

**COUNTY OF RENSSELAER,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal Awards
Information for the Year Ended December 31, 2017 and
Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rensselaer, New York (the "County") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, which are shown as discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Drescher & Malecki LLP

May 21, 2018

COUNTY OF RENSSELAER, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2017

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, 2017. This document should be read in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the County's primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$68,861,950 (net position). This consists of \$39,769,318 net investment in capital assets, \$3,950,188 restricted for specific purposes and unrestricted net position of \$25,142,444.
- The County's total primary government net position increased by \$19,938,631 during the year ended December 31, 2017. Governmental activities increased the County's net position by \$7,451,918, while net position of the business-type activities increased \$12,486,713.
- At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$50,041,716, an increase of \$32,057,780 from the prior year's combined ending fund balance of \$17,983,936.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$25,860,837, or 11.2 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 69.9 percent of the General Fund's total fund balance of \$37,017,537 at December 31, 2017.
- The County's primary government and blended component units total bonded indebtedness increased by \$14,414,647. During the year, serial bonds in the amount of \$20,870,333 were issued, while scheduled principal payments of \$6,695,000 were made. Additionally, the Rensselaer Tobacco Asset Securitization Corporation ("RTASC") Capital Appreciation Bonds ("CABs") reported accreted interest of \$239,314 during the year ended December 31, 2017.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the County’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 nursing home.

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 discretely presented 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 15-16 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 Fund and Capital Projects Fund which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor funds is provided in the form of the combining statements in the Supplemental Information section of this report.

The basic governmental fund financial statements can be found on pages 17-20 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 self-insurance for unemployment, dental and vision, workers' compensation 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 proprietary fund financial statements can be found on pages 21-24 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 County maintains one fiduciary fund, the Agency Fund.

The Agency Fund reports resources held by the County in a custodial capacity for individuals, private organizations and other governments.

The Agency Fund financial statement can be found on page 25 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 26-70 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's progress in funding its obligation to provide post-employment benefits to its employees, the County's net pension liability/(asset), and the County's budgetary comparison for the General Fund. Required Supplementary Information and a related note to the Required Supplementary Information can be found on pages 71-77 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Required Supplementary Information in the Supplemental Information section of this report on pages 78-79.

Finally, the Federal Awards Information presents the County’s Schedule of Expenditures of Federal Awards and can be found on pages 80-91.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the County’s primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$68,861,950 at the close of the most recent fiscal year, as compared to \$48,923,319 at the close of the fiscal year ended December 31, 2016.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities		Business-type Activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
Assets:						
Current assets	\$ 152,718,653	\$ 149,334,284	\$ 51,207,161	\$ 38,258,217	\$ 203,925,814	\$ 187,592,501
Capital assets	<u>194,538,520</u>	<u>193,776,219</u>	<u>12,955,008</u>	<u>12,513,420</u>	<u>207,493,528</u>	<u>206,289,639</u>
Total assets	<u>347,257,173</u>	<u>343,110,503</u>	<u>64,162,169</u>	<u>50,771,637</u>	<u>411,419,342</u>	<u>393,882,140</u>
Deferred outflows of resources	<u>20,406,654</u>	<u>41,719,310</u>	<u>5,522,780</u>	<u>12,621,036</u>	<u>25,929,434</u>	<u>54,340,346</u>
Liabilities:						
Current liabilities	46,358,055	74,273,684	5,672,456	4,565,020	52,030,511	78,838,704
Non-current liabilities	<u>259,778,568</u>	<u>255,774,217</u>	<u>40,319,812</u>	<u>47,199,248</u>	<u>300,098,380</u>	<u>302,973,465</u>
Total liabilities	<u>306,136,623</u>	<u>330,047,901</u>	<u>45,992,268</u>	<u>51,764,268</u>	<u>352,128,891</u>	<u>381,812,169</u>
Deferred inflows of resources	<u>14,583,197</u>	<u>15,289,823</u>	<u>1,774,738</u>	<u>2,197,175</u>	<u>16,357,935</u>	<u>17,486,998</u>
Net position:						
Net investment in capital assets	44,694,310	40,444,737	(4,924,992)	(7,261,557)	39,769,318	33,183,180
Restricted	3,950,188	3,558,472	-	-	3,950,188	3,558,472
Unrestricted	<u>(1,700,491)</u>	<u>(4,511,120)</u>	<u>26,842,935</u>	<u>16,692,787</u>	<u>25,142,444</u>	<u>12,181,667</u>
Total net position	<u>\$ 46,944,007</u>	<u>\$ 39,492,089</u>	<u>\$ 21,917,943</u>	<u>\$ 9,431,230</u>	<u>\$ 68,861,950</u>	<u>\$ 48,923,319</u>

The largest portion of the County’s net position, \$39,769,318, reflects its net investment in capital assets (e.g. land, land improvements, buildings and improvements, infrastructure and machinery and equipment), less any debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The deficit net position in the County’s business-type activities of the Van Rensselaer Manor’s net investment in capital assets 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 net position, \$3,950,188 represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining portion of the County’s net position, \$25,142,444, is considered to be unrestricted net position.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2017 and December 31, 2016.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues	\$ 109,719,606	\$ 108,840,394	\$ 56,274,163	\$ 56,288,945	165,993,769	165,129,339
General revenues	158,835,460	156,070,620	-	-	158,835,460	156,070,620
Total revenues	<u>268,555,066</u>	<u>264,911,014</u>	<u>56,274,163</u>	<u>56,288,945</u>	<u>324,829,229</u>	<u>321,199,959</u>
Total expenses	<u>261,103,148</u>	<u>260,535,018</u>	<u>43,787,450</u>	<u>43,050,765</u>	<u>304,890,598</u>	<u>303,585,783</u>
Special items	-	3,909,588	-	-	-	3,909,588
Change in net position	7,451,918	8,285,584	12,486,713	13,238,180	19,938,631	21,523,764
Net position—beginning	39,492,089	31,206,505	9,431,230	(3,806,950)	48,923,319	27,399,555
Net position—ending	<u>\$ 46,944,007</u>	<u>\$ 39,492,089</u>	<u>\$ 21,917,943</u>	<u>\$ 9,431,230</u>	<u>\$ 68,861,950</u>	<u>\$ 48,923,319</u>

Governmental activities—Governmental activities increased the County’s net position by \$7,451,918. A summary of revenues for governmental activities for the years ended December 31, 2017 and 2016 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Charges for services	\$ 38,352,580	\$ 37,852,495	\$ 500,085	1.3
Operating and capital grants	71,367,026	70,987,899	379,127	0.5
Property taxes and tax items	67,499,013	67,654,889	(155,876)	(0.2)
Non-property taxes	87,604,371	84,195,268	3,409,103	4.0
Use of money and property	2,885,861	2,814,731	71,130	2.5
Other	846,215	1,405,732	(559,517)	(39.8)
Total revenues	<u>\$ 268,555,066</u>	<u>\$ 264,911,014</u>	<u>\$ 3,644,052</u>	1.4

The most significant source of revenues for governmental activities are non-property taxes, which account for \$87,604,371, or 32.6 percent of total revenues. The other significant sources of revenue include operating and capital grants, which comprise \$71,367,026, or 26.6 percent of total revenues, and property taxes and tax items, which comprise \$67,499,013, or 25.1 percent of total revenues. Similarly, for the year ended December 31, 2016, the most significant source of revenues for governmental activities was non-property taxes, which accounted for \$84,195,268, or 31.8 percent of total revenues. The other significant sources of revenue included operating and capital grants, which comprised \$70,987,899, or 26.8 percent of total revenues, and property taxes and tax items, which comprised \$67,654,889, or 25.5 percent of total revenues.

Non-property taxes increased \$3,409,103 due to an increase in sales tax revenue, and charges for services increased \$500,085 as a result of increases in intergovernmental charges.

A summary of program expenses of governmental activities for the years ended December 31, 2017 and 2016 is presented below.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
General government support	\$ 53,906,657	\$ 52,796,513	\$ 1,110,144	2.1
Education	19,454,536	19,960,624	(506,088)	(2.5)
Public safety	41,336,543	39,835,872	1,500,671	3.8
Health	20,818,878	20,850,516	(31,638)	(0.2)
Transportation	11,653,003	7,566,285	4,086,718	54.0
Economic assistance and opportunity	100,136,793	106,137,564	(6,000,771)	(5.7)
Culture and recreation	586,403	603,032	(16,629)	(2.8)
Home and community services	8,068,635	6,665,565	1,403,070	21.0
Interest and fiscal charges	5,141,700	6,119,047	(977,347)	(16.0)
Total program expenses	<u>\$ 261,103,148</u>	<u>\$ 260,535,018</u>	<u>\$ 568,130</u>	0.2

The County’s most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$100,136,793, or 38.4 percent of program expenses. The other significant expenses include general government support of \$53,906,657, or 20.6 percent of total expenses, and public safety expenses of \$41,336,543, or 15.8 percent of total expenses. For the year ended December 31, 2016, the most significant expense category for governmental activities was economic assistance and opportunity (primarily composed of social service costs) of \$106,137,564, or 40.7 percent of program expenses. The other significant expenses included general government support of \$52,796,513, or 20.3 percent of total expenses, and public safety expenses of \$39,835,872, or 15.3 percent of total expenses

During the year ended December 31, 2017, economic assistance and opportunity expenses decreased by \$6,000,771, as a result of lower costs related to foster care programs. Transportation expenses increased by \$4,086,718 as a result of increased repairs and maintenance expenses as compared to the prior year.

Business-type activities—Business-type activities (Van Rensselaer Manor) increased the County’s net position by \$12,486,713. Operating revenues for the year ended December 31, 2017 had minimal change from the prior year, while operating expenses for the year ended December 31, 2017 increased 1.7 percent from the year ended December 31, 2016.

A summary of operating revenues and operating expenses for the County’s business-type activities for the years ended December 31, 2017 and 2016 is presented on the following page.

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

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollar	Percent (%)
Operating revenues:				
Charges for services	\$ 36,384,274	\$ 36,093,457	\$ 290,817	0.8
Operating grants and contributions	19,889,889	20,195,488	(305,599)	(1.5)
Total operating revenues	<u>\$ 56,274,163</u>	<u>\$ 56,288,945</u>	<u>\$ (14,782)</u>	(0.0)
Operating expenses:				
Nursing and medical	\$ 17,692,350	\$ 17,150,159	\$ 542,191	3.2
Ancillary	7,825,130	7,507,458	317,672	4.2
Administrative and general	4,997,459	4,253,016	744,443	17.5
Fringe benefits	9,290,955	10,025,577	(734,622)	(7.3)
Other post-employment benefits	1,261,452	1,524,960	(263,508)	(17.3)
Interest expense	403,656	361,062	42,594	11.8
Depreciation	1,053,306	1,367,607	(314,301)	(23.0)
Bad debt expense	1,214,435	804,120	410,315	51.0
Total operating expenses	<u>\$ 43,738,743</u>	<u>\$ 42,993,959</u>	<u>\$ 744,784</u>	1.7

For the year ended December 31, 2017, the Manor’s overall operating revenues remained consistent with 2016. With a large number of nursing homes closing in recent years, the Manor has realized an increased allocation of IGT funds as fewer facilities now share the total annual IGT funds approved by the federal government.

As detailed above, the Manor’s total operating expenses for the year ended December 31, 2017 increased 1.7 percent from the previous year. The increase is primarily due to increased wages, which were partially offset by the changes in the estimate of the Manor’s net pension obligation related to the New York State Employees’ Retirement System (“ERS”).

The Manor’s most significant expense items for the year ended December 31, 2017 are nursing and medical care, which accounts for \$17,692,350 or 40.5 percent of total expenses, fringe benefits which account for \$9,290,955, or 21.2 percent of total expenses, and ancillary expenses which account for \$7,825,130 or 17.9 percent of total expenses. Similarly, for the year ended December 31, 2016, the most significant expense items were nursing and medical care, which accounted for \$17,150,159 or 39.9 percent of total expenses, fringe benefits which accounted for \$10,025,577, or 23.3 percent of total expenses, and ancillary expenses which accounted for \$7,507,458 or 17.5 percent of total expenses.

Financial Analysis of Governmental Funds

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

Governmental funds—The focus of the County’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself,

or a group or individual that has been delegated authority to assign resources for particular purposes by the County Legislature.

At December 31, 2017, the County’s governmental funds reported combined ending fund balances of \$50,041,716, an increase of \$32,057,780 from the prior year. Approximately 51.7 percent of this amount, \$25,860,837, constitutes *unassigned fund balance*, which is available for spending at the County’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$3,289,921, (2) restricted for particular purposes, \$3,305,777, or (3) assigned for particular purposes, \$17,487,282.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$25,860,837, while total fund balance increased to \$37,017,537. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to the total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 11.2 percent of the total General Fund expenditures and transfers out, while total fund balance represents approximately 16.1 percent of that same amount. Fund balance in the General Fund increased \$10,416,546 during the year, primarily as a result of an increase in non-property tax revenue related to sales tax, as well as a decrease in economic assistance and opportunity expenditures related to various program expenditures.

The fund balance in the Capital Projects Fund increased \$19,325,630 from December 31, 2016 due to the issuance of serial bonds totaling \$20,870,333. Ending fund balance of \$748,402 is considered to be restricted for capital projects.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2017 is presented in Table 6 below:

Table 6—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 239,848,408	\$ 247,207,541	\$ 240,723,466	\$ (6,484,075)
Expenditures and other financing uses	<u>241,074,603</u>	<u>247,315,373</u>	<u>230,306,920</u>	<u>17,008,453</u>
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (1,226,195)	\$ (107,832)	\$ 10,416,546	\$ 10,524,378

Original budget compared to final budget—During the year, the budget is modified, primarily to reflect the acceptance of new grants. These grants explain some of the increases in appropriations and revenue from the original adopted budget final budget. Significant grants for which the budget was modified were for social services. A majority of the remaining increases in budgeted appropriations were a result of higher than anticipated operating expenses.

Final budget compared to actual results—The General Fund had a favorable variance from final budgetary appropriations of \$17,008,453. The primary positive variances were realized in economic assistance and opportunity and health expenditures. These positive variances were primarily a result of lower than anticipated program costs, personnel services and contractual services.

Capital Assets and Debt Administration

Capital assets—The County’s investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$207,493,528 (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.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets net of depreciation for the governmental activities and business-type activities at the years ended December 31, 2017 and December 31, 2016 are presented in Table 7 below:

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
Land	\$ 762,880	\$ 762,880	\$ 550,000	\$ 550,000	\$ 1,312,880	\$ 1,312,880
Construction in progress	35,447,163	35,719,934	763,311	348,034	36,210,474	36,067,968
Buildings and building improvements	65,660,403	68,959,358	4,588,750	4,975,975	70,249,153	73,935,333
Infrastructure	86,895,133	82,597,247	-	-	86,895,133	82,597,247
Machinery and equipment	5,772,941	5,736,800	7,052,947	6,639,411	12,825,888	12,376,211
Total	<u>\$ 194,538,520</u>	<u>\$ 193,776,219</u>	<u>\$ 12,955,008</u>	<u>\$ 12,513,420</u>	<u>\$ 207,493,528</u>	<u>\$ 206,289,639</u>

The County’s infrastructure assets are recorded at historical cost in the government-wide financials statements. The County has elected to depreciate its infrastructure assets. Additional information on County’s capital assets can be found in Note 4 of this report.

Long-term debt—The County currently has approximately \$126.3 million in total bonded debt for functions of the primary government and blended component units. This includes serial bonds and bonds issued by the Rensselaer Tobacco Asset Securitization Corporation (the “RTASC”).

