033
Senior Center	1998/2013	4.00/5.25	101,419	27,225	-	8,698	18,527
Jail	2004/2011	3.0/5.0	103,980	39,848	-	-	39,848
Industrial Park	2004/2011	3.0/5.0	175,357	67,202	-	-	67,202
E-911	2004/2011	3.0/5.0	165,601	63,464	-	-	63,464
Radios	2004/2011	3.0/5.0	27,567	10,565	-	-	10,565
Courts	2004/2011	3.0/5.0	55,191	21,152	-	-	21,152
Fac Master Plan	2005/2025	4.0/4.2	1,500,000	1,295,391	-	57,160	1,238,231
Jail Expansion	2005/2025	4.0/4.2	5,000,000	4,317,966	-	190,534	4,127,432
Jail Expansion	2008/2028	3.25/4.375	20,300,000	19,625,000	-	675,000	18,950,000
Highway:				-			
1995 Roads (CAB)	1995/2013	3.0/5.0	2,899,459	505,746	-	180,663	325,083
1996 Improvemts	1998/2013	4.00/5.25	2,288,000	614,181	-	196,219	417,962
1997 Improvemts	1998/2013	4.00/5.25	1,000,000	268,436	-	85,760	182,676
2001 Improvemts	2001/2014	4.00/4.25	3,547,403	3,405,626	-	227,893	3,177,733
1995 Roads	2004/2011	3.0/5.0	656,262	251,502	-	-	251,502
2005 Improvemts	2005/2025	4.0/4.2	2,000,000	1,727,183	-	76,213	1,650,970
2005 Machinery	2005/2025	4.0/4.2	2,500,000	2,158,983	-	95,267	2,063,716
Sewer:							
Odor Control	1998/2013	4.00/5.25	480,000	128,849	-	41,165	87,684
Monofill	1998/2013	4.00/5.25	592,000	158,914	-	50,770	108,144
Clarifier	2001/2014	4.00/4.25	575,579	259,083	-	47,658	211,425
Monofill Expansion Phase II	2008/2028	3.25/4.375	635,000	615,000	-	20,000	595,000
Total serial bonds and capital appreciation bond principal				<u>49,657,213</u>	<u>-</u>	<u>3,836,713</u>	<u>45,820,500</u>
Capital appreciation bonds (interest accretions):							
Accum appreciation	1995/2013	4.60/5.85	N/A	2,754,482	146,948	933,891	1,967,539
Accum appreciation	1998/2013	4.00/5.25	N/A	2,020,768	174,410	-	2,195,178
Total capital appreciation bond interest accretions				<u>4,775,250</u>	<u>321,358</u>	<u>933,891</u>	<u>4,162,717</u>
Total government activities bonded debt				<u>\$ 54,432,463</u>	<u>\$ 321,358</u>	<u>\$ 4,770,604</u>	<u>\$ 49,983,217</u>

<u>Description</u>	<u>Year Issue/ Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities—							
Van Rensselaer Manor:							
Enterprise Fund:							
Leasehold Mortgage	2009/2024	3.55/5.88	\$29,980,000	\$28,980,000	\$ -	\$ 1,155,000	\$ 27,825,000
Total business-type activities				\$28,980,000	\$ -	\$ 1,155,000	\$ 27,825,000
Component Unit—							
Hudson Valley Community College ("HVCC"):							
HPER Center	1989/2019	6.90/7.00	\$ 2,000,000	\$ 625,000	\$ -	\$ 65,000	\$ 560,000
HPER Center	1991/2020	6.70	5,500,000	2,308,900	-	209,900	2,099,000
COMP/COMM (CAB)	1995/2013	4.6/5.85	7,000,000	774,486	-	276,663	497,823
Building Renovations (CAI)	1995/2013	4.6/5.85	2,040,000	225,707	-	80,627	145,080
Roads/Parking (CAB)	1995/2013	4.6/5.85	663,000	73,355	-	26,204	47,151
HVAC System	1998/2013	4.00/5.25	905,000	242,935	-	77,613	165,322
Roofs	1998/2013	4.00/5.25	269,000	72,209	-	23,070	49,139
Gas system	1998/2013	4.00/5.25	46,000	12,348	-	3,945	8,403
Reconstruction	2001/2014	4.00/4.25	2,460,890	1,107,708	-	203,764	903,944
HVAC	2001/2014	4.00/4.25	967,290	435,402	-	80,092	355,310
Electrical System	2001/2014	4.00/4.25	479,650	215,901	-	39,715	176,186
Tennis Courts	2001/2014	4.00/4.25	24,941	11,227	-	2,065	9,162
Parking Lot	2001/2014	4.00/4.25	213,638	96,164	-	17,689	78,475
Guenther Hall	2001/2014	4.00/4.25	251,817	113,350	-	20,851	92,499
Renovations/Improve.	2001/2014	4.00/4.25	3,022,581	1,360,540	-	250,272	1,110,268
COMP/COMM	2004/2011	3.0/5.0	2,157,816	826,947	-	-	826,947
Building Renovations	2004/2011	3.0/5.0	628,850	240,997	-	-	240,997
Roads/parking	2004/2011	3.0/5.0	204,376	78,323	-	-	78,323
Campus Center	2005/2025	4.0/4.2	4,057,687	3,504,188	-	154,624	3,349,564
Various Projects	2005/2025	4.0/4.2	1,236,000	1,067,402	-	47,100	1,020,302
Admin Building	2005/2025	4.0/4.2	4,700,000	4,058,887	-	179,102	3,879,785
Various Projects	2006/2026	4.4/4.5	6,200,000	5,565,000	-	230,000	5,335,000
Total serial bonds - component unit				\$23,016,975	\$ -	\$ 1,988,296	\$ 21,028,679
Total bond anticipation notes	2010	1.5	3,527,543	\$ -	3,527,543	\$ -	\$ 3,527,543

