

**COUNTY OF RENSSELAER,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information, Federal Awards
Information and New York State Department of
Transportation Financial Assistance Schedules
for the Year Ended December 31, 2014 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, 2014, 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 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, 2014, 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 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, the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and the Schedule of New York State Department of Transportation Assistance Expended, as required by Draft Part 43 of the New York State Codification of Rules and Regulations, 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, the Schedule of Expenditures of Federal Awards and the Schedule of New York State Department of Transportation Assistance Expended 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, the Schedule of Expenditures of Federal Awards, and the Schedule of New York State Department of Transportation Assistance Expended are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Drescher & Malecki LLP

May 11, 2015

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COUNTY OF RENSSELAER, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2014

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, 2014. 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 data from the prior year has been reclassified to conform with the current year presentation.

Financial Highlights

- The primary government's total net position increased by \$2,780,400 during the current fiscal year. The increase is primarily attributed to an increase of \$2,742,871 within the County's governmental activities.
- The assets of the County, excluding the discretely presented component units (the Rensselaer County Industrial Development Agency and the Hudson Valley Community College), exceeded total liabilities at the close of the most recent fiscal year by \$13,962,009 (*net position*).
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$30,985,687, a decrease of \$7,588,589 in comparison with the prior year. This decrease was largely due to capital projects activity during 2014.
- The General Fund reported an increase in fund balance this year of \$536,512. At December 31, 2014, unassigned fund balance for the General Fund was \$14,414,594 or 6.2 percent of total General Fund expenditures.

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.

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

The government-wide financial statements can be found on pages 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 and Capital Projects Funds, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregate presentation. 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 the health self-insurance, workers’ compensation self-insurance and central internal services programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Van Rensselaer Manor, which is considered to be a major fund of the County. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The 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 26-58 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 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 59-61 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pages 62-63.

Finally, the Federal Awards Information can be found on pages 64-74 of this report, and the New York State Department of Transportation Schedules and Reports can be found on pages 75-79 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, assets exceeded liabilities and deferred inflows of resources by \$13,962,009 at the close of the most recent fiscal year, as compared to \$11,181,609 at the close of the fiscal year ended December 31, 2013.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities		Business-type Activities		Total	
	December 31,		December 31,		December 31,	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 145,967,576	\$ 166,200,725	\$ 25,614,697	\$ 24,856,173	\$ 171,582,273	\$ 191,056,898
Capital assets	159,104,757	148,006,237	12,030,294	10,962,680	171,135,051	158,968,917
Total assets	<u>305,072,333</u>	<u>314,206,962</u>	<u>37,644,991</u>	<u>35,818,853</u>	<u>342,717,324</u>	<u>350,025,815</u>
Current liabilities	53,598,787	66,072,771	5,350,778	4,378,727	58,949,565	70,451,498
Non-current liabilities	229,667,592	228,964,687	38,419,547	37,602,989	268,087,139	266,567,676
Total liabilities	<u>283,266,379</u>	<u>295,037,458</u>	<u>43,770,325</u>	<u>41,981,716</u>	<u>327,036,704</u>	<u>337,019,174</u>
Deferred inflows of resources	<u>1,718,611</u>	<u>1,825,032</u>	-	-	<u>1,718,611</u>	<u>1,825,032</u>
Net position:						
Net investment in capital assets	30,348,911	31,595,622	(9,887,855)	(10,004,295)	20,461,056	21,591,327
Restricted	3,410,167	2,822,322	-	-	3,410,167	2,822,322
Unrestricted	(13,671,735)	(17,073,472)	3,762,521	3,841,432	(9,909,214)	(13,232,040)
Total net position	<u>\$ 20,087,343</u>	<u>\$ 17,344,472</u>	<u>\$ (6,125,334)</u>	<u>\$ (6,162,863)</u>	<u>\$ 13,962,009</u>	<u>\$ 11,181,609</u>

The largest portion of the County's net position reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), 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 in the County's business-type activities of the Van Rensselaer Manor is 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, \$3,410,167 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.

Unrestricted net position was in a deficit position of \$9,909,214. This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2014 and December 31, 2013.