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, comprised of bonded debt and accreted interest, of RTASC at December 31, 2017 is \$34,049,125. RTASC was created by the County in 2001 for the purpose of issuing 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's business-type activity, Van Rensselaer Manor, also has long-term debt issued and recorded as a liability. The amount outstanding consists of public improvement serial bonds totaling \$17,880,000 as of December 31, 2017.

The County carries an AA rating from Standard & Poor's.

A summary of the County's long-term liabilities at December 31, 2017 and December 31, 2016 is presented in Table 8 below:

Table 8—Summary of Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
Serial bonds	\$ 48,385,950	\$ 30,287,305	\$ -	\$ -	\$ 48,385,950	\$ 30,287,305
Serial bonds - HVCC	29,656,384	31,349,696	-	-	29,656,384	31,349,696
Unamortized premiums	2,028,235	2,226,584	-	-	2,028,235	2,226,584
RTASC bonds, and accrued interest	34,049,125	33,959,811	-	-	34,049,125	33,959,811
RTASC unamortized premium	1,340,465	1,347,085	-	-	1,340,465	1,347,085
Installment purchase debt	57,690,333	57,254,998	-	-	57,690,333	57,254,998
Compensated absences	13,504,106	13,728,072	-	-	13,504,106	13,728,072
Retirement obligations	126,556	243,736	-	-	126,556	243,736
Net OPEB obligation	40,515,064	36,311,996	15,256,304	13,994,852	55,771,368	50,306,848
Workers' compensation	9,157,292	9,278,695	754,180	940,770	9,911,472	10,219,465
Bond payable - Manor	-	-	17,880,000	19,960,000	17,880,000	19,960,000
Net pension liability	23,325,058	39,786,238	6,429,328	12,303,626	29,754,386	52,089,864
Total	<u>\$ 259,778,568</u>	<u>\$ 255,774,216</u>	<u>\$ 40,319,812</u>	<u>\$ 47,199,248</u>	<u>\$ 300,098,380</u>	<u>\$ 302,973,464</u>

For additional information on the County's long-term debt, refer to Note 11 of this report.

Economic Factors and Next Year's Budgets

New York State ("NYS") requires that counties expend significant local resources for unfunded mandates. In particular, the required contribution to the State run Medicaid program continues to place budgetary pressure upon the County. The County's expenditures for this program consume nearly fifty percent of the County's tax levy:

Year	Expense
2017	\$ 31,948,053
2016	32,949,224
2015	32,512,652

Other areas of concern are:

- High employee benefit costs in the form of contributions to the New York State and Local Retirement System, and for rising health insurance premiums for both active employees and retirees.
- New York State's plan to increase the age of criminality from 16 to 18 years of age which will require the County to spend additional resources for support and services to support the family court and juvenile placements.

- New York State Office of Indigent Legal Services continues to develop new criteria and procedures for determining the “indigent” eligibility standard to qualify for a public defender increasing local costs.
- Liabilities relating to post employment benefits for retirees and net pension liability due to mandated participation in the NYS and Local Retirement System.
- Increasing home and community expenses, due to an aging sewer system and other capital assets requiring significant future investments in infrastructure.
- The ability of the County to continue to control costs at the Van Rensselaer Manor Nursing Home and the reliance on the federal IGT program to offset County subsidies.
- Limitations on future property tax increases due to the NYS Tax Cap legislation.

Despite these factors, the County was able to develop a General Fund budget for 2018 which did not significantly increase property taxes. The County has formulated a budget that stayed within the New York State Tax Cap every year since the cap became effective. In fact, the County has generated General Fund surpluses over each of the last eleven fiscal years, continuing to strengthen its fund balance.

The County’s economic development efforts have been successful in attracting new technology and pharmaceutical research jobs. The recent revitalization of the City of Troy’s downtown has generated additional economic activity and a reinvestment into housing. Additionally, the commercial corridors in the Towns of Brunswick and North Greenbush are continuing to add retail businesses. 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 unemployment rate for December 2017 was 4.3 percent.

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 Position

December 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Industrial Development Agency	Hudson Valley Community College August 31, 2017
ASSETS					
Cash and cash equivalents	\$ 33,831,658	\$ 2,500	\$ 33,834,158	\$ 4,707,260	\$ 52,003,083
Restricted cash and cash equivalents	51,544,797	206,513	51,751,310	13,602	-
Cash with fiscal agent	4,549,848	-	4,549,848	-	-
Investments	-	-	-	-	10,501,730
Property taxes receivable (net of allowance)	25,767,436	-	25,767,436	-	-
Other receivables (net of allowance)	16,372,493	10,122,838	26,495,331	24,874	6,985,254
Intergovernmental receivables	27,759,388	-	27,759,388	-	-
Internal balances	(39,898,511)	39,898,511	-	-	-
Inventories	359,160	176,315	535,475	-	600,110
Prepaid items	2,294,551	800,484	3,095,035	-	1,516,426
Other assets	-	-	-	873,993	1,934,554
Assets held by trustee	-	-	-	-	2,324,592
Net pension asset	-	-	-	-	504,004
Due from component units/primary government	30,137,833	-	30,137,833	-	-
Capital assets not being depreciated	36,210,043	1,313,311	37,523,354	-	33,102,485
Capital assets, net of accumulated depreciation	158,328,477	11,641,697	169,970,174	3,401	124,060,517
Total assets	347,257,173	64,162,169	411,419,342	5,623,130	233,532,755
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows—relating to pensions	19,484,686	5,522,780	25,007,466	94,092	9,360,600
Deferred loss on refunding	921,968	-	921,968	-	-
Total deferred outflows of resources	20,406,654	5,522,780	25,929,434	94,092	9,360,600
LIABILITIES					
Accounts payable	7,396,172	2,052,092	9,448,264	26,890	4,868,472
Retainages payable	17,629	-	17,629	-	-
Accrued liabilities	3,763,013	3,620,364	7,383,377	-	5,561,839
Due to Agency Fund	2,121,673	-	2,121,673	-	-
Intergovernmental payables	20,275,670	-	20,275,670	-	-
Security deposits	-	-	-	8,358	-
State tax recapture	-	-	-	119,662	-
Due to primary government	-	-	-	481,449	29,656,384
Unearned revenues	2,862,984	-	2,862,984	-	15,449,244
Bond anticipation notes payable	7,830,000	-	7,830,000	-	-
Amounts held on behalf of HVCC	2,090,914	-	2,090,914	-	-
Noncurrent liabilities:					
Due within one year	13,102,469	2,125,000	15,227,469	-	3,789,034
Due within more than one year	246,676,099	38,194,812	284,870,911	59,511	55,196,061
Total liabilities	306,136,623	45,992,268	352,128,891	695,870	114,521,034
DEFERRED INFLOWS OF RESOURCES					
Rent advances applicable to future years	-	-	-	14,159	-
Deferred inflows—relating to pensions	6,438,597	1,774,738	8,213,335	9,037	3,158,606
Deferred gain on refunding	8,144,600	-	8,144,600	-	-
Total deferred inflows of resources	14,583,197	1,774,738	16,357,935	23,196	3,158,606
NET POSITION					
Net investment in capital assets	44,694,310	(4,924,992)	39,769,318	3,401	111,166,762
Restricted for:					
Tax stabilization	264,370	-	264,370	-	-
Handicapped parking	42,994	-	42,994	-	-
Debt service	2,103,889	-	2,103,889	-	-
Sheriff	146,122	-	146,122	-	-
Scholarships and fellowships	-	-	-	-	7,839,332
Capital projects and debt service	748,402	-	748,402	-	1,980,900
South Troy Industrial Park Project	-	-	-	13,602	-
Loans	644,411	-	644,411	-	-
Unrestricted	(1,700,491)	26,842,935	25,142,444	4,981,153	4,226,721
Total net position	\$ 46,944,007	\$ 21,917,943	\$ 68,861,950	\$ 4,998,156	\$ 125,213,715

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, 2017

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	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, 2017
Primary government:									
Governmental activities:									
General government support	\$ 53,906,657	\$ 7,394,302	\$ 2,197,077	\$ -	\$ (44,315,278)	\$ -	\$ (44,315,278)	\$ -	\$ -
Education	19,454,536	5,407,246	7,734,930	-	(6,312,360)	-	(6,312,360)	-	-
Public safety	41,336,543	4,772,444	1,787,538	-	(34,776,561)	-	(34,776,561)	-	-
Health	20,818,878	6,933,051	12,085,210	-	(1,800,617)	-	(1,800,617)	-	-
Transportation	11,653,003	-	3,940,521	4,195,596	(3,516,886)	-	(3,516,886)	-	-
Economic assistance and opportunity	100,136,793	3,750,099	37,068,163	-	(59,318,531)	-	(59,318,531)	-	-
Culture and recreation	586,403	-	2,142,100	-	1,555,697	-	1,555,697	-	-
Home and community services	8,068,635	10,095,438	215,891	-	2,242,694	-	2,242,694	-	-
Interest and fiscal charges	5,141,700	-	-	-	(5,141,700)	-	(5,141,700)	-	-
Total governmental activities	261,103,148	38,352,580	67,171,430	4,195,596	(151,383,542)	-	(151,383,542)	-	-
Business-type activities:									
Van Rensselaer Manor	43,787,450	36,384,274	19,889,889	-	-	12,486,713	12,486,713	-	-
Total primary government	\$ 304,890,598	\$ 74,736,854	\$ 87,061,319	\$ 4,195,596	(151,383,542)	12,486,713	(138,896,829)	-	-
Component units:									
Industrial Development Agency	\$ 2,114,640	\$ 1,826,004	\$ -	\$ -	-	-	-	(288,636)	-
Hudson Valley Community College	119,441,355	63,231,734	50,543,960	1,434,444	-	-	-	-	(4,231,217)
Total component units	\$ 121,555,995	\$ 65,057,738	\$ 50,543,960	\$ 1,434,444	-	-	-	(288,636)	(4,231,217)
General revenues:									
Real property taxes and tax items					67,499,013	-	67,499,013	-	-
Non-property taxes					87,604,371	-	87,604,371	-	-
Use of money and property					2,885,861	-	2,885,861	3,655	755,377
Fines and forfeitures					326,868	-	326,868	-	-
Sale of property and compensation for loss					169,186	-	169,186	-	78,639
Miscellaneous					350,161	-	350,161	111,519	2,766,639
Total general revenues					158,835,460	-	158,835,460	115,174	3,600,655
Change in net position					7,451,918	12,486,713	19,938,631	(173,462)	(630,562)
Net position—beginning					39,492,089	9,431,230	48,923,319	5,171,618	125,844,277
Net position—ending					\$ 46,944,007	\$ 21,917,943	\$ 68,861,950	\$ 4,998,156	\$ 125,213,715

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

COUNTY OF RENSSELAER, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 22,797,835	\$ -	\$ 4,900,455	\$ 27,698,290
Restricted cash and cash equivalents	44,975,340	4,463,693	2,105,764	51,544,797
Cash with fiscal agent	-	4,549,848	-	4,549,848
Property taxes receivable (net of allowance)	25,767,436	-	-	25,767,436
Other receivables	11,968,153	-	3,987,118	15,955,271
Intergovernmental receivables	22,998,224	557,758	2,114,919	25,670,901
Due from other funds	1,381,353	93,143	47,772	1,522,268
Inventories	-	-	359,160	359,160
Prepaid items	2,113,867	8,201	172,483	2,294,551
Total assets	<u>\$ 132,002,208</u>	<u>\$ 9,672,643</u>	<u>\$ 13,687,671</u>	<u>\$ 155,362,522</u>
LIABILITIES				
Accounts payable	\$ 5,916,956	\$ 583,477	\$ 809,044	\$ 7,309,477
Accrued liabilities	2,787,318	-	16,272	2,803,590
Due to other funds	43,935,894	182,084	584,098	44,702,076
Intergovernmental payables	20,275,065	-	605	20,275,670
Unearned revenues	2,861,109	-	1,875	2,862,984
Bond anticipation notes payable	-	7,830,000	-	7,830,000
Amounts held on behalf of HVCC	1,762,234	328,680	-	2,090,914
Total liabilities	<u>77,538,576</u>	<u>8,924,241</u>	<u>1,411,894</u>	<u>87,874,711</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue—property taxes	17,446,095	-	-	17,446,095
Total deferred inflows of resources	<u>17,446,095</u>	<u>-</u>	<u>-</u>	<u>17,446,095</u>
FUND BALANCES				
Nonspendable	2,113,867	-	1,176,054	3,289,921
Restricted	453,486	748,402	2,103,889	3,305,777
Assigned	8,589,347	-	8,995,834	17,585,181
Unassigned	25,860,837	-	-	25,860,837
Total fund balances	<u>37,017,537</u>	<u>748,402</u>	<u>12,275,777</u>	<u>50,041,716</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 132,002,208</u>	<u>\$ 9,672,643</u>	<u>\$ 13,687,671</u>	<u>\$ 155,362,522</u>

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

COUNTY OF RENSSELAER, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2017

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Total fund balances—governmental funds (page 17)	\$	50,041,716	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$368,360,433 and the accumulated depreciation is \$173,821,913.			194,538,520
Long-term receivable from Hudson Valley Community College is not reported as a fund receivable, but rather is recognized when the resources are available. The asset is reported in the statement of net position.			29,656,384
Uncollected property taxes are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			17,446,095
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.			921,968
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to employer contributions	\$	6,272,528	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion		13,212,158	
Deferred inflows related to pension plans		<u>(6,438,597)</u>	13,046,089
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 government-wide statement of net position.			91,315
Retained percentages are not a current liability, and therefore are not reported as liabilities in the governmental funds.			(17,629)
Net accrued interest expense for serial bonds is not reported in the funds. Accrued interest for general obligation bonds is \$780,985 and accrued interest on RTASC bonds is \$137,085 at year end.			(918,070)
To recognize tobacco settlement revenue that is not available for recognition within the governmental fund financial statements.			2,088,487
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:			
Serial bonds	\$	(48,385,950)	
Serial bonds - HVCC		(29,656,384)	
Unamortized premiums		(2,028,235)	
RTASC Tobacco Settlement Bonds and accreted interest		(34,049,125)	
Unamortized premium on RTASC Tobacco Settlement Bonds		(1,340,465)	
RTASC deferred gain on refunding		(8,144,600)	
Installment purchase debt		(57,690,333)	
Compensated absences		(13,504,106)	
Retirement obligations		(126,556)	
Other post-employment benefits plan obligation		(40,515,064)	
Workers' compensation		(1,184,992)	
Net pension liability		<u>(23,325,058)</u>	(259,950,868)
Total net position of governmental activities	\$		<u>46,944,007</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 (Deficit)—Governmental Funds
Year Ended December 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 54,296,667	\$ -	\$ 6,656,296	\$ 60,952,963
Real property tax items	5,893,205	-	-	5,893,205
Non-property tax items	86,637,487	-	966,884	87,604,371
Departmental income	13,859,754	-	10,219,273	24,079,027
Intergovernmental charges	15,191,257	-	-	15,191,257
Use of money and property	194,672	2,107	2,689,082	2,885,861
Licenses and permits	-	-	4,490	4,490
Fines and forfeitures	326,868	-	-	326,868
Sale of property and compensation for loss	147,562	-	21,624	169,186
Miscellaneous	212,897	-	132,774	345,671
Interfund revenues	2,015,105	-	5,675	2,020,780
State aid	40,761,229	4,021,530	3,688,213	48,470,972
Federal aid	21,001,954	174,066	1,720,034	22,896,054
Tobacco settlement revenue	-	-	1,903,680	1,903,680
Total revenues	<u>240,538,657</u>	<u>4,197,703</u>	<u>28,008,025</u>	<u>272,744,385</u>
EXPENDITURES				
Current:				
General government support	50,292,885	-	860,092	51,152,977
Education	18,694,621	-	-	18,694,621
Public safety	36,950,866	-	314,914	37,265,780
Health	20,027,351	-	-	20,027,351
Transportation	575,799	-	10,052,503	10,628,302
Economic assistance and opportunity	94,456,170	-	1,648,767	96,104,937
Culture and recreation	558,413	-	-	558,413
Home and community services	893,564	-	3,701,322	4,594,886
Employee benefits	-	-	2,275,361	2,275,361
Debt service:				
Principal	4,171,999	271,352	3,745,856	8,189,207
Interest	2,508,585	313,125	3,236,652	6,058,362
Capital outlay	-	10,016,283	-	10,016,283
Total expenditures	<u>229,130,253</u>	<u>10,600,760</u>	<u>25,835,467</u>	<u>265,566,480</u>
Excess (deficiency) of revenues over expenditures	<u>11,408,404</u>	<u>(6,403,057)</u>	<u>2,172,558</u>	<u>7,177,905</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	184,809	1,592,581	958,960	2,736,350
Transfers out	(1,176,667)	(743,769)	(815,914)	(2,736,350)
Proceeds from serial bonds issued	-	20,870,333	-	20,870,333
Proceeds from installment purchase debt issued	-	4,009,542	-	4,009,542
Total other financing sources (uses)	<u>(991,858)</u>	<u>25,728,687</u>	<u>143,046</u>	<u>24,879,875</u>
Net change in fund balances	10,416,546	19,325,630	2,315,604	32,057,780
Fund balances (deficit)—beginning	26,600,991	(18,577,228)	9,960,173	17,983,936
Fund balances—ending	<u>\$ 37,017,537</u>	<u>\$ 748,402</u>	<u>\$ 12,275,777</u>	<u>\$ 50,041,716</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 (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances—total governmental funds (page 19) \$ 32,057,780

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 expense and capital disposals in the current period.