The annual repayment of principal and interest on bonded debt are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit</u>	
	<u>Serial Bond / CAB</u>		<u>Enterprise Fund</u>		<u>HVCC</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 5,015,056	\$ 1,916,515	\$ 1,235,000	\$ 1,382,456	\$ 2,809,944	\$ 881,439
2012	4,390,933	3,395,806	1,315,000	1,331,456	2,021,322	1,417,213
2013	4,391,243	3,349,123	1,410,000	1,276,956	2,053,683	1,369,966
2014	3,093,263	1,447,804	1,505,000	1,218,656	1,716,737	625,703
2015	2,131,447	1,299,760	1,610,000	1,148,306	1,028,553	546,109
2016-2020	11,674,255	4,839,265	9,875,000	4,362,061	5,605,745	1,949,684
2021-2025	10,694,303	2,185,742	10,875,000	1,215,217	5,347,695	730,361
2026-2030	4,430,000	390,882	-	-	445,000	20,025
Total	\$ 45,820,500	\$ 18,824,897	\$ 27,825,000	\$ 11,935,108	\$ 21,028,679	\$ 7,540,500

Debt service expenditures are recorded in the fund that benefited from the capital project financed by the debt.

The County is guarantor of, and makes debt service payments on bonds issued on behalf of Hudson Valley Community College (HVCC). Regular debt service related to the bonds issued for the College are funded by the College and are reported in the General Fund as intergovernmental charges. Regular payments funded in the current year amounted to \$1,988,296 in principal and \$1,489,570 interest.

B. Capital Appreciation Bonds (“CABs”)—On May 18, 1995, the County issued \$4,999,459 in capital appreciation bonds dated May 24, 1995 which mature over 18 years, beginning in the year 2001 and ending in the year 2013, require the payment of \$10,076,000 principal (plus interest of \$5,076,541) based on the stated value of the bonds. The bonds are not redeemable prior to maturity. On June 1, 1998, the County issued an additional \$2,399,419 in capital appreciation bonds dated June 24, 1998 which upon maturity over the next 15 years, beginning in the year 2012 and ending in the year 2013, require the payment of \$4,928,000 principal (plus interest of \$2,528,582) based upon the stated value of the bonds. The bonds are not redeemable prior to maturity. As of December 31, 2010, accreted interest less interest paid for both issuances amounts to \$4,162,717 and is included as a long-term liability in the governmental activities.

C. Rensselaer Tobacco Asset Securitization Corporation—Changes in RTASC’s long-term debt for the year ended December 31, 2010 are as follows:

	Balance 1/1/2010	Increases	Decreases	Balance 12/31/2010	Due Within One Year
Tobacco Settlement Bonds:					
Series 2001A	\$ 29,775,000	\$ -	\$ 780,000	\$ 28,995,000	\$ 1,075,000
Subordinate Turbo CABs:					
Series 2005 - Original Principal	11,653,100	-	-	11,653,100	-
Accreted Interest	3,734,603	1,085,036	-	4,819,639	-
Total Subordinated Turbo CABs	15,387,703	1,085,036	-	16,472,739	-
Bond issuance costs	(330,119)	-	20,801	(309,318)	-
Total RTASC	\$ 44,832,584	\$ 1,085,036	\$ 800,801	\$ 45,158,421	\$ 1,075,000

Series 2001A—In 2001, the RTASC issued \$34,555,000 of Tobacco Settlement Asset Backed Bonds, Series A pursuant to an indenture dated as of December 1, 2001. The net proceeds of the Series A Bonds were used to purchase from the County 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 A Bonds is dependent on the receipt of TSR’s. The amount of TSR’s 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 TSR’s and investment earnings pledged under the bond indenture, and amounts established and held in accordance with the bond indenture.

In the event sufficient funds are not available to meet Planned Payment Maturities, Rated Maturity dates will be used.

Each Series A Bond has a Rated Maturity Date and a Planned Principal Payment Date. Planned Principal Payment Dates are based upon a maturity of debt that began June 1, 2002 extending through 2027 at variable rates. Interest is payable 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 A Bonds when due or principal of the Series A Bonds when due on a Rated Maturity Date will constitute a default.

Debt service requirements for the Series 2001A bonds, based upon planned principal payments, are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,075,000	\$ 1,603,343	\$ 2,678,343
2012	1,030,000	1,548,484	2,578,484
2013	1,095,000	1,492,908	2,587,908
2014	1,135,000	1,433,546	2,568,546
2015	1,170,000	1,370,219	2,540,219
2016 - 2020	7,935,000	5,668,994	13,603,994
2021 - 2025	11,160,000	2,935,744	14,095,744
2026 - 2027	<u>4,395,000</u>	<u>228,706</u>	<u>4,623,706</u>
Total	<u>\$ 28,995,000</u>	<u>\$ 16,281,943</u>	<u>\$ 45,276,943</u>

Series 2005—In 2005, RTASC participated in the New York Counties Tobacco Trust V (“NYCTT V”), along with 23 other New York County Tobacco Corporations, and issued Subordinate Capital Appreciation Bonds (Subordinate Turbo CABs) in various series for the purpose of securitizing additional future tobacco settlement revenues. Net proceeds of the 2005 series, after closing costs, amounted to \$12,225,328.