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,	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues	\$ 107,123,343	\$ 102,854,694	\$ 42,784,481	\$ 38,597,198	149,907,824	141,451,892
General revenues	151,677,419	148,967,157	-	-	151,677,419	148,967,157
Total revenues	258,800,762	251,821,851	42,784,481	38,597,198	301,585,243	290,419,049
Total expenses	256,001,961	253,002,210	42,802,882	42,009,083	298,804,843	295,011,293
Transfers	(55,930)	(2,809,170)	55,930	2,809,170	-	-
Change in net position	2,742,871	(3,989,529)	37,529	(602,715)	2,780,400	(4,592,244)
Net position—beginning	17,344,472	21,334,001	(6,162,863)	(5,560,148)	11,181,609	15,773,853
Net position—ending	\$ 20,087,343	\$ 17,344,472	\$ (6,125,334)	\$ (6,162,863)	\$ 13,962,009	\$ 11,181,609

Governmental activities—Governmental activities increased the County’s net position by \$2,742,871. A summary of revenues for governmental activities for the years ended December 31, 2014 and 2013 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
Charges for services	\$ 35,758,813	\$ 39,544,663	\$ (3,785,850)	(9.6)
Operating and capital grants	71,364,530	63,310,031	8,054,499	12.7
Property taxes and tax items	65,777,052	65,234,235	542,817	0.8
Non-property taxes	82,443,763	80,269,150	2,174,613	2.7
Use of money and property	2,283,629	2,288,025	(4,396)	(0.2)
Other	1,172,975	1,175,747	(2,772)	(0.2)
Total revenues	\$ 258,800,762	\$ 251,821,851	\$ 6,978,911	2.8

The most significant source of revenues for governmental activities are non-property taxes, which account for \$82,443,763, or 31.9 percent of total revenues. The other significant sources of revenue include operating and capital grants, which comprise \$71,364,530, or 27.6 percent of total revenues, and property taxes and tax items, which comprise \$65,777,052, or 25.4 percent of total revenues. For the year ended December 31, 2013, the most significant source of revenues for governmental activities was non-property taxes, which accounted for \$80,269,150, or 31.9 percent of total revenues. The other significant sources of revenue included property taxes and tax items, which comprise \$65,234,235, or 25.9 percent of total revenues, and operating and capital grants, which comprised \$63,310,031, or 25.1 percent of total revenues.

During the year ended December 31, 2014, operating and capital grants increased \$8,054,499. The primary component of the increase is in revenues recognized in the Capital Projects Fund from both State and Federal sources as compared to prior years. These revenues are primarily related to capital grants for the construction and repair of various County highways and bridges.

A summary of program expenses of governmental activities for the years ended December 31, 2014 and 2013 is presented on the following page.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
General government support	\$ 48,798,137	\$ 45,865,620	\$ 2,932,517	6.4
Education	19,127,242	18,469,062	658,180	3.6
Public safety	40,316,516	39,349,620	966,896	2.5
Health	19,133,090	19,475,275	(342,185)	(1.8)
Transportation	11,829,782	10,698,176	1,131,606	10.6
Economic assistance and opportunity	104,095,727	106,797,818	(2,702,091)	(2.5)
Culture and recreation	569,185	490,964	78,221	15.9
Home and community services	6,244,722	6,199,238	45,484	0.7
Interest and fiscal charges	5,887,560	5,656,437	231,123	4.1
Total program expenses	<u>\$ 256,001,961</u>	<u>\$ 253,002,210</u>	<u>\$ 2,999,751</u>	1.2

The County's most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$104,095,727, or 40.7 percent of program expenses. The other significant expenses include general government support of \$48,798,137, or 19.1 percent of total expenses, and public safety expenses of \$40,316,516, or 15.7 percent of total expenses. For the year ended December 31, 2013, the most significant expense was economic assistance and opportunity (primarily composed of social service costs) of \$106,797,818, or 42.2 percent of program expenses. The other significant expenses included general government support of \$45,865,620, or 18.1 percent of total expenses, and public safety expenses of \$39,349,620, or 15.6 percent of total expenses.

During the year ended December 31, 2014, general government support expenditures increased \$2,932,517 due to increased employee personnel expenditures, including fringe benefits. Additionally, transportation expenditures increased \$1,131,606 as a result of increased spending on County highways and roads. These two increases were partially offset by a decrease in economic assistance and opportunity expenditures of \$2,702,091 which relates to a decrease in program expenditures.