Capital asset additions	\$ 10,573,424	
Loss on disposal	(10,491)	
Depreciation expense	<u>(9,800,632)</u>	762,301

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds. (89,223)

Certain tax and other revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.

Change in long-term receivable	\$ (1,693,312)	
Change in unearned tax revenue	<u>652,845</u>	(1,040,467)

Net differences between pension contributions recognized on the fund financial statements and the government-wide statements are as follows:

Direct pension contributions	\$ 6,272,528	
Cost of benefits earned net of employee contributions	<u>(2,176,681)</u>	(4,095,847)

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. 32,841

Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities, retained percentages on construction contracts are reported as expenses as they accrue. (17,629)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (94,590)

Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (33,473)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Proceeds from serial bonds issued	\$ (20,870,333)	
Principal payments on serial bonds	2,771,688	
Principal payments on serial bonds - HVCC	1,693,312	
Amortization of bond premiums	198,350	
Accreted interest on RTASC Subordinate Turbo CABs	(239,314)	
Principal payments on RTASC Tobacco Settlement Bonds	150,000	
Amortization of RTASC Tobacco Settlement Bonds premium	6,620	
Change in RTASC deferred gain on refunding	40,220	
Proceeds from installment purchase debt issued	(4,009,542)	
Payment of installment purchase debt	3,574,207	
Change in compensated absences	223,966	
Change in retirement obligation	117,180	
Change in other post-employment benefits plan obligation	(4,203,068)	
Change in workers' compensation	<u>516,939</u>	(20,029,775)

Change in net position of governmental activities \$ 7,451,918

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

COUNTY OF RENSSELAER, NEW YORK
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities	Governmental Activities
	Van Rensselaer Manor	Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 2,500	\$ 6,133,368
Resident trust cash	206,513	-
Other receivables, net of allowance for uncollectibles	10,122,838	898,671
Due from other funds	39,898,511	2,203,187
Inventories	176,315	-
Prepaid items	800,484	-
Total current assets	51,207,161	9,235,226
Noncurrent assets:		
Capital assets not being depreciated	1,313,311	-
Capital assets, net of accumulated depreciation	11,641,697	-
Total noncurrent assets	12,955,008	-
Total assets	64,162,169	9,235,226
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows—relating to pensions	5,522,780	-
Total deferred outflows of resources	5,522,780	-
LIABILITIES		
Current liabilities:		
Accounts payable	2,052,092	86,695
Accrued liabilities	3,620,364	41,353
Due to other funds	-	1,043,563
Long-term debt—current	2,125,000	-
Total current liabilities	7,797,456	1,171,611
Noncurrent liabilities:		
Accrued workers' compensation liability	754,180	7,972,300
Accrued other post employment benefits	15,256,304	-
Long-term debt—excluding current portion	15,755,000	-
Net pension liability	6,429,328	-
Total noncurrent liabilities	38,194,812	7,972,300
Total liabilities	45,992,268	9,143,911
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows—relating to pensions	1,774,738	-
Total deferred inflows of resources	1,774,738	-
NET POSITION		
Net investment in capital assets	(4,924,992)	-
Unrestricted	26,842,935	91,315
Total net position	\$ 21,917,943	\$ 91,315

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 Position
Proprietary Funds
Year Ended December 31, 2017

	<u>Business-type Activities</u> <u>Van Rensselaer Manor</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Operating revenues:		
Net patient service revenue	\$ 36,384,274	\$ -
Charges for services—interfund	-	23,704,011
Charges for services—intergovernmental	19,330,082	715,892
Other operating revenues	559,807	-
Total operating revenues	<u>56,274,163</u>	<u>24,419,903</u>
Operating expenses:		
Nursing and medical services	17,692,350	-
Dietary	3,334,656	-
Household and plant operation	4,490,474	-
Administrative and general services	4,997,459	-
Fringe benefits	9,290,955	2,904,908
Other post employment benefits	1,261,452	-
Interest expense	403,656	-
Depreciation	1,053,306	-
Personal services	-	41,483
Contractual expenses	-	21,443,740
Bad debt expense	1,214,435	-
Total operating expenses	<u>43,738,743</u>	<u>24,390,131</u>
Operating income	<u>12,535,420</u>	<u>29,772</u>
Nonoperating revenues (expenses):		
Other non-operating expenses	(48,707)	-
Interest income	-	3,069
Total non-operating revenues (expenses)	<u>(48,707)</u>	<u>3,069</u>
Change in net position	12,486,713	32,841
Total net position—beginning	<u>9,431,230</u>	<u>58,474</u>
Total net position—ending	<u>\$ 21,917,943</u>	<u>\$ 91,315</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, 2017

	Business-type Activities	Governmental Activities
	Van Rensselaer Manor	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for patient care or services provided	\$ 36,095,811	\$ 24,776,408
Receipts for intergovernmental transfer	30,189,243	-
Payments to suppliers for goods and services	(11,717,258)	(21,456,853)
Payments to employees for services	(26,569,697)	(2,603,141)
Payments for interest	(370,694)	-
Internal activity—change in due from County	(24,748,634)	-
Other operating revenue	559,807	-
Net cash provided by operating activities	3,438,578	716,414
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from other funds	-	(241,812)
Other non-operating expenses	(48,707)	-
Interest earned on bank accounts	-	3,069
Net cash (used for) provided by non-capital financing activities	(48,707)	(238,743)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	(1,494,894)	-
Principal payments on long-term debt	(2,080,000)	-
Net cash (used for) capital and related financing activities	(3,574,894)	-
Net (decrease) increase in cash and cash equivalents	(185,023)	477,671
Cash—beginning	187,523	5,655,697
Cash—ending	\$ 2,500	\$ 6,133,368

(continued)

COUNTY OF RENSSELAER, NEW YORK
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

(concluded)

	Business-type Activities	Governmental Activities
	Van Rensselaer Manor	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,535,420	\$ 29,772
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,053,306	-
Decrease in accounts receivable	11,785,133	356,505
(Increase) decrease in due from other funds	(24,748,634)	-
(Increase) in inventory	(7,652)	-
(Increase) decrease in prepaid expenses	(145,985)	15,010
Decrease in deferred outflows of resources	7,098,256	-
Increase (decrease) in accounts payable	949,703	(13,113)
Increase in accrued liabilities	140,904	328,240
(Decrease) in accrued workers' compensation liability	(186,590)	-
Increase in other post employment benefits	1,261,452	-
(Decrease) in net pension liability	(5,874,298)	-
(Decrease) in deferred inflows of resources	(422,437)	-
Total adjustments	(9,096,842)	686,642
Net cash provided by operating activities	\$ 3,438,578	\$ 716,414

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

COUNTY OF RENSSELAER, NEW YORK
Statement of Net Position
Fiduciary Fund
December 31, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,176,403
Due from other funds	<u>2,121,673</u>
Total assets	<u>\$ 5,298,076</u>
LIABILITIES	
Agency liabilities	<u>\$ 5,298,076</u>
Total liabilities	<u>\$ 5,298,076</u>

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

COUNTY OF RENSSELAER, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2017

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 accounting principles generally accepted in the United States of America applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting principles are described below.

Description of Government-Wide Financial Statements

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

Reporting Entity

The County 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 Clerk
County Legislators (19)	Sheriff
District Attorney	

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 accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 discretely presented component 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 Development 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, 2017 fiscal year end. The annual financial report can be obtained by writing the Chief Fiscal Officer, Hudson Valley Community College, 80 Vandenburg 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 Unit—The following blended component unit is a legally separate entity from the County, but is, in substance, part of the County’s operations and therefore data from the unit is combined with data of the primary government.

Rensselaer Tobacco Asset Securitization Corporation—The Rensselaer Tobacco Asset Securitization Corporation (“RTASC”) is a special purpose, bankruptcy remote, 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.

Basis of Presentation—Government-wide Financial Statements

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

As discussed earlier, the County has two discretely presented component units. While neither the Rensselaer County Industrial Development Agency nor the Hudson Valley Community College are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the County's water and transit functions 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.

Basis of Presentation—Fund Financial Statements

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

The County reports the following major governmental funds:

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

- *Van Rensselaer Manor*—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 for the Van Rensselaer 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—The Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. Combined in the internal service fund, the County accounts for self-insurance programs for workers' compensation benefits, insurance program for health, dental, and unemployment benefits, the County's insurance program for liability coverage as well as 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.

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

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

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

Cash, Cash Equivalents and Investments—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within six months or less from the date of acquisition. 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. The County’s primary government reports no investments at December 31, 2017.

Restricted Cash and Cash with Fiscal Agent—Restricted cash represents debt proceeds, unearned revenues, amounts held on behalf of HVCC, and amounts to support restricted fund balance held by the County and trustee banks to be drawn down as the County and/or College 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 (FIFO) 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2017, the County reported unearned revenues within the General Fund of \$2,861,109 and within other governmental funds of \$1,875.

Amounts held on behalf of Hudson Valley Community College (“HVCC”)—The County holds assets on behalf of the HVCC for various purposes, including for debt payments.

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:

Assets	Years
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

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

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2017, the County has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the County’s proportion of the collective net pension liability, the difference during the measurement period between the County’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date. The second item is a deferred loss on refunding bonds.

In addition to liabilities, the statement of financial position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has three items that qualify for reporting in this category. The first arises under a modified accrual basis of accounting. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement periods between the County's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements. The final item is a deferred gain on RTASC refunding bonds.

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

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

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

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

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

Revenues and Expenditures/Expenses

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses—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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Van Rensselaer Manor (the "Manor") and internal service funds are charges to customers and interfund/intergovernmental entities for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Manor records patient revenue at established rates for services rendered to all patients. 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. Final determination of amounts due the Manor under these cost reimbursement programs are 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 and accrued final settlements are reported in operations in the year of settlement. The Medicare cost report has been settled through 2016.

Property Taxes and Non-Property 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. Total taxes receivable at December 31, 2017 are \$25,767,436. The portion of the receivable, \$8,277,441, that represents taxes re-levied for schools and villages is recognized as a liability and is included in intergovernmental payables. Another portion of the receivable, \$17,446,095, that is not considered available under the modified accrual basis of accounting, i.e. not collected within sixty days, is recorded as a deferred inflow of resources.

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 2017 is approximately \$10.5 billion. The total County levy, including all charge-backs, for 2017 was \$71,926,332. 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 2017 levy represents approximately 42.53% of the maximum statutory levy.

The primary non-property tax receivable item is sales tax totaling \$11,189,256 which is accrued as revenue based on the date on which the underlying sale occurs and is included in other receivables.

Pursuant to section 1048 of the New York 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.

Effective September 1, 1994, the County-wide sales tax was increased from seven percent to eight percent. The County received authorization to impose an additional one percent sales tax that commenced on December 1, 2009 and extended through November 30, 2011. During the fiscal year ended December 31, 2011 the County received authorization to continue a one percent extension on its local share of sales tax for the period commencing December 1, 2011 and ending on November 30, 2013. During the fiscal year ended December 31, 2013 the County received authorization to continue a one percent extension on its local share of sales tax for the period commencing December 1, 2013 and ending on November 30, 2015. During the fiscal year ended December 31, 2015, the County received authorization to continue a one percent extension on its local share of sales tax for the period commencing December 1, 2015 and ending November 30, 2017. During the fiscal year ended December 31, 2017, the County received authorization to continue a one percent extension on its local share of sales tax for the period commencing December 1, 2017 and ending November 30, 2019. 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 have been negotiated and approved by the New York State Office of the Comptroller through March 31, 2021.

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 \$3,663,871 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 \$712,596.

An additional accrued liability of \$9,840,235 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 postemployment health insurance premiums. A similar liability is included in accrued liabilities of the enterprise fund in the amount of \$449,951.

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.

Pensions—The County is mandated by New York State law to participate in the New York State Teacher's Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension (asset)/liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Intergovernmental Transfer ("IGT")—The County is required to advance a percentage of the total Intergovernmental Transfer payments, which is determined by the Federal Matching Rate approved by the Centers for Medicare & Medicaid Services. The qualifying nursing homes are entitled to 100% of the share amount which is allocated based upon the ratio of each facility's reported Medicaid days divided by the total reported Medicaid days for all eligible activities.

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 2017, the County has reported interfund revenues in the General Fund of \$2,015,105 representing an allocation of costs to various special revenue funds and the Manor. The amounts are reported as general government support expenditures in the General Fund as well as in the benefiting funds.

Other

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

Reclassifications—Certain amounts were classified from HVCC's financial statements to conform to the County's reporting presentation. In the HVCC's statement of net position, \$29,656,384 previously classified as long term liabilities was reclassified as due to component units. This amount has been included in the County's statement of net position as due from component units and included in long term liabilities. This amount represents serial bonds that are funded by the College, but are issued by the County on behalf of the College.

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. Chapter 58 of Laws of 2006 capped County Medicaid costs at calendar 2006 levels and an annual growth rate of 3.0 percent, based on each County’s local share of expenditures in 2005. In 2012, the state legislature amended the law (Part F) to reduce the counties increase to 2.0 percent in 2013, 1.0 percent in 2014 and 0.0 percent thereafter.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2017, the County implemented GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending December 31, 2017. GASB statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement Nos. 74, 80, 81, and 82 did not have a material impact on the County’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018, and No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* effective for the year ending December 31, 2019, and No. 87, *Leases*, effective for the year ending December 31, 2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, and 88 will have on its financial position and results of operations.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

Budgets and Budgetary Accounting—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 1st.
- The tentative budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers’ comments, prior to November 28th.
- The Legislature acts on the tentative budget prior to December 10th.

- 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.