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 accrued interest on the Subordinate Turbo CABs is reflected as long-term accreted interest payable.

As discussed in Note 1, during the year ended December 31, 2009, the rating of Reynolds American rose above the allowable threshold resulting in the termination of the Downgrade Trapping Event. RTASC used amounts previously reserved for the Downgrade Trapping Event to make a \$1,251,008 payment on its Subordinate Turbo CABs, of which \$987,198 represented a redemption payment; the remaining \$263,810 was a payment reducing accreted interest payable.

Redemption of the Subordinate Turbo CABs as outlined in the original official statement totals \$67,955,251 with interest ranging from 6.00% to 7.85% and are scheduled to be paid from 2017 through 2040, while early payment is allowed. During the year ended December 31, 2009, RTASC has made \$987,198 in redemption payments. During the year ended December 31, 2010 funds were not available to make redemption payments. Any debt service amounts not paid in accordance with

the Subordinated Turbo CAB's redemption payments schedule will be due and payable on the following maturity dates:

Series	Maturity Date
2005 S1	June 1, 2038
2005 S2	June 1, 2050
2005 S3	June 1, 2055
2005 4B	June 1, 2060

Advance Refunding—During 2001, on behalf of the County, the RTASC deposited \$27,520,954 of proceeds from the sale of tobacco settlement monies with an escrow agent to advance refund \$26,415,100 in County serial bonds (with \$1,090,106 for HVCC bonds). Therefore, at December 31, 2010, the value of the refunded bonds has been removed from the County's liabilities. The principal value of these defeased bonds at December 31, 2010 is \$495,000.

D. Leases payable—The County leases certain property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligation, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, is also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable in the fund financial statements. Total expenditures on operating leases for the fiscal year ended December 31, 2010 were approximately \$1,477,661.

The County had future minimum payments under operating leases with a remaining term in excess of one year as follows:

Governmental activities:	Operating
<u>Fiscal year ending December 31,</u>	<u>Leases</u>
2011	\$ 1,486,978
2012	1,470,839
2013	1,354,479
2014	856,752
2015	863,667
2016-2020	2,136,153
2021-2025	<u>543,527</u>
Future minimum payments	<u>\$ 8,712,395</u>

Installment Purchase Debt—During the year ended December 31, 2010, the County entered into Energy Performance Contracts for design and construction of more energy efficient systems with the sewer district sites and County building. Principal and interest payments are made quarterly. The interest rate of the Installment Purchase Debt ranges from approximately 3.0 - 3.2%.

The following summarizes requirements of the Installment Purchase Debt:

Year ended December 31,	Governmental Activities		
	Sewer District	County Building	Total
2011	\$ 281,392	\$ 78,748	\$ 360,140
2012	1,125,568	78,748	1,204,316
2013	1,125,568	78,748	1,204,316
2014	1,125,568	78,748	1,204,316
2015	1,125,568	78,748	1,204,316
2016-2020	5,627,840	236,252	5,864,092
2021-2025	5,627,840	-	5,627,840
2026-beyond	844,176	-	844,176
Total minimum lease payments	16,883,520	629,992	17,513,512
Less: Amount representing imputed interest costs	(3,886,273)	(116,621)	(4,002,894)
Present value of minimum lease payment	<u>\$ 12,997,247</u>	<u>\$ 513,371</u>	<u>\$ 13,510,618</u>

D. Retirement obligations—As explained in Note 1, the County records the value of government fund type pension obligations in the governmental activities. The annual budgets of the operating funds provide for these benefits as they become due.

E. Other Long-Term Liabilities—Consists of liabilities relating to compensated absences and judgments and claims for workers' compensation. As explained in Note 1, the County records the value of governmental fund type compensated absences in the governmental activities. The payment of both compensated absences and judgments and claims is dependent on many factors and, therefore, cannot be reasonably estimated as to future timing of payment. The annual budgets of the operating funds provide for such as amounts become payable.

10. RETIREMENT PLANS

The County participates in the New York and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (System). These are cost-sharing multiple-employer retirement systems. The systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for custody and control of its funds. The Systems issue 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.

The Systems are noncontributory, except for employees who joined after July 27, 1976 who contribute 3% of their salary. The New York State Legislature passed legislation in 2000 that suspends the 3% contribution for employees who have ten years or more of credited service. Those joining the System after January 1, 2010 are required to contribute 3% of salary throughout membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employees to the pension accumulation fund.

The County is required to contribute at an actuarially determined rate on or before February 1st of each year for the period April 1st through March 31st. The required contributions for the regular retirement payment (excluding group term life insurance and amortized amounts paid for early retirements, etc.) were as follows:

<u>Year</u>	<u>Contribution</u>
2010	\$ 8,015,268
2009	4,800,232
2008	5,274,757

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- ◆ Requires minimum contributions by employers of 4.5 percent of payroll every year, including years in which the investment performance would make a lower contribution possible
- ◆ Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g., billings due February 2010 would be based on the pension value as of March 31, 2009).