Business-type activities—Business-type activities (Van Rensselaer Manor) increased the County's net position by \$37,529. Operating revenues and expenses for the year ended December 31, 2014 increased 10.3 percent and 1.5 percent, respectively, from the year ended December 31, 2013.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2014 and 2013 is presented on the following page.

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

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollar	Percent (%)
Operating revenues:				
Charges for services	\$ 33,185,559	\$ 31,253,833	\$ 1,931,726	6.2
Operating grants and contributions	9,598,922	7,531,368	2,067,554	27.5
Total operating revenues	<u>\$ 42,784,481</u>	<u>\$ 38,785,201</u>	<u>\$ 3,999,280</u>	10.3
Operating expenses:				
Nursing and medical	\$ 17,457,421	\$ 17,083,707	\$ 373,714	2.2
Ancillary	7,588,709	7,425,975	162,734	2.2
Administrative and general	4,403,066	4,265,920	137,146	3.2
Fringe benefits	9,427,237	8,916,056	511,181	5.7
Other post-employment benefits	962,634	976,896	(14,262)	(1.5)
Interest expense	759,290	1,096,303	(337,013)	(30.7)
Depreciation	1,587,382	1,561,037	26,345	1.7
Bad debt expense	471,207	683,189	(211,982)	(31.0)
Total operating expenses	<u>\$ 42,656,946</u>	<u>\$ 42,009,083</u>	<u>\$ 647,863</u>	1.5

As detailed above, the Manor's total operating expenses for the year ended December 31, 2014 increased 1.5 percent from the previous year. The increase is primarily due to increased costs of fringe benefits.

The Manor's most significant expense items for the year ended December 31, 2014 are nursing and medical care, which accounts for \$17,457,421 or 40.9 percent of total expenses, fringe benefits which account for \$9,427,237, or 22.1 percent of total expenses, and ancillary expenses which account for \$7,588,709 or 17.8 percent of total expenses. Similarly, for the year ended December 31, 2013, most significant expense items were nursing and medical care, which accounted for \$17,083,707, or 40.7 percent of total expenses, fringe benefits which accounted for \$8,916,056, or 21.2 percent of total expenses, and ancillary expenses which accounted for \$7,425,975 or 17.7 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, 2014, the County's governmental funds reported combined ending fund balances of \$30,985,687, a decrease of \$7,588,589 in comparison with the prior year. Approximately 46.5 percent of this amount (\$14,414,594) 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 \$543,342, (2) restricted for particular purposes, \$8,366,174, or (3) assigned for particular purposes, \$7,661,577.

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 \$14,414,594, while total fund balance was \$19,814,606. 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. Unassigned fund balance represents approximately 6.2 percent of the total General Fund expenditures, while total fund balance represents approximately 8.6 percent of that same amount.

The fund balance in the Capital Projects Fund decreased \$7,556,267 from December 31, 2013. The decrease is primarily the result of increases in capital outlay related to significant sewer energy performance improvements.

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, 2014 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	\$ 231,076,106	\$ 233,767,987	\$ 232,879,870	\$ (888,117)
Expenditures and other financing uses	<u>231,303,558</u>	<u>238,955,238</u>	<u>232,343,358</u>	<u>6,611,880</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ (227,452)</u>	<u>\$ (5,187,251)</u>	<u>\$ 536,512</u>	<u>\$ 5,723,763</u>

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 education for handicapped children and indigent legal services. A majority of the remaining increases in budgeted appropriations were a result of higher than anticipated economic assistance and opportunity expenditures related to the intergovernmental transfer offset which was funded by appropriated fund balance.

Final budget compared to actual results—The General Fund had a favorable variance from final budgetary appropriations of \$6,611,880. The primary positive variances were realized in general government support, public safety and health expenditures. These positive variances were primarily a result of lower than anticipated personnel services and fringe benefits, as well as contractual services. These cost saving measures were offset by the County’s decision to not sell tax sale certificates during 2014.