2. CASH AND CASH EQUIVALENTS

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 (including restricted cash) reported by the County at December 31, 2017 is presented below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 3,650	\$ 2,500	\$ -	\$ 6,150
Deposits	85,372,805	206,513	3,176,403	88,755,721
Cash held by fiscal agent	4,549,848	-	-	4,549,848
Total	<u>\$ 89,926,303</u>	<u>\$ 209,013</u>	<u>\$ 3,176,403</u>	<u>\$ 93,311,719</u>

The County's cash and cash equivalents were comprised of the following at December 31, 2017:

	Maturity Date	Fair Value at December 31, 2017
Petty cash (uncollateralized)	n/a	\$ 6,150
Deposits with financial institutions	n/a	86,651,832
Cash held by fiscal agent (collateralized)	n/a	2,903,607
Cash held by fiscal agent (uncollateralized)	n/a	1,646,241
Money market funds	n/a	16,260
Discount note	5/31/2018	2,087,629
Total		<u>\$ 93,311,719</u>

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

	December 31, 2017	
	Bank Balance	Carrying Amount
FDIC insured	\$ 2,219,187	\$ 1,918,979
Uninsured:		
Collateral held by pledging bank's agent in County's name	<u>93,967,950</u>	<u>87,636,460</u>
Total deposits	<u>\$ 96,187,137</u>	<u>\$ 89,555,439</u>

Cash equivalents—Cash equivalents, in the case of RTASC, include money market accounts and a discount note with a maturity date within six months of year end, and are, therefore, considered to be cash equivalents at December 31, 2017. These cash equivalents are carried at fair value as presented below.

	Bank Balance	Carrying Amount
Money market funds	\$ 16,260	\$ 16,260
Discount note	<u>2,087,629</u>	<u>2,087,629</u>
Total	<u>\$ 2,103,889</u>	<u>\$ 2,103,889</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, 2017, the County's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the County's name.

Restricted cash—Total governmental funds restricted cash of \$51,544,797, of which \$1,762,234 represents cash held on behalf of HVCC, \$2,880,070 related to unearned revenue, \$2,557,375 to support restricted fund balance, \$4,463,693 restricted for capital projects and \$39,898,511 of amounts held on behalf of the Manor. Additionally, the County reports cash with a fiscal agent of \$4,549,848 for capital projects at December 31, 2017. Total business-type activities restricted cash of \$206,513 represents deposits held in custody for patients. As required, these deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County.

Rensselaer County Industrial Development Agency

Deposits for the Agency totaled \$4,720,862 (includes restricted cash of \$13,602) and were fully collateralized at December 31, 2017.

Hudson Valley Community College

Deposits and investments for HVCC (including amounts held by trustee banks) totaled \$64,829,405 and were fully collateralized or insured at August 31, 2017.

3. RECEIVABLES

Major revenues accrued by the County at December 31, 2017 consisted of the following:

Taxes Receivable—Represents amounts due to the County for real property taxes and tax items of \$26,601,985. These amounts are reported net of an allowance for uncollectible taxes provision of \$834,549.

Other Receivables—Represent amounts due from various sources. The County's accounts receivable at December 31, 2017 are as shown below:

Governmental Funds:	
General Fund	\$ 11,968,153
Other nonmajor funds	3,987,118
Enterprise Fund, net of allowance of \$300,800	10,122,838
Internal Service Funds	<u>898,671</u>
Total	<u>\$ 26,976,780</u>

Intergovernmental Receivables—Represents amounts due from other local municipalities for chargebacks and 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, 2017 are shown below:

Governmental Funds:	
General Fund	\$ 22,998,224
Capital Projects Fund	557,758
Other nonmajor funds	<u>2,034,106</u>
Total	<u>\$ 25,590,088</u>

Rensselaer County Industrial Development Agency

The Agency reports grants and accounts receivable of \$24,874. These items are non-interest bearing and are carried at their estimated collectible amounts. Grants and accounts receivable are periodically evaluated for collectability based on a review of outstanding receivables, historical collection information and current economic conditions.

Hudson Valley Community College

Accounts receivable of HVCC for the fiscal year ended August 31, 2017 was as follows:

Sponsor and other counties, less \$0 allowance for doubtful accounts for 2017	\$ 398,781
Grants and contracts	1,567,852
Students, less \$4,026,891 allowance for doubtful accounts	928,337
State aid and other	<u>1,660,410</u>
Total	<u>\$ 4,555,380</u>

HVCC's component units, the Faculty Student Association and the Hudson Valley Community College Foundation report accounts receivable of \$1,811,025 and \$618,849, respectively.

4. CAPITAL ASSETS

Governmental activities—Capital asset activity for governmental activities for the year ended December 31, 2017 was as follows:

	Primary Government—Governmental Activities			
	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 762,880	\$ -	\$ -	\$ 762,880
Construction in progress	35,719,934	5,995,856	(6,268,627)	35,447,163
Total capital assets, not being depreciated	<u>36,482,814</u>	<u>5,995,856</u>	<u>(6,268,627)</u>	<u>36,210,043</u>
Capital assets, being depreciated:				
Land improvements	6,875,250	-	-	6,875,250
Buildings and improvements	124,436,692	355,569	-	124,792,261
Infrastructure	158,384,015	8,544,791	(2,500)	166,926,306
Machinery and equipment	31,902,230	1,945,835	(291,492)	33,556,573
Total capital assets, being depreciated	<u>321,598,187</u>	<u>10,846,195</u>	<u>(293,992)</u>	<u>332,150,390</u>
Less accumulated depreciation for:				
Land improvements	(6,875,250)	-	-	(6,875,250)
Buildings and improvements	(55,477,334)	(3,654,524)	-	(59,131,858)
Infrastructure	(75,786,768)	(4,246,905)	2,500	(80,031,173)
Machinery and equipment	(26,165,430)	(1,899,203)	281,001	(27,783,632)
Total accumulated depreciation	<u>(164,304,782)</u>	<u>(9,800,632)</u>	<u>283,501</u>	<u>(173,821,913)</u>
Total capital assets, being depreciated, net	<u>157,293,405</u>	<u>1,045,563</u>	<u>(10,491)</u>	<u>158,328,477</u>
Governmental activities capital assets, net	<u>\$ 193,776,219</u>	<u>\$ 7,041,419</u>	<u>\$ (6,279,118)</u>	<u>\$ 194,538,520</u>

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

Governmental activities:	
General government support	\$ 1,728,694
Public safety	2,459,011
Health	10,926
Transportation	3,556,048
Economic assistance and opportunity	151,534
Culture and recreation	5,292
Home and community services	1,889,127
Total depreciation expense—governmental activities	<u>\$ 9,800,632</u>

Business-type activities—Capital asset activity for business-type activities (Enterprise Fund) for the year ended December 31, 2017 as presented below:

	Primary Government - Business-type Activities			
	Balance	Increases	Decreases	Balance
	1/1/2017			12/31/2017
Capital assets, not being depreciated:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Construction in progress	348,034	763,311	(348,034)	763,311
Total capital assets, not being depreciated	898,034	763,311	(348,034)	1,313,311
Capital assets, being depreciated:				
Buildings	20,439,030	-	-	20,439,030
Fixed equipment	15,133,861	-	-	15,133,861
Major moveable equipment	4,310,474	1,079,616	(538,274)	4,851,816
Total capital assets, being depreciated	39,883,365	1,079,616	(538,274)	40,424,707
Less accumulated depreciation for:				
Buildings	(15,463,057)	(387,223)	-	(15,850,280)
Fixed equipment	(10,818,959)	(254,784)	-	(11,073,743)
Major moveable equipment	(1,985,963)	(411,298)	538,274	(1,858,987)
Total accumulated depreciation	(28,267,979)	(1,053,305)	538,274	(28,783,010)
Total capital assets, being depreciated, net	11,615,386	26,311	-	11,641,697
Business-type activities capital assets, net	\$ 12,513,420	\$ 789,622	\$ (348,034)	\$ 12,955,008

Rensselaer County Industrial Development Agency

Capital asset activity for the Agency for the fiscal year ended December 31, 2017 was as follows:

	Balance 12/31/17
Machinery and equipment	\$ 136,777
Less: accumulated depreciation	(133,376)
Total capital assets, net	\$ 3,401

Hudson Valley Community College

Capital asset activity for HVCC for the fiscal year ended August 31, 2017 was as follows:

	Balance 8/31/2017
Land, land improvements and infrastructure	\$ 32,966,669
Buildings and building improvements	221,250,965
Machinery and equipment	35,913,749
Construction in progress	135,816
Total capital assets	290,267,199
Less: accumulated depreciation	(144,012,922)
Total Hudson Valley Community College	<u>\$ 146,254,277</u>

Additionally, net capital assets of \$10,908,725 were reported for HVCC Component Unit, the Faculty Student Association.

5. ACCRUED LIABILITIES

Accrued liabilities reported by the County’s governmental funds at December 31, 2017 were as follows:

	General Fund	Other Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 1,971,318	\$ 16,272	\$ 1,987,590
Litigation payable	816,000	-	816,000
Total	<u>\$ 2,787,318</u>	<u>\$ 16,272</u>	<u>\$ 2,803,590</u>

6. PENSION OBLIGATIONS

Plan Descriptions and Benefits Provided

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

The system is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2017, the County reported the following liabilities for its proportionate share of the net pension liabilities for ERS. The net pension liabilities were measured as of March 31, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2016, with update procedures used to roll forward the total net pension liabilities to the measurement date. The County's proportion of the net pension liabilities were based on projections of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the County.

	Governmental		Business-type	
	Activities		Activities	
	ERS			
Measurement date	March 31, 2017			
Net pension liability	\$	23,325,058	\$	6,429,328
County's portion of the Plan's total net pension liability		0.2482384%		0.0684246%

For the year ended December 31, 2017, the County recognized pension expenses of \$12,353,402 and \$3,405,097 for ERS for governmental activities and business-type activities, respectively. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS							
	Deferred Outflows of Resources		Deferred Inflows of Resources					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities				
Differences between expected and actual experiences	\$	584,504	\$	161,113	\$	3,542,042	\$	976,330
Changes of assumptions		7,968,695		2,196,494		-		-
Net difference between projected and actual earnings on pension plan investments		4,658,959		1,284,197		-		-
Changes in proportion and differences between the County's contributions and proportionate share of contributions		-		-		2,896,555		798,408
County contributions subsequent to the measurement date		6,272,528		1,880,976		-		-
Total	\$	<u>19,484,686</u>	\$	<u>5,522,780</u>	\$	<u>6,438,597</u>	\$	<u>1,774,738</u>

The County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
	<u>ERS</u>	
2018	\$ 3,407,239	\$ 939,173
2019	3,407,239	939,173
2020	3,379,188	931,440
2021	(3,420,104)	(942,720)

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

	<u>ERS</u>
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.5%

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

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

Measurement date	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2017	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	<u>100.0 %</u>	

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 74,495,613	\$ 23,325,058	\$ (19,939,551)
Business-type Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 20,534,000	\$ 6,429,328	\$ (5,496,145)

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

	(Dollars in Thousands)	
	ERS	
Valuation date	March 31, 2016	
Employers' total pension liability	\$	177,400,586
Plan fiduciary net position		168,004,363
Employers' net pension liability	\$	<u>9,396,223</u>
System fiduciary net position as a percentage of total pension liability		94.70%

Rensselaer County Industrial Development Agency

The Agency participates in the ERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At December 31, 2017, the Agency reported a net pension liability of \$59,511 for its proportionate share of the net pension liability. At the March 31, 2017 measurement date, the Agency's proportion was 0.0006333%.

For the year ended December 31, 2017, the Agency recognized pension expense of \$44,385. At December 31, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experiences	\$ 1,491	\$ 9,037
Changes of assumptions	20,331	-
Net difference between projected and actual earnings on pension plan investments	11,887	-
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	32,855	-
Agency contributions subsequent to the measurement date	<u>27,528</u>	<u>-</u>
Total	<u>\$ 94,092</u>	<u>\$ 9,037</u>

The Agency’s contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending December 31, 2017. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>ERS</u>
2018	\$ 21,560
2019	21,560
2020	18,822
2021	(4,415)

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share of the net pension liability—ERS	\$ 190,065	\$ 59,511	\$ (50,873)

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

Hudson Valley Community College

HVCC participates in the ERS and the Teachers’ Retirement System (“TRS”).

Plan Description and Benefits Provided

Employees’ Retirement System—The plan description is the same as disclosed within the County’s footnote.

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At August 31, 2017, HVCC reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation. HVCC's proportion of the net pension liability/(asset) was based on a projection of HVCC's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS and TRS in reports provided to HVCC.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
Net pension liability/(asset)	\$ (504,004)	\$ 6,430,374
HVCC's portion of the Plan's total net pension liability	0.066308%	0.068436%

For the year ended August 31, 2017, HVCC recognized pension expense of approximately \$1,300,000 for the TRS and pension expense of approximately \$3,357,000 for ERS. At August 31, 2017, HVCC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Year Ending August 31,</u>	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ 414,671	\$ 161,139	\$ 196,505	\$ 976,489
Changes of assumptions	5,128,338	2,196,852	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,284,406	1,187,075	-
Changes in proportion and differences between HVCC's contributions and proportionate share of contributions	175,194	-	-	798,537
Total	<u>\$ 5,718,203</u>	<u>\$ 3,642,397</u>	<u>\$ 1,383,580</u>	<u>\$ 1,775,026</u>

Amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	TRS	ERS
2018	\$ 149,346	\$ 939,326
2019	1,389,515	939,326
2020	1,003,662	931,592
2021	273,752	(942,872)
2022	1,000,838	-
Thereafter	517,510	-

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

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Interest rate	7.50%	7.00%
Salary scale	1.90%-4.72%	3.80%
Decrement tables	July 1, 2009- June 30, 2014	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. The actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2016	March 31, 2017
Asset class:				
Domestic equities	35.0 %	36.0 %	6.1 %	4.6 %
International equities	18.0	14.0	7.3	6.3
Private equity	8.0	10.0	9.2	7.8
Real estate	11.0	10.0	5.4	5.8
Absolute return strategies	20.0	2.0	1.9	4.0
Opportunistic portfolio	0.0	3.0	0.0	5.9
Real assets	0.0	3.0	0.0	5.5
Bonds and mortgages	8.0	17.0	3.1	1.3
Cash	0.0	1.0	0.0	(0.3)
Inflation-indexed bonds	0.0	4.0	0.0	1.5
Total	100 %	100 %		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents HVCC’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what HVCC’s proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0% for ERS and 6.5% for TRS) or one percentage-point higher (8.0% for ERS and 8.5% for TRS) than the current assumption.

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability/(asset)	\$ 8,682,494	\$ (504,004)	\$ (8,197,239)
ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 20,537,342	\$ 6,430,374	\$ (5,497,040)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the valuation dates were as follows:

	(Dollar in Thousands)		
	TRS	ERS	Total
Valuation Date	June 30, 2015	April 1, 2016	
Employers' total pension liability	\$ 108,577,184	\$ 177,400,586	\$ 285,977,770
Plan fiduciary net position	<u>107,506,142</u>	<u>168,004,363</u>	<u>275,510,505</u>
Employers' net position liability	<u>\$ 1,071,042</u>	<u>\$ 9,396,223</u>	<u>\$ 10,467,265</u>
System fiduciary net position as a percentage of total pension liability	99.01%	94.70%	97.92%

TIAA-CREF—The College also participates in the SUNY Optional Retirement Program (“ORP”) TIAA-CREF. TIAA-CREF provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. TIAA/CREF is contributory for employees who joined after July 27, 1976, who contribute three percent of their salary. Employer contributions range from 8 percent to 15 percent depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA/CREF. The payroll for 2017 for the College employees covered by TIAA/CREF was \$18,215,189. Employer contributions and employee contributions for 2017 were \$2,242,149 and \$149,387, respectively.

7. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

The County pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Eligibility for postemployment 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 \$1,586,161 and \$355,708, respectively for the fiscal year ended December 31, 2017.

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. 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 tables on the following page shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Van Rensselaer Manor’s net OPEB obligation.

	Governmental Activities		
	December 31,		
	2017	2016	2015
Annual required contribution	\$ 7,008,649	\$ 5,585,364	\$ 5,585,364
Interest on net OPEB obligation	1,452,480	1,296,362	1,130,912
Adjustment to annual required contribution	<u>(2,671,900)</u>	<u>(2,156,291)</u>	<u>(1,881,197)</u>
Annual OPEB costs (expense)	5,789,229	4,725,435	4,835,079
Contributions made	<u>(1,586,161)</u>	<u>(822,493)</u>	<u>(698,835)</u>
Increase in net OPEB obligation	4,203,068	3,902,942	4,136,244
Net OPEB obligation—beginning of year	<u>36,311,996</u>	<u>32,409,054</u>	<u>28,272,810</u>
Net OPEB obligation—end of year	<u>\$ 40,515,064</u>	<u>\$ 36,311,996</u>	<u>\$ 32,409,054</u>
Percentage of ARC contributed	22.6%	14.7%	12.5%

	Business-type Activities		
	December 31,		
	2017	2016	2015
Annual required contribution	\$ 2,087,131	\$ 2,049,587	\$ 1,951,988
Interest on net OPEB obligation	559,794	461,551	439,572
Adjustment to annual required contribution	<u>(1,029,765)</u>	<u>(767,758)</u>	<u>(731,198)</u>
Annual OPEB costs (expense)	1,617,160	1,743,380	1,660,362
Contributions made	<u>(355,708)</u>	<u>(218,420)</u>	<u>(179,759)</u>
Increase in net OPEB obligation	1,261,452	1,524,960	1,480,603
Net OPEB obligation—beginning of year	<u>13,994,852</u>	<u>12,469,892</u>	<u>10,989,289</u>
Net OPEB obligation—end of year	<u>\$ 15,256,304</u>	<u>\$ 13,994,852</u>	<u>\$ 12,469,892</u>
Percentage of ARC contributed	17.0%	10.7%	9.2%

As of January 1, 2017, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was \$55,834,330 and \$15,803,435 for governmental activities and business-type activities, respectively, as of January 1, 2017.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multiyear information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

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.

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

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2017	\$ 5,789,229	\$ 1,586,161	27.4%
2016	4,725,435	822,493	17.4%
2015	4,835,079	698,835	14.5%

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

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2017	\$ 1,617,160	\$ 355,708	22.0%
2016	1,743,380	218,420	12.5%
2015	1,660,362	179,759	10.8%

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, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date and measurement date of December 31, 2017, with results rolled-back to January 1, 2017 on a “no loss/no gain” basis. The expected investment rate of return on employer’s assets is 4.0%. The RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017 is used for mortality rates. The inflation rate used is 2.5%. The unfunded actuarial accrued liability is being amortized over 30 years, therefore the remaining amortization period at December 31, 2017, was twenty years.

Hudson Valley Community College

Funding Policy—The obligations of the plan members and HVCC are established by action of HVCC pursuant to applicable collective bargaining and employment agreements. The required contribution rates of HVCC and the members varies depending on the applicable collective bargaining or employment agreement covering the retiree, the retiree’s hire date and number of years of service to HVCC. HVCC currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of pre-funding additional benefits if so determined by HVCC. HVCC contributed approximately \$228,100 for current premiums for 2017. The costs of administering this plan are paid by HVCC.

Funded Status and Funding Progress—The schedule of funding progress presents multiyear (when available) trend information that is useful in determining whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The table on the following page sets forth the actuarial accrued liability and funded status of the plan as of August 31, 2017, the latest valuation date.

Currently retired	\$ 5,379,466
Active employees	13,638,678
Actuarial accrued liability	19,018,144
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 19,018,144</u>
Funded ratio	0%
Normal Cost	<u>\$ 1,046,139</u>

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

UAAL	\$ 19,018,144
Amortization period (years)	30
Amortization discount rate	4%
Present value factor	14.2021
UAAL amortization amount	\$ 1,339,111

Annual OPEB Cost and Net OPEB Obligation—HVCC’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of HVCC’s annual OPEB cost for 2017:

Normal cost	\$ 1,046,139
Amortization of UAAL	<u>1,339,111</u>
ARC	2,385,250
Interest on OPEB obligation	612,933
Adjustment to ARC	<u>(2,890,260)</u>
OPEB expense	<u>\$ 107,923</u>

The following table reconciles HVCC’s OPEB obligation at August 31, 2017, 2016 and 2015.

	August 31,		
	2017	2016	2015
Net OPEB obligation at beginning of year	\$ 15,323,312	\$ 13,899,506	\$ 12,049,084
OPEB expense	<u>107,923</u>	<u>1,658,699</u>	<u>2,080,444</u>
OPEB contributions	<u>(228,116)</u>	<u>(234,893)</u>	<u>(230,122)</u>
Net OPEB obligation at end of year	15,203,119	15,323,312	13,899,406
Less: estimated current portion of OPEB obligation	<u>228,116</u>	<u>234,893</u>	<u>230,122</u>
Estimated long-term portion of OPEB obligation	<u>\$ 14,975,003</u>	<u>\$ 15,088,419</u>	<u>\$ 13,669,284</u>

Actuarial Methods and Assumptions—Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued

liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The measurement date for the calculation was August 31, 2017 and the discount rate utilized was 4 percent. No salary increases were assumed since benefits are not based on compensation. Health care costs were assumed to increase as follows:

Year	Trend Increase
2018	7.50%
2019	7.00%
2020	6.50%
2021	6.00%
2022	5.50%
Thereafter	5.00%

8. RISK MANAGEMENT

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.

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.

The County is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injuries to employees, health insurance, workers' compensation and unemployment insurance. The County purchases commercial insurance to cover such potential risks. The County purchases insurance for: general liability, property, boiler and machinery, building ordinance or law, crime, earthquake, flood, and miscellaneous liability. The general liability insurance is limited to \$1 million per occurrence and an aggregate \$2 million limit. All other policies have limits ranging from \$100,000 to \$377,543,538.

The County also holds a professional liability policy on behalf of the Manor, which is limited to \$1 million per incident and an aggregate limit of \$3 million. The aggregate claim amount for general liability in the current year remains at \$2 million. There have not been any settlements which have exceeded commercial insurance coverage during the last three fiscal years.

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 unemployment and workers' 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 workers' compensation, its plan members' uninsured risk of loss. The County insures itself ("self-insures") for all unemployment claims. 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 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 unemployment, dental, and vision at December 31, 2017 were \$39,483.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2017	\$ 72,321	21,353,219	\$ 21,386,057	\$ 39,483
2016	31,506	20,150,655	20,109,840	72,321

Workers' compensation liability, reported in the Internal Service Fund, for the County and 35 other plan members at December 31, 2017 was \$7,972,300. An additional liability of \$1,184,992 is reported in governmental activities representing the County's unfunded portion of the liability. Other plan members participate in the program and make payments on the same basis as County funds and departments. The liability for workers' compensation is also established based on the requirements of GASB.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2017	\$ 9,278,695	2,667,247	\$ 2,788,650	\$ 9,157,292
2016	9,561,364	1,902,845	2,185,514	9,278,695

The Manor maintains medical malpractice insurance purchased from insurance carriers, which is subject to certain deductibles and maximum coverage limits. The Manor is exposed to risk of loss relating to workers' compensation. Settled claims have not exceeded the annual self-insurance funding in any of the past three fiscal years. The participants make payments to the fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for unforeseen losses. The Manor's claims liability relating to workers' compensation at December 31, 2017 and 2016 is presented below:

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claims Payments	Liability End of Year
2017	\$ 940,770	\$ 215,496	\$ 402,086	\$ 754,180
2016	1,034,365	347,970	441,565	940,770

9. LEASE OBLIGATIONS

Operating Leases—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, 2017 were approximately \$1,789,299.

The County had future minimum payments under operating leases with a remaining term in excess of one year for its governmental activities as presented below:

December 31,	Operating Leases
2018	\$ 1,870,401
2019	1,521,213
2020	1,468,122
2021	1,431,782
2022	1,401,799
2023 and beyond	946,956
Future minimum payments	<u>\$ 8,640,273</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 within the sewer district sites and the County building. Principal and interest payments are made quarterly. The interest rate of the Installment Purchase Debt ranges from approximately 3.0 - 3.2%.

During the year ended December 31, 2012, the County entered into additional Energy Performance Contracts for design and construction of more energy efficient systems with the sewer district sites. Principal and interest payments are made quarterly. The interest rates of the Installment Purchase Debt range from approximately 2.46-2.53%.

During the year ended December 31, 2013, the County entered into additional 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 is approximately 2.60%.

During the year ended December 31, 2014, the County entered into an additional Energy Performance Contract for design and construction of more energy efficient systems with the County Building. Principal and interest payments are made quarterly. The interest rate of the Installment Purchase Debt is 2.96%.

During the year ended December 31, 2015, the County entered into an additional Energy Performance Contract for design and construction of more energy efficient systems with the County Building. Principal and interest payments are made quarterly. The interest rate of the Installment Purchase Debt is 2.39%.

During the year ended December 31, 2017, the County entered into an additional Energy Performance Contract for design and construction of more energy efficient systems with the County Building. Principal and interest payments are made quarterly. The interest rate of the Installment Purchase Debt is 2.76%.

The table on the following page summarizes requirements of the Installment Purchase Debt.

Year ended December 31,	Governmental Activities			
	Sewer District	County Building	Highway Machinery	Total
2018	\$ 4,403,887	\$ 827,351	\$ 122,173	\$ 5,353,411
2019	4,402,348	747,183	122,949	5,272,480
2020	4,493,576	797,334	123,787	5,414,697
2021	4,494,730	802,401	124,462	5,421,593
2022	4,495,919	812,862	126,079	5,434,860
2023-2027	21,091,754	4,152,307	646,444	25,890,505
2028-2032	9,981,275	4,091,962	658,680	14,731,917
2033 and beyond	-	1,016,080	-	1,016,080
Total minimum lease payments	53,363,489	13,247,480	1,924,574	68,535,543
Less: Amount representing imputed interest costs	(7,999,676)	(2,506,780)	(338,754)	(10,845,210)
Present value of minimum lease payment	<u>\$ 45,363,813</u>	<u>\$ 10,740,700</u>	<u>\$ 1,585,820</u>	<u>\$ 57,690,333</u>

The assets acquired through the capital lease are as follows:

	Governmental Activities
Assets:	
Infrastructure	\$ 45,641,381
Less: Accumulated depreciation	<u>(4,939,005)</u>
Total	<u>\$ 40,702,376</u>

Hudson Valley Community College

HVCC routinely enters into lease/purchase agreements for the acquisition of computer and other equipment. HVCC has also entered into a lease agreement for the acquisition of a co-generation facility. The leases are capitalized at the present value of future lease payments at lease inception. The total lease commitment was \$7,004,729 at August 31, 2017.

Capitalized lease obligations consist of the following:

Description	Balance 9/1/2017	Increases	Decreases	Balance 8/31/2017
Co-generation facility capitalized lease	\$ 1,322,864	\$ -	\$ 873,230	\$ 449,634
Other capitalized leases	<u>6,451,037</u>	<u>2,600,000</u>	<u>2,495,942</u>	<u>6,555,095</u>
Total	<u>\$ 7,773,901</u>	<u>\$ 2,600,000</u>	<u>\$ 3,369,172</u>	<u>\$ 7,004,729</u>

Future annual principal and interest payments as of August 31, 2017 are as follows:

Year ended August 31,	Principal	Interest	Total
2018	\$ 3,025,731	\$ 40,210	\$ 3,065,941
2019	2,072,517	58,869	2,131,386
2020	1,331,977	30,513	1,362,490
2021	574,504	11,266	585,770
	<u>\$ 7,004,729</u>	<u>\$ 140,858</u>	<u>\$ 7,145,587</u>

Interest expense related to capital lease obligations approximated \$96,000 for 2017.

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of permanent financing, provided that annual reductions of principal are made. The following is a summary of the County’s short-term debt as of, and for the year ended, December 31, 2017:

Description	Interest Rate	Balance 1/1/2017	Issues	Redemptions	Balance 12/31/2017
Capital Projects Fund:					
Clean water facility note 2015A	0.0%-0.5%	\$ 8,000,000	\$ -	\$ 170,000	\$ 7,830,000
General obligation note 2016	2.00%	<u>19,200,000</u>	<u>-</u>	<u>19,200,000</u>	<u>-</u>
Total		<u>\$ 27,200,000</u>	<u>\$ -</u>	<u>\$ 19,370,000</u>	<u>\$ 7,830,000</u>

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The County’s outstanding long-term liabilities include bonds payable, installment purchase debt, compensated absences, retirement obligations, other post-employment benefits (“OPEB”) obligations, workers’ compensation and net pension liability.

A summary of changes in the County’s long-term liabilities at December 31, 2017 is shown below and on the following page:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental activities:					
Serial bonds	\$ 30,287,305	\$ 20,870,333	\$ 2,771,688	\$ 48,385,950	\$ 4,045,219
Serial bonds - HVCC	31,349,696	-	1,693,312	29,656,384	1,790,114
Unamortized premiums	2,226,585	-	198,350	2,028,235	198,350
RTASC bonds and accreted interest	33,959,811	239,314	150,000	34,049,125	875,000
RTASC unamortized premium	1,347,085	-	6,620	1,340,465	38,614
Installment purchase debt	57,254,998	4,009,542	3,574,207	57,690,333	5,353,411
Compensated absences	13,728,072	-	223,966	13,504,106	675,205
Retirement obligations	243,736	-	117,180	126,556	126,556
Net OPEB obligation	36,311,996	5,789,229	1,586,161	40,515,064	-
Workers' compensation	9,278,695	2,667,247	2,788,650	9,157,292	-
Net pension liability*	<u>39,786,238</u>	<u>-</u>	<u>16,461,180</u>	<u>23,325,058</u>	<u>-</u>
Total governmental activities	<u>\$ 255,774,217</u>	<u>\$ 33,575,665</u>	<u>\$ 29,571,314</u>	<u>\$ 259,778,568</u>	<u>\$ 13,102,469</u>

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Business type activities:					
Bonds payable	\$ 19,960,000	\$ -	\$ 2,080,000	\$ 17,880,000	\$ 2,125,000
Net OPEB obligation	13,994,852	1,617,160	355,708	15,256,304	-
Workers' compensation	940,770	215,496	402,086	754,180	-
Net pension liability*	12,303,626	-	5,874,298	6,429,328	-
Total business-type activities	<u>\$ 47,199,248</u>	<u>\$ 1,832,656</u>	<u>\$ 8,712,092</u>	<u>\$ 40,319,812</u>	<u>\$ 2,125,000</u>

*Reductions to the net pension liability are shown net of additions.