Legislation requires participating employers to make payments on a current basis. The County's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

11. SEGMENT INFORMATION FOR ENTERPRISE FUND

Segment information for the Manor as of, and for the year ended, December 31, 2010 follows:

	<u>Van Rensselaer Manor</u>
Operating revenues	\$ 35,433,095
Operating expenses:	
Services provided	38,225,091
Depreciation and amortization	<u>1,548,595</u>
Operating loss	(4,340,591)
Non-operating revenue (expense), net	<u>2,490,725</u>
Net (loss)	<u>\$ (1,849,866)</u>
Current assets	\$ 14,749,224
Current liabilities	<u>6,094,114</u>
Net working capital (deficiency)	<u>\$ 8,655,110</u>
Total assets	\$ 31,538,589
Total liabilities	<u>39,925,670</u>
Net assets (deficit)	<u>\$ (8,387,081)</u>
Fixed asset additions	<u>\$ 250,384</u>
Long-term liabilities—excluding current portions	<u>\$ 33,831,556</u>

12. OTHER POST-EMPLOYMENT BENEFITS

The County pays for a portion of eligible retirees' health insurance, depending on the type of health plan provided. Eligibility for postretirement benefits requires a minimum age of 55 with at least ten (10) years of service. In addition, the employee must qualify for retirement as a member of the New York State retirement system and immediately begin receiving a New York State pension upon leaving the County.

Authorization for the County to pay a portion of retiree health insurance premiums was enacted through a union contract, which was ratified by the County Legislature. Upon retirement, the then dollar equivalent of a retiree's accumulated sick leave shall be credited to such retiree, and such retiree shall be reimbursed for the premium cost of the health insurance program that is available to the retiree group, should the retiree be eligible and elect to enroll in such coverage after retirement.

The County recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. County governmental activities and business type activities contributed \$940,430 and \$224,340, respectively for the fiscal year ended December 31, 2010.

The County's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Manor's net OPEB obligation.

	Governmental Activities	Business -Type Activities
Annual required contribution	\$ 5,224,837	\$ 1,833,045
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	5,224,837	1,833,045
Contributions made	(940,430)	(224,340)
Increase in net OPEB obligation	4,284,407	1,608,705
Net OPEB obligation—beginning of year	13,213,225	4,939,449
Net OPEB obligation—end of year	<u>\$ 17,497,632</u>	<u>\$ 6,548,154</u>

As of January 1, 2009, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities and business type activities was \$39,768,759 and \$12,380,735, respectively.

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 health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of December 31, 2009, the County had an actuarial valuation performed with a valuation date of January 1, 2009. Accordingly, information from this study is presented in the County's Schedule of Funding Progress and the Schedule of Contributions

The County's schedule of funding progress is presented below:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
Governmental activities:						
As of January 1, 2007	\$ -	\$ 46,036,935	\$ 46,036,935	-	Not Available	-
As of January 1, 2009	-	39,768,759	39,768,759	-	\$ 53,158,000	75%
Business type activities:						
As of January 1, 2007	\$ -	\$ 15,383,081	\$ 15,383,081	-	Not Available	-
As of January 1, 2009	-	12,380,735	12,380,735	-	\$ 18,251,000	68%

The County's schedule of contributions for governmental activities is shown below:

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2010	\$ 5,224,837	\$ 940,430	18.0%
2009	5,122,389	755,182	14.7%
2008	5,518,350	1,048,581	19.0%

The County's schedule of contributions for business type activities is shown below:

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2010	\$ 1,833,045	\$ 224,340	12.2%
2009	1,797,103	190,529	10.6%
2008	2,019,148	334,387	16.6%

Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee 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, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date and measurement date of January 1, 2009. The expected investment rate of return on employer's assets is 4.0%. The RP-2000 Mortality Table for males and females is used for mortality rates. The rates of decrement due to retirement is based on the experience under the New York State & 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 unfunded actuarial accrued liability is being amortized over 30 years, therefore the remaining amortization period at December 31, 2010, was twenty six years.

13. LABOR RELATIONS

Four bargaining units represent the unionized county employees. The County's largest bargaining unit (UPSEU) has a contract settled through December 31, 2011, while another contract (PBA) is settled through December 31, 2010. The remaining two bargaining units (CSEA and SEARCO) have contracts settled through December 31, 2011 and December 31, 2012, respectively.

14. NET ASSETS, RESERVES AND DESIGNATIONS

A. Net assets—The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- ***Invested in capital assets, net of related debt***—This category groups all capital assets, including infrastructure, into one component of net assets. 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.
- ***Restricted net assets***—This category presents 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.
- ***Unrestricted net assets*** – This category represents net assets of the County not restricted for any project or other purpose.

B. Fund balances—In the fund financial statements, reservations represent portions of fund balance that has been legally segregated for a specific use or is not appropriable for expenditure by the County at December 31, 2010, and include:

- ***Reserved for contractual receivables***—Represents funds which will not be available for current expenditures as payment terms are set by contract.
- ***Reserved for encumbrances***—Represents commitments related to unperformed (executory) contracts for goods or services.
- ***Reserved for handicapped parking***—Represents revenues restricted to pay for the handicapped parking program.
- ***Reserved for tax stabilization***—Represents amounts set aside for future use to stabilize real property tax levies.
- ***Reserved for inventories***—Represents the portion of fund balance composed of inventory and is reserved since inventory is not an available spendable resource.
- ***Reserved for debt service***—Represents amounts reserved for payment of debt.

Designations are not legally required restrictions, but are segregated for a specific purpose. At December 31, 2010 designations include amounts to be utilized to support the 2011 adopted budget and amounts for future payments of retirement contributions.