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, 2014 amounts to \$171,135,051 (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 outline 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, 2014 and December 31, 2013 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,	
	2014	2013	2014	2013	2014	2013
Land	\$ 762,880	\$ 672,880	\$ 550,000	\$ 550,000	\$ 1,312,880	\$ 1,222,880
Construction in progress	25,507,415	12,991,246	2,330,206	-	27,837,621	12,991,246
Land improvements	500	1,500	-	-	500	1,500
Buildings and building improvements	72,333,907	75,960,776	6,270,527	6,987,942	78,604,434	82,948,718
Equipment	54,927,583	5,562,166	2,879,561	3,424,738	57,807,144	8,986,904
Infrastructure	5,572,472	52,817,669	-	-	5,572,472	52,817,669
Total	<u>\$ 159,104,757</u>	<u>\$ 148,006,237</u>	<u>\$ 12,030,294</u>	<u>\$ 10,962,680</u>	<u>\$ 171,135,051</u>	<u>\$ 158,968,917</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 \$97.4 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 of RTASC at December 31, 2014 is \$47,344,350. 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 was entitled to the proceeds of this sale as compensation. In turn, the County set aside the majority of the proceeds in an irrevocable trust to legally defease over \$26,000,000 in outstanding long-term bonds; the additional proceeds were set aside for capital projects.

The County’s business-type activity, Van Rensselaer Manor, also has long-term debt issued and recorded as a liability. The amount outstanding consists of public improvement serial bonds totaling \$24,000,000 as of December 31, 2014.

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

A summary of the County's long-term liabilities at December 31, 2014 and December 31, 2013 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,	
	2014	2013	2014	2013	2014	2013
Serial bonds	\$ 36,079,002	\$ 36,846,930	\$ -	\$ -	\$ 36,079,002	\$ 36,846,930
Serial bonds - HVCC	34,577,336	36,870,070	-	-	34,577,336	36,870,070
Unamortized premiums	833,792	897,930	-	-	833,792	897,930
RTASC bonds and accreted interest	47,344,350	46,992,850	-	-	47,344,350	46,992,850
Installment purchase debt	59,247,729	55,785,355	-	-	59,247,729	55,785,355
Compensated absences	12,656,073	11,445,260	-	-	12,656,073	11,445,260
Retirement obligations	1,293,695	1,840,974	2,495,830	2,815,346	3,789,525	4,656,320
Due to other governments	897,354	5,200,000	-	-	897,354	5,200,000
Net OPEB obligation	28,272,810	25,988,054	10,989,289	10,026,655	39,262,099	36,014,709
Workers' compensation	8,465,451	7,097,264	934,428	895,988	9,399,879	7,993,252
Bond payable - Manor	-	-	24,000,000	23,865,000	24,000,000	23,865,000
Total	\$ 229,667,592	\$ 228,964,687	\$ 38,419,547	\$ 37,602,989	\$ 268,087,139	\$ 266,567,676

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

In particular, the required contribution to the State run Medicaid program continues to place budgetary pressure upon the County. Expenditures for this program alone consume over fifty percent of the County's tax levy:

Year	Medicaid
	Expense
2014	\$ 33,999,952
2013	34,800,394
2012	34,237,112

Rensselaer County is also concerned about the recent increase in the local share of Safety Net program costs, which has increased from 50% to 71%.

Other significant risks include:

- 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.
- Increasing public safety costs, including new debt service and personnel costs related to improvements necessary to operate the County emergency communications systems.
- 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 Intergovernmental Transfer (IGT) program to offset County subsidies.
- Limitations on property tax increases due to the New York State Tax Cap legislation.

Despite these factors, Rensselaer County was able to develop a General Fund budget for 2015 which did not rely upon fund balance or a significant property tax increase to fund operations. Rensselaer County has formulated a budget that stays within the New York State Tax Cap every year since it was instituted. The County has generated general fund surpluses over each of the last seven 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. In addition, the recent revitalization of the City of Troy's downtown has generated additional economic activity. As part of New York's Capital Region, the County continues to experience lower unemployment rates as compared to other regions of the State. The County's property tax base has remained stable despite the weakened overall national housing market.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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COUNTY OF RENSSELAER, NEW YORK
Statement of Net Position
December 31, 2014