Discretely Presented Component Units

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017	Due Within One Year
IDA:					
Net pension liability	\$ 100,588	\$ -	\$ 41,077	59,511	\$ -
Total IDA	<u>\$ 100,588</u>	<u>\$ -</u>	<u>\$ 41,077</u>	<u>\$ 59,511</u>	<u>\$ -</u>

	Balance 9/1/2016	Increases	Decreases	Balance 8/31/2017	Due Within One Year
HVCC:					
Termination benefits	\$ 19,095,173	\$ -	\$ 254,201	18,840,972	\$ -
Net OPEB obligation	15,323,312	107,923	228,116	15,203,119	228,116
Association financing agreement	9,041,566	-	549,269	8,492,297	535,187
Capital leases	7,773,901	2,600,000	3,369,172	7,004,729	3,025,731
Other long-term liabilities	2,631,682	431,922	50,000	3,013,604	-
Net pension liability	12,167,024	-	5,736,650	6,430,374	-
Total HVCC	<u>\$ 66,032,658</u>	<u>\$ 3,139,845</u>	<u>\$ 10,187,408</u>	<u>\$ 58,985,095</u>	<u>\$ 3,789,034</u>

Serial bonds—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 additions and payments for the year ended December 31, 2017 is shown on the following page.

Description	Original Issue	Interest Rate	Year of Maturity	Balance 1/1/2017	Additions	Payments	Balance 12/31/2017	Due Within One Year
Governmental activities serial bonds issued by the County:								
General:								
Public Safety Building	\$ 19,245,000	6.70	2021	\$ 3,747,400	\$ -	\$ 750,100	\$ 2,997,300	\$ 750,100
Jail Expansion	20,300,000	3.25-4.38	2028	910,000	-	910,000	-	-
Facilities Master Plan	930,287	3.0-5.0	2025	794,174	-	71,808	722,366	75,129
Jail Expansion	3,100,932	3.0-5.0	2025	2,647,226	-	239,359	2,407,867	251,517
Jail	4,078,947	3.0-3.25	2038	3,697,000	-	106,000	3,591,000	122,000
Public Improvements	12,898,755	2.0-5.0	2028	12,889,045	-	4,860	12,884,185	903,835
2017 Various Projects	12,573,333	2.07	2029	-	12,573,333	-	12,573,333	943,035
Highway:								
2005 Improvements	1,240,377	3.0-5.0	2025	1,058,893	-	95,743	963,150	100,507
2005 Machinery	1,550,468	3.0-5.0	2025	1,323,612	-	119,678	1,203,934	125,633
2012 Highway Equipment	1,500,000	3.0	2017	324,000	-	324,000	-	-
2017 Highway Improvements	5,194,000	2.07	2029	-	5,194,000	-	5,194,000	389,564
2017 Machinery	928,000	2.07	2029	-	928,000	-	928,000	69,603
Sewer:								
Monofill Phase II	635,000	3.25-4.38	2028	30,000	-	30,000	-	-
EFC	2,829,338	0.15-3.55	2034	2,460,000	-	120,000	2,340,000	120,000
Public Improvements	406,245	2.0-5.0	2028	405,955	-	140	405,815	31,165
2017 Grit Collection	2,175,000	2.07	2029	-	2,175,000	-	2,175,000	163,131
Total serial bonds				<u>30,287,305</u>	<u>20,870,333</u>	<u>2,771,688</u>	<u>48,385,950</u>	<u>4,045,219</u>
Unamortized premium				<u>2,226,585</u>	<u>-</u>	<u>198,350</u>	<u>2,028,235</u>	<u>198,350</u>
Total governmental activities bonded debt				<u>\$ 32,513,890</u>	<u>\$ 20,870,333</u>	<u>\$ 2,970,038</u>	<u>\$ 50,414,185</u>	<u>\$ 4,243,569</u>
Description	Original Issue	Interest Rate	Year of Maturity	Balance 1/1/2017	Additions	Payments	Balance 12/31/2017	Due Within One Year
Governmental activities serial bonds issued on behalf of the Discretely Presented Component Unit—HVCC:								
HPER Center	\$ 2,000,000	6.90-7.00	2019	\$ 180,000	\$ -	\$ 60,000	\$ 120,000	\$ 60,000
HPER Center	5,500,000	6.70	2020	839,600	-	209,900	629,700	209,900
Admin/Campus/Various	10,287,936	3.0-5.0	2026	9,081,096	-	793,412	8,287,684	822,214
HVCC Project	23,578,862	3.0-3.25	2038	21,249,000	-	630,000	20,619,000	698,000
Total serial bonds—component units				<u>\$ 31,349,696</u>	<u>\$ -</u>	<u>\$ 1,693,312</u>	<u>\$ 29,656,384</u>	<u>\$ 1,790,114</u>
Business-type activities—Van Rensselaer Manor:								
Enterprise Fund:								
2014 Serial Bonds	24,000,000	2.0-3.1	2,031	<u>\$ 19,960,000</u>	<u>\$ -</u>	<u>\$ 2,080,000</u>	<u>\$ 17,880,000</u>	<u>\$ 2,125,000</u>
Total business-type activities				<u>\$ 19,960,000</u>	<u>\$ -</u>	<u>\$ 2,080,000</u>	<u>\$ 17,880,000</u>	<u>\$ 2,125,000</u>

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

	Governmental Activities		Issued on behalf of the Discretely Presented Component Unit - HVCC		Business-Type Activities Van Rensselaer Manor	
	Serial Bond		Component Unit - HVCC		Van Rensselaer Manor	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 4,045,219	\$ 1,507,581	\$ 1,790,114	\$ 1,025,124	\$ 2,125,000	\$ 431,563
2019	4,142,465	1,372,417	1,847,535	952,303	2,170,000	389,063
2020	4,251,903	1,225,070	1,853,097	872,742	2,230,000	345,663
2021	4,379,241	1,055,414	1,712,759	797,157	2,280,000	301,063
2022	3,763,920	905,213	1,786,080	725,551	2,335,000	255,463
2023-2027	19,252,202	2,594,982	8,062,798	2,595,993	5,615,000	483,625
2028-2032	6,934,000	529,874	5,171,000	1,655,585	1,125,000	88,194
2033-2037	1,384,000	150,615	6,096,000	813,225	-	-
2038 and beyond	233,000	7,573	1,337,000	43,453	-	-
Total	<u>\$ 48,385,950</u>	<u>\$ 9,348,739</u>	<u>\$ 29,656,383</u>	<u>\$ 9,481,133</u>	<u>\$ 17,880,000</u>	<u>\$ 2,294,634</u>

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 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 \$1,693,312 in principal and \$1,094,599 in interest.

Rensselaer Tobacco Asset Securitization Corporation (“RTASC”)—Changes in RTASC’s long-term debt for the year ended December 31, 2017 are as follows:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017	Due Within One Year
Tobacco Settlement Bonds:					
Series 2016	\$ 30,525,000	\$ -	\$ 150,000	\$ 30,375,000	\$ 875,000
Plus: Bond premium	<u>1,347,085</u>	<u>-</u>	<u>6,620</u>	<u>1,340,465</u>	<u>38,614</u>
Net Tobacco Settlement Bonds	<u>31,872,085</u>	<u>-</u>	<u>156,620</u>	<u>31,715,465</u>	<u>913,614</u>
Subordinate Turbo CABs	<u>3,434,811</u>	<u>239,314</u>	<u>-</u>	<u>3,674,125</u>	<u>-</u>
Total RTASC	<u>\$ 35,306,896</u>	<u>\$ 239,314</u>	<u>\$ 156,620</u>	<u>\$ 35,389,590</u>	<u>\$ 913,614</u>

Series 2001A—In 2001, the RTASC issued \$34,555,000 of Tobacco Settlement Asset Backed Bonds, Series 2001A pursuant to an indenture dated as of December 1, 2001. The net proceeds of the Series 2001A 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”). On September 22, 2016, RTASC issued \$30,525,000 of Tobacco Settlement Asset Backed Refunding Bonds, Series 2016. The Series 2016 bonds and additional consideration received as a result of the refunding transaction were used to redeem or exchange all of RTASC’s Tobacco Settlement Asset Backed Bonds Series 2001A outstanding in the aggregate principal amount of \$22,225,000, to acquire by negotiated purchase the initial principal amount of outstanding NYCTT Subordinate Bonds component S4B attributable to RTASC, to cancel the related NYCTT Subordinate Bonds component S2, and redeem NYCTT Subordinate Bonds component S1 bonds. In addition, as a result of the refunding RTASC made a payment of \$1,000,000 to provide Rensselaer County with funds for capital purposes.

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

On November 15, 2005, RTASC participated in New York Counties Tobacco Trust V (“NYCTT”), along with 23 other New York County Tobacco Corporations, and issued Tobacco Settlement Pass-Through Bonds—Subordinate Turbo CABs in various series for the purpose of securitizing additional future tobacco settlement revenues. The net proceeds of the 2005 series, after closing costs, amounted to \$12,225,328, and were used to purchase tobacco settlement rights from the County. The issuance has four components and payments on the Subordinate Turbo CABs which are subordinate to the Series 2001 Bonds. As a result of the Tobacco Settlement Asset Backed Refunding Bonds, Series 2016 transaction described above, only the Series 2005 S3 Subordinate Turbo CABs remain.

RTASC debt service requirements based upon planned principal payments for Tobacco Settlement Bonds, Series 2016 are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 875,000	\$ 1,620,409	\$ 2,495,409
2019	755,000	1,574,566	2,329,566
2020	1,120,000	1,521,832	2,641,832
2021	1,190,000	1,456,863	2,646,863
2022	1,250,000	1,388,238	2,638,238
2023-2027	7,475,000	5,753,604	13,228,604
2028-2032	10,175,000	3,275,464	13,450,464
2033-2036	<u>7,535,000</u>	<u>575,121</u>	<u>8,110,121</u>
	<u>\$ 30,375,000</u>	<u>\$ 17,166,097</u>	<u>\$ 47,541,097</u>

Subordinate Turbo CABs—Interest on the Subordinate Turbo CABs is compounded semiannually on June 1 and December 1, but is not payable until bond maturity. Interest accretes until both principal and accreted interest are paid. Future interest accretion has been recorded as bond discount and amortized as the current interest accretes. The accrued interest on the Subordinate Turbo CABs is reflected within the Subordinate Turbo CABs payable liability.

Redemption of the Subordinate Turbo CABs as outlined in the New York Counties Tobacco Trust VI Tobacco Settlement Pass-Through Bonds, Series 2016 official statement totals \$13,736,443 and is scheduled to be paid from 2035 to 2040, while early payment is allowed. During the year ended December 31, 2017, RTASC did not make any redemption payments. Outstanding Subordinate Turbo CABs consist of one installment, Series 2005 S3.

Installment Purchase Debt—As explained in Note 9, the County records a liability for its installment purchase debt outstanding. At December 31, 2017, the County’s governmental activities report \$57,690,333, of which \$5,353,411 is considered to be due within one year.

Compensated Absences—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.

Retirement Obligations—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.

Net OPEB Obligation—As discussed in Note 7, the County’s net OPEB obligation at December 31, 2017 is \$40,515,064, and \$15,256,304 for governmental activities and business type activities, respectively.

Workers’ Compensation—As discussed in Note 8, the County reports the workers’ compensation liability within the Internal Service fund and in governmental activities. The total of this liability at December 31, 2017 is \$9,157,292. Business-type activities report a workers’ compensation liability of \$754,180 at December 31, 2017.

Net Pension Liability—The County reports a liability for its proportionate share of the net pension liability for the Employee Retirement System. The net pension liability is estimated to be \$23,325,058 and \$6,429,328 at December 31, 2017 for governmental activities and business-type activities, respectively. Refer to Note 6 for additional information related to the County’s net pension liability.

Rensselaer County Industrial Development Agency (“RCIDA”)

- **Net Pension Liability**—The RCIDA reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System. The net pension liability is estimated to be \$59,511 at December 31, 2017.

Hudson Valley Community College (“HVCC”)

- **Termination Benefits**—HVCC recognizes a liability for vested sick leave and other compensated absences with similar characteristics. HVCC also recognizes a liability for additional salary related payments as employees earn benefits. Termination benefits/compensated absences for current employees approximated \$17,885,651 at August 31, 2017. HVCC’s component units reported termination benefits of \$955,321.
- **Net OPEB Obligation**—As discussed in Note 7, HVCC provides certain health care benefits for retired employees and their covered dependents. Certain classes of HVCC employees may become eligible for those benefits if they reach normal retirement age while working for the HVCC. HVCC’s net OPEB obligation at August 31, 2017 is \$15,203,119.
- **Association Financing Agreement**—HVCC has entered into financing agreements with the Dormitory Authority of the State of New York (“DASNY”) to finance its educational facilities. DASNY bonds issued for these educational facilities have a maximum 30 year term. The total financing agreement obligation at August 31, 2017 is \$1,495,070. HVCC’s component units reported financing agreement liabilities of \$6,997,227.
- **Capitalized Leases**—As discussed in Note 9, the HVCC routinely enters into lease/purchase agreements for the acquisition of computer and other equipment. HVCC has also entered into a lease agreement for the acquisition of a co-generation facility. The total lease commitment is \$7,004,729 at August 31, 2017.
- **Other Long-Term Liabilities**—HVCC accrues expenses for termination benefits (retirees), retirement, health insurance, and payroll, vacation and other. HVCC’s other long-term liabilities balance at August 31, 2017 is \$2,993,604, while its component units reported other long-term liabilities of \$20,000.
- **Net Pension Liability**—HVCC reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System as well as the Teachers’ Retirement System. The net pension liability is estimated to be \$6,430,374 for its ERS share at August 31, 2017.

12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. The tables on the following page are a reconciliation of the County’s governmental activities and business type activities net investment in capital assets.

Governmental activities:

Capital assets, net of accumulated depreciation	\$ 194,538,520
Related debt:	
Serial bonds issued	(48,385,950)
Bond anticipation notes	(7,830,000)
Deferred charge on refunding bonds	921,968
Unamortized premium on serial bonds	(2,028,235)
Installment purchase debt	(57,690,333)
RTASC Tobacco Settlement Bonds and CABs	(34,049,125)
RTASC unamortized premium	(1,340,465)
RTASC deferred gain on refunding	(8,144,600)
Unspent proceeds reported within the Capital Projects Fund	<u>8,702,530</u>
Debt issued for capital assets	<u>(149,844,210)</u>
Net investment in capital assets—governmental activities	<u>\$ 44,694,310</u>

Business-type activities:

Capital assets, net of accumulated depreciation	12,955,008
Debt issued for capital assets	<u>(17,880,000)</u>
Net investment in capital assets—business-type activities	<u>\$ (4,924,992)</u>

- **Restricted net position**—This category represents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Rensselaer County Industrial Development Agency

The Agency reports restricted net position of \$13,602. This amount represents resources restricted for the South Troy Industrial Park Project.

Hudson Valley Community College

HVCC reports restricted net position of \$9,820,232. Of this amount, \$7,839,332 represents resources restricted for scholarships and fellowships, while \$1,980,900 represents resources restricted for capital projects and debt service.