15. RISK FINANCING ACTIVITIES

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions, injuries to employees and natural disasters. The County assumes some risk of loss relating to health, dental, unemployment and worker's compensation. The County has established internal service funds to account for losses, claims and judgments, relating to these exposures. These internal service funds are used to account for and finance the County, the Manor and in the case of the worker's compensation, it's plan members uninsured risk of loss. The County insures itself ("self insures") for all dental, unemployment claims and its' primary health insurance plan. The County purchases insurance for claims in excess of coverage provided by the internal service funds and for all other risks or loss. Settled claims have not exceeded the annual self insurance funding in any of the past three fiscal years.

All funds of the County and the Manor participate in the self insurance programs and make payments to the internal service funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for unforeseen losses. Claims and judgments are recognized consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Losses*, ("GASB Statement No. 10") which requires that claims and judgments be recognized 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. Internal service fund claim liabilities reported for health, dental and unemployment at December 31, 2010 were \$650,682.

Year Ended December 31,	Liability Beginning of Year	Claims and Ajustments	Claim Payments	Liability End of Year
2010	\$ 787,557	\$ 16,810,761	\$ 16,947,636	\$ 650,682
2009	790,261	15,843,996	15,846,700	787,557

Worker's compensation liability, reported in the Internal Service Fund, for the County and 20 other plan members at December 31, 2010 was \$4,017,937. Other plan members participate in the program and make payments on the same basis as County funds and departments. The liability for worker's compensation is also established based on the requirements of GASB Statement No. 10.

Year Ended December 31,	Liability Beginning of Year	Claims and Ajustments	Claim Payments	Liability End of Year
2010	\$ 4,007,550	\$ 1,585,060	\$ 1,574,673	\$ 4,017,937
2009	3,522,182	1,595,135	1,109,767	4,007,550

16. OTHER CONTINGENT LIABILITIES

A. Grant and aid programs—The County receives significant financial assistance from numerous federal and state agencies. The receipt of such funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the County. The amount of disallowance, if any, cannot be determined at this time, although the County expects any such amounts to be immaterial.

B. Other—The County is also involved in litigation arising in the ordinary course of its operations. The County believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the County’s financial condition or results of operations.

In 2010, the Hudson River – Black River Regulating District prepared an apportionment report of operation and maintenance costs associated with the Great Sacandaga Lake Reservoir. The District’s cost reports, approved by the NYS Department of Environmental Conservation, attempts to apportion costs of \$961,676 and \$1,168,844 to Rensselaer County for the fiscal years ending June 30, 2010 and 2011, respectively. However, the County has partnered with the other parties involved to contest the apportionment. The County’s defense is that the District has violated and exceeded its statutory powers by making its assessments. Therefore, the County has not recorded a liability at December 31, 2010.

17. AGENCY FUNDS

An agency fund exists for employee withholding and temporary deposits funds. The following is a summary of changes in assets and liabilities for the fiscal year ended December 31, 2010.

	Beginning Balance	Increases	Decreases	Ending Balance
ASSETS				
Cash	\$ 4,673,400	\$ 68,510,222	\$ (68,439,703)	\$ 4,743,919
Accounts receivable	333,632	339,919	(673,551)	-
Due from other funds	<u>2,250,372</u>	<u>77,095,397</u>	<u>(76,125,229)</u>	<u>3,220,540</u>
Total assets	<u>\$ 7,257,404</u>	<u>\$ 145,945,538</u>	<u>\$ (145,238,483)</u>	<u>\$ 7,964,459</u>
LIABILITIES				
Accounts payable	\$ 235,325	\$ 37,837,122	\$ (37,939,957)	\$ 132,490
Agency liabilities	6,542,846	98,837,972	(97,947,129)	7,433,689
Due to other funds	<u>479,233</u>	<u>398,280</u>	<u>(479,233)</u>	<u>398,280</u>
Total liabilities	<u>\$ 7,257,404</u>	<u>\$ 137,073,374</u>	<u>\$ (136,366,319)</u>	<u>\$ 7,964,459</u>

18. DEFICIT NET ASSETS

Enterprise Fund—The Manor had a net asset deficit of \$8,387,081 at December 31, 2010. The major factors contributing to the deficit are the increasing costs of operations, combined with Medicaid reimbursement rates and other state/federal funding sources that are not sufficient to cover the cost of providing care. The County annually provides contributions to the Manor to support operations. There is currently no formal plan to fund the net asset deficit. However, the New York State Legislature passed rebasing legislation which is expected to benefit the Manor with a retroactive payment of approximately \$6,118,000 anticipated by August 2011.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2011, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