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Industrial Development Agency</u>	<u>Hudson Valley Community College August 31, 2014</u>
ASSETS					
Cash and cash equivalents	\$ 34,889,622	\$ 2,320	\$ 34,891,942	\$ 4,394,976	\$ 59,273,693
Restricted cash and cash equivalents	9,381,429	2,603,496	11,984,925	13,602	-
Cash with fiscal agent	3,858,921	-	3,858,921	-	-
Investments	-	-	-	-	9,363,802
Property taxes receivable (net of allowance)	27,284,204	-	27,284,204	-	-
Other receivables (net of allowance)	17,655,168	11,233,125	28,888,293	95,335	5,004,638
Intergovernmental receivables	29,360,714	-	29,360,714	-	-
Internal balances	(11,596,997)	11,596,997	-	-	-
Due from component units/primary government	34,577,336	-	34,577,336	-	-
Inventories	73,278	177,092	250,370	-	457,588
Prepaid items	483,901	1,667	485,568	-	1,105,082
Other assets	-	-	-	873,993	2,391,213
Assets held by trustee	-	-	-	-	3,303,071
Capital assets not being depreciated	26,270,295	2,880,206	29,150,501	-	719,098
Capital assets, net of accumulated depreciation	132,834,462	9,150,088	141,984,550	15,769	160,832,327
Total assets	<u>305,072,333</u>	<u>37,644,991</u>	<u>342,717,324</u>	<u>5,393,675</u>	<u>242,450,512</u>
LIABILITIES					
Accounts payable	8,298,079	1,588,386	9,886,465	44,402	11,185,756
Accrued liabilities	3,189,356	3,762,392	6,951,748	-	9,186,996
Due to Agency Fund	2,968,707	-	2,968,707	-	-
Intergovernmental payables	32,065,118	-	32,065,118	-	-
Advances from grantors	-	-	-	14,335	-
Due to component units/primary government	-	-	-	-	34,577,336
Unearned revenues	1,101,660	-	1,101,660	-	18,062,080
Amounts held on behalf of HVCC	5,975,867	-	5,975,867	-	-
Noncurrent liabilities:					
Due within one year	9,944,950	4,478,535	14,423,485	-	4,956,713
Due within more than one year	219,722,642	33,941,012	253,663,654	-	47,422,881
Total liabilities	<u>283,266,379</u>	<u>43,770,325</u>	<u>327,036,704</u>	<u>58,737</u>	<u>125,391,762</u>
DEFERRED INFLOWS OF RESOURCES					
Grant funding and loans receivable	1,718,611	-	1,718,611	-	-
Total deferred inflows of resources	<u>1,718,611</u>	<u>-</u>	<u>1,718,611</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	30,348,911	(9,887,855)	20,461,056	15,769	112,055,295
Restricted for:					
Tax stabilization	243,368	-	243,368	-	-
Handicapped parking	37,010	-	37,010	-	-
Debt service	2,611,235	-	2,611,235	-	-
Sheriff	518,554	-	518,554	-	-
Scholarships and fellowships	-	-	-	-	5,906,098
Capital projects and debt service	-	-	-	-	3,128,500
South Troy Industrial Park Project	-	-	-	13,602	-
Unrestricted	(13,671,735)	3,762,521	(9,909,214)	5,305,567	(4,031,143)
Total net position	<u>\$ 20,087,343</u>	<u>\$ (6,125,334)</u>	<u>\$ 13,962,009</u>	<u>\$ 5,334,938</u>	<u>\$ 117,058,750</u>

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

COUNTY OF RENSSELAER, NEW YORK
Statement of Activities
Year Ended December 31, 2014