- **Unrestricted net position**—This category represents net investment in assets of the County not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2017 includes:

- **Inventories**—Represents the portion of fund balance composed of inventory of \$359,160, that is nonspendable because inventory is not an available spendable resource.
- **Prepaid Items**—Represents amounts prepaid to vendors and employees of \$2,286,350, that are applicable to future accounting periods.
- **Rehabilitation Loans Receivable**—Represents amounts offset for loans receivable, which are legally or contractually required to be maintained intact. At December 31, 2017 the Community Development Fund reported loans receivable amounts of \$644,411.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. As of December 31, 2017, the County had the following restricted funds, as presented below:

	General Fund	Capital Projects Fund	Other Nonmajor Funds	Total
Tax stabilization	\$ 264,370	\$ -	\$ -	\$ 264,370
Handicapped parking	42,994	-	-	42,994
Capital Projects	-	748,402	-	748,402
Debt service	-	-	2,103,889	2,103,889
Sheriff-Asset forfeiture	146,122	-	-	146,122
Total restricted fund balance	<u>\$ 453,486</u>	<u>\$ 748,402</u>	<u>\$ 2,103,889</u>	<u>\$ 3,305,777</u>

- **Restricted for Tax Stabilization**—Represents amounts restricted for future use to stabilize real property tax levies.
- **Restricted for Handicapped Parking**—Represents revenues restricted to pay for the handicapped parking program, which is required by State Law
- **Restricted for Capital Projects**—Represents amounts restricted to fund future capital projects within the County.
- **Restricted for Debt Service**—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods.
- **Restricted for Sheriff-Asset Forfeiture**—Represents asset forfeiture revenue restricted to pay for equipment or other uses that will aid in drug enforcement activities, pursuant to state and federal laws.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority, or by its designated body or official. As of December 31, 2017, the County Legislature had not committed any fund balance to a specific purpose.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the County’s Legislature, or by its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

As of December 31, 2017, the following balances were considered to be assigned:

	Total nonmajor funds						Total
	General Fund	Special Grant Fund	Community Development Fund	Highway Fund	Sewer Fund	RTASC	
Encumbrances	\$ 989,347	\$ -	\$ -	\$ 35,530	\$ 840	\$ -	\$ 1,025,717
Future medicaid recoupments	500,000	-	-	-	-	-	500,000
Retirement contribution	6,300,000	-	-	-	-	-	6,300,000
Subsequent year's expenditures	800,000	-	-	-	606,735	-	1,406,735
Specific use	-	11,902	1,104,424	3,546,347	3,493,642	98,515	8,254,830
Total assigned fund balance	<u>\$ 8,589,347</u>	<u>\$ 11,902</u>	<u>\$ 1,104,424</u>	<u>\$ 3,581,877</u>	<u>\$ 4,101,217</u>	<u>\$ 98,515</u>	<u>\$ 17,487,282</u>

- **Assigned to Encumbrances**—Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of monies are recorded, is employed as part of the County’s budgetary control mechanism for all funds. Unencumbered appropriations lapse at fiscal year-end.
- **Assigned to Future Medicaid Recoupments**—Represents the portion of fund balance assigned for future Medicaid recoupments.
- **Assigned to Retirement Contribution**—Represents the portion of fund balance assigned for the future payment of retirement contributions.
- **Assigned to Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

It is the County’s policy to expend fund balances in the following order: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification. The County also utilizes a pooled cash account between County governmental funds and the enterprise fund (the Manor), whereby, the General Fund maintains the enterprise fund cash and utilizes an interfund receivable/payable for amount being pooled. The composition of interfund balances as of December 31, 2017 is shown on the following page.

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 1,381,353	\$ 43,935,894
Capital Projects Fund	93,143	182,084
Nonmajor governmental funds	47,772	584,098
Proprietary funds:		
Enterprise Fund	39,898,511	-
Internal Service Fund	2,203,187	1,043,563
Fiduciary fund:		
Agency Fund	2,121,673	-
Total	<u>\$ 45,745,639</u>	<u>\$ 45,745,639</u>

The County made the following transfers during the year ended December 31, 2017:

Transfers out:	Transfers in:			Total
	General Fund	Capital Projects Fund	Other Nonmajor Funds	
General Fund	\$ -	\$ 926,667	\$ 250,000	\$ 1,176,667
Capital Projects Fund	34,809	-	708,960	743,769
Other nonmajor funds	150,000	665,914	-	815,914
Total	<u>\$ 184,809</u>	<u>\$ 1,592,581</u>	<u>\$ 958,960</u>	<u>\$ 2,736,350</u>

14. AGENCY FUNDS

An agency fund exists for employee withholding and temporary deposits funds. A summary of changes in assets and liabilities for the year ended December 31, 2017 is presented below:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
ASSETS				
Cash	\$ 5,083,792	\$ 53,024,452	\$ (54,931,841)	\$ 3,176,403
Accounts receivable	119	617,029	(617,148)	-
Due from other funds	703,478	29,264,522	(27,846,327)	2,121,673
Total assets	<u>\$ 5,787,389</u>	<u>\$ 82,906,003</u>	<u>\$ (83,395,316)</u>	<u>\$ 5,298,076</u>
LIABILITIES				
Accounts payable	\$ -	\$ 36,788,626	\$ (36,788,626)	\$ -
Agency liabilities	5,787,389	76,865,155	(77,354,468)	5,298,076
Total liabilities	<u>\$ 5,787,389</u>	<u>\$ 113,653,781</u>	<u>\$ (114,143,094)</u>	<u>\$ 5,298,076</u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUND

Segment information for the Manor as of, and for the year ended, December 31, 2017 follows:

	Van Rensselaer Manor
Operating revenues	\$ 56,274,163
Operating expenses:	
Services provided	42,685,437
Depreciation and amortization	<u>1,053,306</u>
Operating income	12,535,420
Non-operating revenue (expense), net	<u>(48,707)</u>
Change in net position	<u>\$ 12,486,713</u>
Current assets	\$ 51,207,161
Current liabilities	<u>(7,797,456)</u>
Net working capital	<u>\$ 43,409,705</u>
Total assets and deferred outflows	\$ 69,684,949
Total liabilities and deferred inflows	<u>(47,767,006)</u>
Net position	<u>\$ 21,917,943</u>
Capital asset additions	<u>\$ 1,494,893</u>
Long-term liabilities—excluding current portions	<u>\$ 38,194,812</u>

16. LABOR CONTRACTS

Four bargaining units represent the unionized county employees. The UPSEU, PBA, and Council 82 contracts have been settled through December 31, 2017, while the CSEA contract is settled through December 31, 2018.

17. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The County considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. As of December 31, 2017 the County reports no significant encumbrances.

18. TAX ABATEMENTS

The County is subject to tax abatements granted by the Rensselaer County Industrial Development Agency (“RCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the RCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the County, the abatements have resulted in reductions of property taxes, which the County administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by RCIDA, the County collected \$2,599,606 during 2017 in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$4,614,609 in property taxes.

19. CONTINGENCIES

Litigation—The County is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the County. 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.

Grants—In the normal course of operations, the County receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. 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.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 21, 2018, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF RENSSELAER, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Budgeted Covered Payroll	UAAL to Budget Covered Payroll
Governmental activities:						
As of 1/1/17	\$ -	\$ 55,834,330	55,834,330	-	\$ 62,899,047	88.8%
As of 1/1/15	-	42,134,000	42,134,000	-	56,698,726	74.3%
As of 1/1/13	-	39,272,568	39,272,568	-	55,307,918	71.0%
Business-type activities:						
As of 1/1/17	\$ -	\$ 15,803,435	15,803,435	-	\$ 20,355,541	77.6%
As of 1/1/15	-	13,136,846	13,136,846	-	19,132,924	68.7%
As of 1/1/13	-	10,955,363	10,955,363	-	19,542,329	56.1%
Hudson Valley Community College:						
As of 8/31/17	\$ -	\$ 19,018,144	19,018,144	-	n/a	n/a
As of 8/31/16	-	20,812,086	20,812,086	-	n/a	n/a
As of 8/31/15	-	19,616,844	19,616,844	-	n/a	n/a

COUNTY OF RENSSELAER, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability (Asset)—Teachers' Retirement System
Last Four Fiscal Years*

	Year Ended August 31,			
	2017	2016	2015	2014
Hudson Valley Community College ("HVCC")				
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
HVCC's proportion of the net pension liability/(asset)	0.0663080%	0.0672550%	0.0684170%	0.0705820%
HVCC's proportionate share of the net pension liability/(asset)	<u>\$ 504,004</u>	<u>\$ 720,333</u>	<u>\$ (7,106,348)</u>	<u>\$ (7,862,345)</u>
HVCC's covered-employee payroll	\$ 10,491,959	\$ 10,454,460	\$ 10,395,233	\$ 10,897,491
HVCC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.8%	6.9%	-68.4%	-72.1%
Plan fiduciary net position as a percentage of the total pension liability	100.7%	99.0%	110.5%	111.5%

* Information prior to the year ended August 31, 2014 is not available.

COUNTY OF RENSSELAER, NEW YORK
Schedule of the Local Government's Contributions—
Teachers' Retirement System
Last Four Fiscal Years*

	Year Ended August 31,			
	2017	2016	2015	2014
Hudson Valley Community College ("HVCC")				
Contractually required contributions	\$ 1,203,803	\$ 1,365,305	\$ 1,761,050	\$ 1,717,382
Contributions in relation to the contractually required contribution	<u>(1,203,803)</u>	<u>(1,365,305)</u>	<u>(1,761,050)</u>	<u>(1,717,382)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HVCC's covered-employee payroll	\$ 10,491,959	\$ 10,454,460	\$ 10,395,233	\$ 10,897,491
Contributions as a percentage of covered-employee payroll	11.5%	13.1%	16.9%	15.8%

* Information prior to the year ended August 31, 2014 is not available.

COUNTY OF RENSSELAER, NEW YORK
Schedule of the Local Governments' Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Four Fiscal Years*

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%
Rensselaer County ("County"):				
County's proportion of the net pension liability	0.2482384%	0.2478850%	0.2485007%	0.2485007%
County's proportionate share of the net pension liability	<u>\$ 23,325,058</u>	<u>\$ 39,786,238</u>	<u>\$ 8,394,401</u>	<u>\$ 11,228,648</u>
County's covered-employee payroll	\$ 63,222,105	\$ 58,369,518	\$ 59,071,651	\$ 58,211,639
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.9%	68.2%	14.2%	19.3%
Van Rensselaer Manor ("VRM")				
VRM's proportion of the net pension liability	0.0684246%	0.0766568%	0.0798511%	0.0798511%
VRM's proportionate share of the net pension liability	<u>\$ 6,429,328</u>	<u>\$ 12,303,626</u>	<u>\$ 2,697,566</u>	<u>\$ 3,608,361</u>
VRM's covered-employee payroll	\$ 13,020,424	\$ 14,132,790	\$ 15,132,583	\$ 14,699,005
VRM's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.4%	87.1%	17.8%	24.5%
Rensselaer County Industrial Development Agency ("Agency"):				
Agency's proportion of the net pension liability	0.00063333%	0.0006267%	0.0005167%	0.0005167%
Agency's proportionate share of the net pension liability	<u>\$ 59,511</u>	<u>\$ 100,588</u>	<u>\$ 17,457</u>	n/a
Agency's covered-employee payroll	\$ 284,398	\$ 266,198	\$ 253,521	n/a
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	20.9%	37.8%	6.9%	n/a
	Year Ended August 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%
Hudson Valley Community College ("HVCC"):				
County's proportion of the net pension liability	0.068436%	0.071318%	0.067539%	0.067539%
County's proportionate share of the net pension liability	<u>\$ 6,430,374</u>	<u>\$ 11,446,691</u>	<u>\$ 2,282,192</u>	n/a
County's covered-employee payroll	\$ 16,751,763	\$ 16,139,145	\$ 15,438,034	n/a
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.4%	70.9%	14.8%	n/a

* Information prior to the year ended August 31, 2014 is not available.

COUNTY OF RENSSELAER, NEW YORK
Schedule of the Local Governments' Contributions—
Employees' Retirement System
Last Four Fiscal Years*

	Year Ended December 31,			
	2017	2016	2015	2014
County of Rensselaer ("County"):				
Contractually required contributions	\$ 8,370,495	\$ 8,485,275	\$ 9,277,770	\$ 10,794,337
Contributions in relation to the contractually required contribution	<u>(8,370,495)</u>	<u>(8,485,275)</u>	<u>(9,277,770)</u>	<u>(10,794,337)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 62,693,511	\$ 58,369,518	\$ 59,071,651	\$ 58,211,639
Contributions as a percentage of covered-employee payroll	13.4%	14.5%	15.7%	18.5%
Van Rensselaer Manor ("VRM")				
Contractually required contributions	\$ 2,540,533	\$ 2,679,395	\$ 3,276,192	\$ 3,447,088
Contributions in relation to the contractually required contribution	<u>(2,540,533)</u>	<u>(2,679,395)</u>	<u>(3,276,192)</u>	<u>(3,447,088)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
VRM's covered-employee payroll	\$ 13,549,018	\$ 14,036,447	\$ 14,966,986	\$ 14,706,069
Contributions as a percentage of covered-employee payroll	18.8%	19.1%	21.9%	23.4%
County of Rensselaer Industrial Development Agency ("Agency"):				
Contractually required contributions	\$ 42,620	\$ 49,762	\$ 33,472	n/a
Contributions in relation to the contractually required contribution	<u>(42,620)</u>	<u>(49,762)</u>	<u>(33,472)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
Agency's covered-employee payroll	\$ 284,398	\$ 266,198	\$ 253,521	n/a
Contributions as a percentage of covered-employee payroll	15.0%	18.7%	13.2%	n/a
Year Ended August 31,				
	2017	2016	2015	2014
Hudson Valley Community College ("HVCC")				
Contractually required contributions	\$ 1,203,803	\$ 1,365,305	\$ 1,761,050	\$ 1,717,382
Contributions in relation to the contractually required contribution	<u>(1,203,803)</u>	<u>(1,365,305)</u>	<u>(1,761,050)</u>	<u>(1,717,382)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HVCC's covered-employee payroll	\$ 10,491,959	\$ 10,454,460	\$ 10,395,233	\$ 10,897,491
Contributions as a percentage of covered-employee payroll	11.5%	13.1%	16.9%	15.8%

* Information prior to the year ended August 31, 2014 is not available.

COUNTY OF RENSSELAER, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 55,293,645	\$ 55,293,645	\$ 54,296,667	\$ (996,978)
Real property tax items	5,989,552	5,989,552	5,893,205	(96,347)
Non-property tax items	83,872,876	83,872,876	86,637,487	2,764,611
Departmental income	15,703,072	15,729,322	13,859,754	(1,869,568)
Intergovernmental charges	13,890,477	14,545,511	15,191,257	645,746
Use of money and property	114,153	114,153	194,672	80,519
Fines and forfeitures	326,440	326,440	326,868	428
Sale of property and compensation for loss	-	40,319	147,562	107,243
Miscellaneous	416,800	401,800	212,897	(188,903)
Interfund revenues	1,821,638	1,821,638	2,015,105	193,467
State aid	39,288,244	41,739,900	40,761,229	(978,671)
Federal aid	22,519,511	23,720,385	21,001,954	(2,718,431)
Total revenues	<u>239,236,408</u>	<u>243,595,541</u>	<u>240,538,657</u>	<u>(3,056,884)</u>
EXPENDITURES				
Current:				
General government support	50,519,853	51,428,559	50,292,885	1,135,674
Education	19,841,401	19,821,601	18,694,621	1,126,980
Public safety	37,825,141	39,070,924	36,950,866	2,120,058
Health	22,984,886	23,893,801	20,027,351	3,866,450
Transportation	571,361	578,300	575,799	2,501
Economic assistance and opportunity	99,837,124	102,950,463	94,456,170	8,494,293
Culture and recreation	764,885	771,885	558,413	213,472
Home and community services	885,718	955,606	893,564	62,042
Debt service:				
Principal	4,242,712	4,242,712	4,171,999	70,713
Interest	2,424,522	2,424,522	2,508,585	(84,063)
Total expenditures	<u>239,897,603</u>	<u>246,138,373</u>	<u>229,130,253</u>	<u>17,008,120</u>
Excess (deficiency) of revenues over expenditures	(661,195)	(2,542,832)	11,408,404	13,951,236
OTHER FINANCING SOURCES (USES)				
Transfers in	612,000	3,612,000	184,809	(3,427,191)
Transfers out	(1,177,000)	(1,177,000)	(1,176,667)	333
Total other financing sources	<u>(565,000)</u>	<u>2,435,000</u>	<u>(991,858)</u>	<u>(3,426,858)</u>
Net change in fund balances*	(1,226,195)	(107,832)	10,416,546	10,524,378
Fund balances—beginning	26,600,991	26,600,991	26,600,991	-
Fund balances—ending	<u>\$ 25,374,796</u>	<u>\$ 26,493,159</u>	<u>\$ 37,017,537</u>	<u>\$ 10,524,378</u>

The note to the required supplementary information is an integral part of this schedule.