SUPPLEMENTAL SCHEDULES

COUNTY OF RENSSELAER, NEW YORK

Combining Balance Sheet

Non-Major Governmental Funds

December 31, 2010

	Special Revenue					Total Non-major Governmental Funds
	Special Grant	Community Development	Highway	Sewer	RTASC	
ASSETS						
Cash and cash equivalents	\$ 43,156	\$ 351,032	\$ 2,320,463	\$ 2,155,810	\$ 2,792,093	\$ 7,662,554
Other receivables	54,043	1,721,312	59,803	1,565,833	11,339	3,412,330
State and federal receivables	-	-	589,449	-	-	589,449
Due from other funds	47,001	107	20,259	4,300	-	71,667
Inventories	-	-	264,219	-	-	264,219
Total assets	<u>\$ 144,200</u>	<u>\$ 2,072,451</u>	<u>\$ 3,254,193</u>	<u>\$ 3,725,943</u>	<u>\$ 2,803,432</u>	<u>\$ 12,000,219</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 41,652	\$ 3,668	\$ 414,861	\$ 430,013	\$ -	\$ 890,194
Accrued liabilities	11,230	-	68,181	29,093	-	108,504
Due to other funds	15,693	47,312	139,951	329,372	-	532,328
Deferred revenues	-	1,694,330	-	1,575	-	1,695,905
Pension contributions payable	44,202	-	217,041	126,674	-	387,917
Total liabilities	<u>112,777</u>	<u>1,745,310</u>	<u>840,034</u>	<u>916,727</u>	<u>-</u>	<u>3,614,848</u>
Fund balances:						
Reserved for:						
Debt service	-	-	-	-	2,617,683	2,617,683
Encumbrances	-	-	13,844	69,749	-	83,593
Inventories	-	-	264,219	-	-	264,219
Unreserved, designated for:						
Subsequent year's expenditures	-	-	-	444,492	-	444,492
Unreserved, undesignated	31,423	327,141	2,136,096	2,294,975	185,749	4,975,384
Total fund balances	<u>31,423</u>	<u>327,141</u>	<u>2,414,159</u>	<u>2,809,216</u>	<u>2,803,432</u>	<u>8,385,371</u>
Total liabilities and fund balance	<u>\$ 144,200</u>	<u>\$ 2,072,451</u>	<u>\$ 3,254,193</u>	<u>\$ 3,725,943</u>	<u>\$ 2,803,432</u>	<u>\$ 12,000,219</u>

COUNTY OF RENSSELAER, NEW YORK
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
December 31, 2010

	Special Revenue					Total
	Special Grant	Community Development	Highway	Sewer	RTASC	Non-major Governmental Funds
REVENUES						
Real property taxes	\$ -	\$ -	\$ 6,720,975	\$ -	\$ -	\$ 6,720,975
Nonproperty tax items	-	-	871,043	-	-	871,043
Departmental income	-	367,950	-	5,025,548	-	5,393,498
Use of money and property	-	-	1,994,911	6,420	131,139	2,132,470
Sale of property and compensation for loss	-	-	25,323	850	-	26,173
Miscellaneous	24,572	-	69,791	4,813	-	99,176
Tobacco settlement revenue	-	-	-	-	2,300,896	2,300,896
State aid	-	-	2,055,367	-	-	2,055,367
Federal aid	1,266,173	362,032	-	-	-	1,628,205
Total revenues	<u>1,290,745</u>	<u>729,982</u>	<u>11,737,410</u>	<u>5,037,631</u>	<u>2,432,035</u>	<u>21,227,803</u>
EXPENDITURES						
Current:						
General government support	30,000	-	351,101	408,737	60,518	850,356
Public safety	-	-	242,393	-	-	242,393
Transportation	-	-	8,164,039	-	-	8,164,039
Economic assistance and opportunity	1,260,745	794,236	-	-	-	2,054,981
Home and community services	-	-	-	3,590,423	-	3,590,423
Employee benefits	-	-	1,234,944	694,341	-	1,929,285
Debt service:						
Principal	-	-	862,016	159,593	780,000	1,801,609
Interest	-	-	571,078	44,017	1,651,553	2,266,648
Total expenditures	<u>1,290,745</u>	<u>794,236</u>	<u>11,425,571</u>	<u>4,897,111</u>	<u>2,492,071</u>	<u>20,899,734</u>
Excess of revenues over expenditures	-	(64,254)	311,839	140,520	(60,036)	328,069
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	15,616	-	-	15,616
Transfers out	-	-	(10,148)	-	-	(10,148)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,468</u>	<u>-</u>	<u>-</u>	<u>5,468</u>
Net change in fund balances	-	(64,254)	317,307	140,520	(60,036)	333,537
Fund balances—beginning	31,423	391,395	2,096,852	2,668,696	2,863,468	8,051,834
Fund balances—ending	<u>\$ 31,423</u>	<u>\$ 327,141</u>	<u>\$ 2,414,159</u>	<u>\$ 2,809,216</u>	<u>\$ 2,803,432</u>	<u>\$ 8,385,371</u>

**FEDERAL AWARD
SCHEDULES AND REPORTS**

COUNTY OF RENSSELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
Direct Program:			
Summer Food Service Program for Children	10.559	N/A	\$ 161,539
Passed through New York State:			
Special Milk Program for Children	10.556	N/A	27
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	1,061,378
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	71,395
Total U.S. Department of Agriculture			<u>1,294,339</u>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Community Development Block Grants - Small Cities Program	14.219	N/A	369,479
Community Development Block Grants - State's Program	14.228	975HO69-09/	140,032
Community Development Block Grants - State's Program	14.228	975ED659-09	222,000
ARRA - Accessibility Project	14.255	N/A	380,841
Total U.S. Department of Housing and Urban Development			<u>1,112,352</u>
U.S. Department of Justice:			
Passed through New York State:			
Crime Victim Assistance	16.575	C-501127	118,807
State Criminal Alien Assistance Program	16.606	N/A	15,056
Enforcing Underage Drinking Laws Program	16.727	N/A	18,100
Total U.S. Department of Justice			<u>151,963</u>
U.S. Department of Labor:			
Passed through New York State:			
Senior Community Service Employment Program	17.235	N/A	45,797
Trade Adjustment Assistance	17.245	N/A	28,590
WIA Adult Program	17.258	N/A	269,070
ARRA - WIA Adult Program	17.258	N/A	54,676
WIA Youth Activities	17.259	N/A	398,539
ARRA - WIA Youth Activities	17.259	N/A	1,338
WIA Dislocated Workers	17.260	N/A	324,869
ARRA - WIA Dislocated Workers	17.260	N/A	112,711
Total U.S. Department of Labor			<u>1,235,590</u>