COUNTY OF RENSSELAER, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2017

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Capital Projects Fund and the Rensselaer Tobacco Asset Securitization Corporation, which adopts its own budget. The Capital Projects Fund is appropriated on a project length basis; appropriations are approved through a County Legislature resolution at the project’s inception and lapse upon termination of the project.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the County Legislature. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional classification.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the County’s accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements. The General Fund original budget for the year ended December 31, 2017 includes encumbrances from the prior year of \$326,186.

Excess of Expenditures over Appropriations—The County’s appropriations for General Fund interest expenditures for the year ended December 31, 2017 exceeded the adjusted budget due to unanticipated debt service costs.

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SUPPLEMENTARY INFORMATION

COUNTY OF RENSSELAER, NEW YORK
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue					Total Nonmajor Funds
	Special Grant	Community Development	Highway	Sewer	RTASC	
ASSETS						
Cash and cash equivalents	\$ 97,845	\$ 1,112,726	\$ 2,064,607	\$ 1,526,762	\$ 98,515	\$ 4,900,455
Restricted cash and cash equivalents	-	-	-	1,875	2,103,889	2,105,764
Other receivables	3,858	684,411	66,929	3,231,920	-	3,987,118
Intergovernmental receivables	80,813	-	2,034,106	-	-	2,114,919
Due from other funds	17,616	-	30,156	-	-	47,772
Inventories	-	-	359,160	-	-	359,160
Prepaid items	21,699	-	95,781	55,003	-	172,483
Total assets	<u>\$ 221,831</u>	<u>\$ 1,797,137</u>	<u>\$ 4,650,739</u>	<u>\$ 4,815,560</u>	<u>\$ 2,202,404</u>	<u>\$ 13,687,671</u>
LIABILITIES						
Accounts payable	\$ 12,101	\$ 40,632	\$ 352,310	\$ 404,001	\$ -	\$ 809,044
Accrued liabilities	-	-	10,711	5,561	-	16,272
Due to other funds	78,230	7,065	250,900	247,903	-	584,098
Intergovernmental payables	-	605	-	-	-	605
Unearned revenues	-	-	-	1,875	-	1,875
Total liabilities	<u>90,331</u>	<u>48,302</u>	<u>613,921</u>	<u>659,340</u>	<u>-</u>	<u>1,411,894</u>
FUND BALANCES						
Nonspendable	21,699	644,411	454,941	55,003	-	1,176,054
Restricted	-	-	-	-	2,103,889	2,103,889
Assigned	109,801	1,104,424	3,581,877	4,101,217	98,515	8,995,834
Total fund balances	<u>131,500</u>	<u>1,748,835</u>	<u>4,036,818</u>	<u>4,156,220</u>	<u>2,202,404</u>	<u>12,275,777</u>
Total liabilities and fund balances	<u>\$ 221,831</u>	<u>\$ 1,797,137</u>	<u>\$ 4,650,739</u>	<u>\$ 4,815,560</u>	<u>\$ 2,202,404</u>	<u>\$ 13,687,671</u>

COUNTY OF RENSSELAER, NEW YORK
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2017

REVENUES	Special Revenue					Total Nonmajor Funds
	Special Grant	Community Development	Highway	Sewer	RTASC	
Real property taxes	\$ -	\$ -	\$ 6,656,296	\$ -	\$ -	\$ 6,656,296
Non-property tax items	-	-	966,884	-	-	966,884
Departmental income	-	266,819	-	9,952,454	-	10,219,273
Use of money and property	-	-	2,667,176	-	21,906	2,689,082
Licenses and permits	-	-	4,490	-	-	4,490
Sale of property and compensation for loss	-	-	21,174	450	-	21,624
Miscellaneous	-	7,378	24,166	101,230	-	132,774
Interfund revenues	-	-	5,675	-	-	5,675
State aid	-	-	3,688,213	-	-	3,688,213
Federal aid	1,468,103	128,552	123,379	-	-	1,720,034
Tobacco settlement revenue	-	-	-	-	1,903,680	1,903,680
Total revenues	<u>1,468,103</u>	<u>402,749</u>	<u>14,157,453</u>	<u>10,054,134</u>	<u>1,925,586</u>	<u>28,008,025</u>
EXPENDITURES						
Current:						
General government support	40,000	-	437,871	364,276	17,945	860,092
Public safety	-	-	314,914	-	-	314,914
Transportation	-	-	10,052,503	-	-	10,052,503
Economic assistance and opportunity	1,330,204	318,563	-	-	-	1,648,767
Home and community services	-	-	-	3,701,322	-	3,701,322
Employee benefits	-	-	1,421,724	853,637	-	2,275,361
Debt service:						
Principal	-	-	577,006	3,018,850	150,000	3,745,856
Interest	-	-	204,011	1,244,914	1,787,727	3,236,652
Total expenditures	<u>1,370,204</u>	<u>318,563</u>	<u>13,008,029</u>	<u>9,182,999</u>	<u>1,955,672</u>	<u>25,835,467</u>
Excess (deficiency) of revenues over expenditures	<u>97,899</u>	<u>84,186</u>	<u>1,149,424</u>	<u>871,135</u>	<u>(30,086)</u>	<u>2,172,558</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	958,726	234	-	958,960
Transfers out	-	-	(645,914)	(170,000)	-	(815,914)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>312,812</u>	<u>(169,766)</u>	<u>-</u>	<u>143,046</u>
Net change in fund balances	97,899	84,186	1,462,236	701,369	(30,086)	2,315,604
Fund balances—beginning	33,601	1,664,649	2,574,582	3,454,851	2,232,490	9,960,173
Fund balances—ending	<u>\$ 131,500</u>	<u>\$ 1,748,835</u>	<u>\$ 4,036,818</u>	<u>\$ 4,156,220</u>	<u>\$ 2,202,404</u>	<u>\$ 12,275,777</u>

FEDERAL AWARDS INFORMATION

COUNTY OF RENNELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (1c)
U.S. Department of Agriculture:				
Passed through NYS Department of Agriculture & Markets:				
Specialty Crop Block Grant Program - Farm Bill	10.170	N/A	\$ -	\$ 42,384
Passed through New York State:				
<i>Child Nutrition Cluster</i>				
Summer Food Service Program for Children	10.559	N/A	-	215,891
<i>Total Child Nutrition Cluster</i>			-	215,891
Passed through NYS Office of Temporary and Disability Assistance:				
<i>SNAP Cluster</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	-	2,456,474
<i>Total SNAP Cluster</i>			-	2,456,474
Total U.S. Department of Agriculture			-	2,714,749
U.S. Department of Housing and Urban Development:				
Direct Program:				
Community Development Block Grants—Small Cities Program	14.219	N/A	-	189,830
Passed through New York State:				
Community Development Block Grants—State's Program and Non-entitlement Grants in Hawaii	14.228	975HO311-15	-	128,434
Community Development Block Grants—State's Program and Non-entitlement Grants in Hawaii	14.228	975HO319-16	-	118
Total U.S. Department of Housing and Urban Development			-	318,382
U.S. Department of Justice:				
Passed through NYS Department of Justice:				
Law Enforcement Assistance—Narcotics and Dangerous Drugs Training	16.004	N/A	-	12,524
Promoting Evidence Integration in Sex Offender Management Discretionary Grant Program	16.203	N/A	-	9,270
Passed through Unity House:				
Risk Reduction Enhanced Response Pilot Program	16.XXX	N/A	-	5,005
Passed through City of Troy:				
Encourage Arrest Policies and Enforcement of Orders	16.590	N/A	-	29,104
Total U.S. Department of Justice			-	55,903
U.S. Department of Labor:				
Passed through NYS Department of Labor:				
Employment Service/Wagner—Peyser Funded Activities	17.207	N/A	-	49,173
Passed through NYS Department of Aging:				
Senior Community Service Employment Program	17.235	N/A	-	40,920
Passed through NYS Department of Labor:				
Trade Adjustment Assistance	17.245	N/A	-	8,437
<i>WIA Cluster</i>				
WIA Adult Program	17.258	N/A	-	417,252
WIA Youth Activities	17.259	N/A	-	356,191
WIA Dislocated Worker Formula Grants	17.278	N/A	-	269,013
<i>Total WIA Cluster</i>			-	1,042,456
Total U.S. Department of Labor			-	1,140,986

COUNTY OF RENNELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (1c)
U.S. Department of Transportation:				
Passed through NYS Department of Transportation:				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	N/A	-	11,727
Highway Planning and Construction	20.205	N/A	-	45,330
Highway Planning and Construction	20.205	N/A	-	55,375
Highway Planning and Construction	20.205	N/A	-	77,246
Highway Planning and Construction	20.205	N/A	-	104,391
<i>Total Highway Planning and Construction Cluster</i>			-	294,069
Formula Grants for Rural Areas	20.509	1782.35.404	-	62,000
Passed through NYS Division of Criminal Justice Services:				
<i>Highway Safety Cluster</i>				
National Priority Safety Programs	20.616	N/A	-	9,778
<i>Total Highway Safety Cluster</i>			-	9,778
Total U.S. Department of Transportation			-	365,847
U.S. Environmental Protection Agency:				
Passed through NYS Department of Health:				
State Indoor Radon Grants	66.032	C30734GG-3450000	-	11,780
Total U.S. Environmental Protection Agency			-	11,780
U.S. Department of Education:				
Passed through NYS Department of Health:				
Special Education Grants for Infants and Families	84.181	C-021815	-	64,136
Total U.S. Department of Education			-	64,136
U.S. Election Assistance Commission:				
Passed through New York State:				
Help America Vote Act Requirements Payments	90.401	N/A	-	70,458
Total U.S. Election Assistance Commission:			-	70,458
U.S. Department of Health and Human Services:				
Passed through National Association of County and City Health Officials:				
Medical Reserve Corps Small Grant Program	93.008	NACCHO	-	59,200
Passed through Health Research Inc.:				
Public Health Emergency Preparedness	93.069	HRI 1595-09	-	154,578
Passed through Foundation for Mental Hygiene, Inc.				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	N/A	-	123,388
Passed through the NYS Department of Labor:				
Temporary Assistance for Needy Families (TANF)	93.558	N/A	-	270,138
Passed through NYS Office of Temporary and Disability Assistance:				
Temporary Assistance for Needy Families (TANF)	93.558	N/A	-	14,814,119
<i>Total Temporary Assistance for Needy Families (TANF)</i>			-	15,084,257
Child Support Enforcement	93.563	N/A	-	303,187
Low-Income Home Energy Assistance	93.568	N/A	-	4,468,149

COUNTY OF RENNELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Subrecipients	Total Federal Expenditures (1d)
Passed through NYS Office of Children and Family Services:				
<i>CCDF Cluster</i>				
Child Care and Development Block Grant	93.575	MOU 2301	-	130,829
<i>Total CCDF Cluster</i>			-	130,829
Foster Care—Title IV-E	93.658	N/A	-	2,841,288
Adoption Assistance—Title IV-E	93.659	N/A	-	1,454,432
Social Services Block Grant	93.667	N/A	-	4,232,735
Chafee Foster Care Independence Program	93.674	N/A	-	36,136
Passed through NYS Department of Health:				
Medical Assistance Program	93.778	N/A	-	2,800,814
Passed through NYS Office of Mental Health:				
Medical Assistance Program	93.778	N/A	-	301,374
<i>Total Medical Assistance Program</i>			-	3,102,188
Community Mental Health Services Block Grant	93.958	N/A	-	3,766
Community Mental Health Services Block Grant	93.958	N/A	-	49,042
Community Mental Health Services Block Grant	93.958	N/A	-	54,076
Community Mental Health Services Block Grant	93.958	N/A	-	80,537
Community Mental Health Services Block Grant	93.958	N/A	-	117,039
Community Mental Health Services Block Grant	93.958	N/A	-	190,159
<i>Total Community Mental Health Services Block Grant</i>			-	494,619
Passed through NYS Department of Health:				
Immunization Grants	93.268	C023265	-	81,779
Children's Health Insurance Program	93.767	N/A	-	76,994
Preventive Health and Health Services Block Grant	93.991	C030512	-	245,687
Maternal and Child Health Services Block Grant to the States	93.994	C026530	-	87,118
Maternal and Child Health Services Block Grant to the States	93.994	C024636	-	25,216
<i>Total Maternal and Child Health Services Block Grant to the States</i>			-	516,794
Passed through NYS Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	27,328	27,328
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	28,889	28,889
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	202,560	202,560
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	317,891	317,891
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	472,088	472,088
<i>Total Block Grants for Prevention and Treatment of Substance Abuse</i>			1,048,756	1,048,756

COUNTY OF RENNELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (1c)
Passed through NYS Office for the Aging:				
<i>Aging Cluster</i>				
Special Programs for the Aging—Title III, Part B - Grants for Supportive Service and Senior Centers	93.044	N/A	-	147,790
Special Programs for the Aging—Title III, Part C - Nutrition Services	93.045	N/A	-	293,434
Nutrition Services Incentive Program	93.053	N/A	-	139,504
<i>Total Aging Cluster</i>			-	580,728
Special Programs for the Aging—Title III, Part D - Disease Prevention and Health Promotion Services	93.043	N/A	-	2,844
National Family Caregiver Support—Title III, Part E Centers for Medicare and Medicaid Services (CMS)	93.052	N/A	-	60,881
Research, Demonstrations and Evaluations	93.779	N/A	-	18,167
Total U.S. Department of Health and Human Services			-	34,713,156
U.S. Department of Homeland Security:				
Passed through NYS Division of Homeland Security and Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A		151,396
Homeland Security Grant Program	97.067	N/A	-	25,577
Homeland Security Grant Program	97.067	C192765	-	129,440
Homeland Security Grant Program	97.067	C972850	-	34,301
Homeland Security Grant Program	97.067	C972860	-	47,455
Homeland Security Grant Program	97.067	T192766	-	807
<i>Total Homeland Security Grant Program</i>			-	237,580
Total U.S. Department of Homeland Security			-	388,976
TOTAL EXPENDITURES OF FEDERAL AWARDS (1d)			\$ 1,048,756	\$ 39,844,373

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, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of County of Rensselaer, New York (the “County”) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (a) Includes all federal award programs of the County of Rensselaer, New York. The federal expenditures, if any, of the Rensselaer County Industrial Development Agency (the “IDA”) and the Hudson Valley Community College (the “College”) have not been included.
- (b) Source: Catalog of Federal Domestic Assistance
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

3. MATCHING COSTS

Matching costs, i.e., the County’s share of certain program costs, are not included in the reported expenditures.

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rensselaer, New York (the "County"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 21, 2018. Our report includes a reference to other auditors who audited the financial statements of the Rensselaer County Industrial Development Agency and Hudson Valley Community College, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged by governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

May 21, 2018

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the County of Rensselaer, New York's, (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, which received \$-0- and \$26,467,521 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2017. Our compliance audit, described below, did not include the operations of the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, because other auditors were engaged to perform such audits in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

May 21, 2018

COUNTY OF RENSSELAER, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified*
 *(which report includes a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
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The County's major programs were:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.568	Low-Income Home Energy Assistance
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs?	<u>\$ 1,188,854</u>
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ <input type="checkbox"/> No	
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Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

COUNTY OF RENSSELAER, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended December 31, 2017
(Follow-up of December 31, 2016 findings)

No findings noted.

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