(continued)

COUNTY OF RENSSELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Transportation:			
Passed through New York State:			
Highway Planning and Construction Projects	20.205	N/A	234,658
State and Community Highway Safety	20.600	N/A	23,602
Occupant Protection Incentive Grants	20.602	N/A	3,526
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	60,892
Passed through Federal Highway Administration:			
Federal Transit Capital Investment Grants	20.500	N/A	746,198
Total U.S. Department of Transportation			<u>1,068,876</u>
U.S. Department of Education:			
Passed through New York State:			
Special Education Grants for Infants and Families	84.181	C013305	99,420
ARRA - Special Education - Preschool Grants	84.392	N/A	2,722,699
Total U.S. Department of Education			<u>2,822,119</u>
U.S. Department of Health and Human Services:			
Passed through New York State:			
Special Programs for the Aging Title VII, Chapter 2			
Long Term Care Ombudsman Services for Older Individual	93.042	N/A	12,750
Special Programs for the Aging - Title III,			
Part F - Disease Prevention and Health Promotion Services	93.043	N/A	8,559
Special Programs for the Aging - Title III,			
Part B - Grants for Supportive Service and Senior Centers	93.044	N/A	145,606
Special Programs for the Aging - Title III,			
Part C - Nutrition Services	93.045	N/A	277,050
National Family Caregiver Support, Title III, Part E	93.052	N/A	69,468
Nutrition Services Incentive Program	93.053	N/A	94,097
Public Health Emergency Preparedness	93.069	HRI #1595-08	208,170
Immunization Grants	93.268	C-023265	24,750
Drug-Free Communities Support Program Grants	93.276	N/A	126,876
Temporary Assistance for Needy Families	93.558	N/A	8,622,937
ARRA - Child Support Enforcement	93.563	N/A	256,056
Child Support Enforcement	93.563	N/A	235,273
Low-Income Home Energy Assistance Program (HEAP)	93.568	N/A	6,546,898
Child Care and Development Block Grant	93.575	N/A	127,714
Child Welfare Services - State Grants	93.645	N/A	91,772

(continued)

COUNTY OF RENSSELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Foster Care - Title IV-E	93.658	N/A	2,041,806
ARRA - Foster Care - Title IV-E	93.658	N/A	84,314
Adoption Assistance	93.659	N/A	512,626
ARRA - Adoption Assistance	93.659	N/A	55,637
Social Services Block Grant	93.667	N/A	984,499
Chafee Foster Care Independence Program	93.674	N/A	46,740
ARRA Immunization	93.712	T-025297	16,719
Medical Assistance Program	93.778	N/A	1,483,220
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	16,000
Community Mental Health Services Block Grant	93.958	N/A	397,329
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	402,146
Maternal and Child Health Services Block Grant to the States	93.994	C-020624 C-024636	18,812 24,566
Total U.S. Department of Health and Human Services			<u>22,932,390</u>
U.S. Department of Homeland Security			
Passed through New York State:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	76,591
Homeland Security Grant Program	97.067	C-835494	176,460
Total U.S. Department of Homeland Security			<u>253,051</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 30,870,680</u>

(concluded)

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

COUNTY OF RENSSELAER, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of County of Rensselaer, New York (the "County") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. A reconciliation between the basic financial statements and the schedule of expenditures of federal awards exists.

2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

	<u>CFDA</u>	
WIA Youth Activities	17.259	\$ 86,940
Community Mental Health Services Block Grant	93.958	\$ 88,237
Substance Abuse Prevention and Treatment	93.959	\$ 402,146

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 Rensselaer, New York:

We have audited the financial statements of County of Rensselaer, New York (the "County"), as of and for the year ended December 31, 2010, and have issued our report thereon dated May 18, 2011 (which report refers to other auditors and contains an explanatory paragraph regarding deficit net assets at Van Rensselaer Manor). 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated May 18, 2011.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Legislature, management, the Office of the State Comptroller of the State of New York and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dreacher & Malecki LLP

May 18, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the County of Rensselaer, New York's, (the "County") compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of County management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Hudson Valley Community College and the Rensselaer County Industrial Development Agency, which expended \$16,674,307 and \$-0- of federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2010. Our audit, described below, did not include the operation of the Hudson Valley Community College and the Rensselaer County Industrial Development Agency, because other auditors were engaged to perform such audits in accordance with OMB Circular A-133.

We conducted our audit of compliance 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; and OMB Circular A-133. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the County's compliance with those requirements. The financial statements of the Rensselaer County Industrial Development Agency were not audited in accordance with *Governmental Auditing Standards*.

In our opinion, the County complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contract and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, 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.

Our consideration of the 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 the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Legislature, management, the Office of the State Comptroller of the State of New York and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dreacher & Malecki LLP

May 18, 2011

COUNTY OF RENSSELAER, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Part I. Summary of auditors' results

Financial Statements

Type of auditors' report issued: Unqualified*

* (which report refers to other auditors and contains an explanatory paragraph regarding deficit net assets at Van Rensselaer Manor)

Internal control over financial reporting:

1. Material weakness(es) identified? Yes ✓ No
2. Significant deficiency(ies) identified? ✓ Yes None reported
3. Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified? Yes ✓ No
5. Significant deficiency (ies) identified? Yes ✓ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? Yes ✓ No
7. The County's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
SNAP Cluster:	
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561
ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561
WIA Cluster:	
WIA Adult Program	17.258
ARRA - WIA Adult Program	17.258
WIA Youth Activities	17.259
ARRA - Youth Activities	17.259
WIA Dislocated Workers	17.260
ARRA - WIA Dislocated Workers	17.260

(continued)

COUNTY OF RENSSELAER, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

ARRA – Special Education, Preschool Grants	84.392
Public Health Emergency Preparedness	93.069
Foster Care – Title IV-E	93.658
ARRA – Foster Care – Title IV-E	93.658
Adoption Assistance	93.659
ARRA – Adoption Assistance	93.659
Social Services Block Grant (Title XX)	93.667
Medical Assistance Program, (Medicaid)	93.778

8. Dollar threshold used to distinguish between Type A and Type B programs? \$ 926,120

9. Auditee qualified as low-risk auditee? ✓ Yes No

(concluded)

COUNTY OF RENSSELAER, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Part II. Financial statement findings section

Finding 2010-1— Payroll Procedures

Criteria—All employee time sheets should be reviewed and approved certifying their accuracy.

Condition—During our audit, we noted an instance where a department head's time sheets was not approved.

Effect—The lack of approvals over department head's time sheets increases the potential for over/under statement of payroll expenditures/liabilities and opportunities for fraud.

Cause—The County's current policies do not require department head's timesheets to be reviewed and approved.

Recommendation—To further strengthen payroll controls, we recommend that the County revisit its current procedures regarding the approval of supervisor's timesheets.

Management's Corrective Action Plan—The County will consider having Human Resources review and approve management time sheets.

Part III. Federal award findings and questioned costs section

No findings were noted as reportable.

COUNTY OF RENSSELAER, NEW YORK
Schedule of Prior Year Audit Findings
Year Ended December 31, 2010
(Follow Up on December 31, 2009 Findings)

There were no findings related to the 2009 Single Audit procedures.

COUNTY OF RENSSELAER, NEW YORK
Schedule of Expenditures of New York State Department of Transportation Assistance
Year Ended December 31, 2010

<u>Program Title / Description</u>	<u>NYS Reference Number</u>	<u>Expenditures</u>
Consolidated Highway Improvement Program (CHIPS)	140000	\$ <u>2,063,650</u>
Total New York State Department of Transportation Expenditures		\$ <u>2,063,650</u>

See note to the schedule of expenditures of New York State Department of Transportation assistance.

COUNTY OF RENSSELAER, NEW YORK
Notes to Schedule of Expenditures of New York State Department of Transportation Assistance
Year Ended December 31, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of New York State Department of Transportation (the "NYSDOT") assistance includes the financial assistance provided by NYSDOT.

The accompanying schedule is presented on the modified accrual basis of accounting.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER STATE TRANSPORTATION
ASSISTANCE EXPENDED BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

Compliance

We have audited the compliance of County of Rensselaer, New York, (the "County") with the types of compliance requirements described in Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2010. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of County's management. Our responsibility is to express an opinion on County's compliance 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; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 of NYCRR 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 state transportation assistance programs tested has occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its state transportation assistance programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

Internal Control Over Compliance

The management of County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered the County's internal

control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Draft 43 of NYCRR.

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 state transportation assistance 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 state transportation assistance program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

Schedule of State Transportation Assistance Expended

We have audited the financial statements of the County as of and for the year ended December 31, 2010, and have issued our report thereon dated May 18, 2011 (which report refers to other auditors and contains an explanatory paragraph regarding deficit net assets at Van Rensselaer Manor). Our audit was performed for the purpose of forming an opinion on the County's financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft 43 of NYCRR, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the County Legislature, management, the New York State Department of Transportation, the Office of the State Comptroller of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

Drescher & Malecki LLP

May 18, 2011

COUNTY OF RENSSELAER, NEW YORK
Schedule of Findings and Questioned Costs
New York State Department of Transportation Assistance
For the Year Ended December 31, 2010

Part I. SUMMARY OF AUDITORS' RESULTS

New York State Department of Transportation Assistance:

Internal control over major programs:

- | | | | | | |
|---|-------|-----|-------|-------|---------------|
| 1. Material weakness(es) identified? | _____ | Yes | _____ | ✓ | No |
| 2. Significant deficiency (ies) identified? | _____ | ✓ | Yes | _____ | None Reported |

Type of auditors' report issued on compliance for programs tested:	Unqualified
--	-------------

- | | | | | | |
|---|-------|---|-----|-------|----|
| 3. Any audit findings disclosed that are required to be reported in accordance with Draft Part 43 of NYCRR? | _____ | ✓ | Yes | _____ | No |
|---|-------|---|-----|-------|----|

4. The County's programs tested were:

Name of Program

Consolidated Highway Improvement Program (CHIPS)

Part II. COMPLIANCE FINDINGS AND QUESTIONED COSTS

Finding 2010-2—Reimbursement Procedures

Criteria—When a request for reimbursement is made, there should be sufficient documentation to support the claim for reimbursement.

Condition—While reviewing supporting documentation for CHIPS reimbursements, it was noted that certain claims for reimbursements did not agree to their supporting documentation.

Cause—These variances appear to be the result of undetected clerical errors.

Effect—A liability or asset may result due to overpayments/underpayments made by/to the State.

Recommendation—We recommend that all claims are reviewed by an individual independent from the preparer to ensure that the amounts claimed for reimbursement are properly supported. Additionally, when adjustments are made subsequent to reimbursement, the Highway Department should implement the appropriate procedures to ensure that the State is refunded.

Management's Corrective Action Plan—Management accepts our recommendation. Claims will now be reviewed by an individual independent from the preparer and then audited by management.