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, 2014
Primary government:									
Governmental activities:									
General government support	\$ 48,798,137	\$ 7,704,114	\$ 1,038,462	\$ -	\$ (40,055,561)	\$ -	\$ (40,055,561)	\$ -	\$ -
Education	19,127,242	3,611,434	7,569,314	-	(7,946,494)	-	(7,946,494)	-	-
Public safety	40,316,516	4,589,915	2,211,558	-	(33,515,043)	-	(33,515,043)	-	-
Health	19,133,090	7,974,125	10,210,168	-	(948,797)	-	(948,797)	-	-
Transportation	11,829,782	18,530	3,034,586	4,082,075	(4,694,591)	-	(4,694,591)	-	-
Economic assistance and opportunity	104,095,727	3,983,411	40,993,577	-	(59,118,739)	-	(59,118,739)	-	-
Culture and recreation	569,185	-	1,763,288	-	1,194,103	-	1,194,103	-	-
Home and community services	6,244,722	7,877,284	461,502	-	2,094,064	-	2,094,064	-	-
Interest and fiscal charges	5,887,560	-	-	-	(5,887,560)	-	(5,887,560)	-	-
Total governmental activities	<u>256,001,961</u>	<u>35,758,813</u>	<u>67,282,455</u>	<u>4,082,075</u>	<u>(148,878,618)</u>	<u>-</u>	<u>(148,878,618)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Van Rensselaer Manor	<u>42,802,882</u>	<u>33,185,559</u>	<u>9,598,922</u>	<u>-</u>	<u>-</u>	<u>(18,401)</u>	<u>(18,401)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 298,804,843</u>	<u>\$ 68,944,372</u>	<u>\$ 76,881,377</u>	<u>\$ 4,082,075</u>	<u>(148,878,618)</u>	<u>(18,401)</u>	<u>(148,897,019)</u>	<u>-</u>	<u>-</u>
Component units:									
Industrial Development Agency	\$ 1,512,933	\$ 796,073	\$ 7,574	\$ -				(709,286)	-
Hudson Valley Community College	<u>125,170,071</u>	<u>57,226,108</u>	<u>63,343,155</u>	<u>932,116</u>				-	<u>(3,668,692)</u>
Total component units	<u>\$ 126,683,004</u>	<u>\$ 58,022,181</u>	<u>\$ 63,350,729</u>	<u>\$ 932,116</u>				<u>(709,286)</u>	<u>(3,668,692)</u>
General revenues:									
Real property taxes and tax items					65,777,052	-	65,777,052	-	-
Non-property taxes					82,443,763	-	82,443,763	-	-
Use of money and property					2,283,629	-	2,283,629	4,310	781,722
Fines and forfeitures					328,991	-	328,991	-	-
Sale of property and compensation for loss					165,114	-	165,114	-	-
Miscellaneous					678,870	-	678,870	150,583	3,256,001
Transfers					<u>(55,930)</u>	<u>55,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>151,621,489</u>	<u>55,930</u>	<u>151,677,419</u>	<u>154,893</u>	<u>4,037,723</u>
Change in net position					2,742,871	37,529	2,780,400	(554,393)	369,031
Net position—beginning					<u>17,344,472</u>	<u>(6,162,863)</u>	<u>11,181,609</u>	<u>5,889,331</u>	<u>116,689,719</u>
Net position—ending					<u>\$ 20,087,343</u>	<u>\$ (6,125,334)</u>	<u>\$ 13,962,009</u>	<u>\$ 5,334,938</u>	<u>\$ 117,058,750</u>

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

COUNTY OF RENSSELAER, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 29,285,883	\$ -	\$ 2,092,463	\$ 31,378,346
Restricted cash and cash equivalents	6,171,868	598,326	2,611,235	9,381,429
Cash with fiscal agent	-	3,858,921	-	3,858,921
Property taxes receivable (net of allowance)	26,726,678	-	-	26,726,678
Other receivables	11,233,769	280,609	4,281,720	15,796,098
Intergovernmental receivables	22,153,364	2,094,736	2,605,323	26,853,423
Due from other funds	2,805,054	1,498	2,739,929	5,546,481
Inventories	-	-	73,278	73,278
Prepaid items	456,030	-	14,034	470,064
Total assets	<u>\$ 98,832,646</u>	<u>\$ 6,834,090</u>	<u>\$ 14,417,982</u>	<u>\$ 120,084,718</u>
LIABILITIES				
Accounts payable	\$ 6,000,105	\$ 1,241,894	\$ 904,580	\$ 8,146,579
Accrued liabilities	904,625	-	1,152	905,777
Due to other funds	17,332,914	33,258	4,845,509	22,211,681
Intergovernmental payables	31,319,357	-	658,211	31,977,568
Unearned revenues	1,026,815	-	74,845	1,101,660
Amounts held on behalf of HVCC	5,372,936	602,931	-	5,975,867
Total liabilities	<u>61,956,752</u>	<u>1,878,083</u>	<u>6,484,297</u>	<u>70,319,132</u>
DEFERRED INFLOWS OF RESOURCES				
Grant funding and loans receivable	-	-	1,718,611	1,718,611
Unavailable revenue—property taxes	17,061,288	-	-	17,061,288
Total deferred inflows of resources	<u>17,061,288</u>	<u>-</u>	<u>1,718,611</u>	<u>18,779,899</u>
FUND BALANCES				
Nonspendable	456,030	-	87,312	543,342
Restricted	798,932	4,956,007	2,611,235	8,366,174
Assigned	4,145,050	-	3,516,527	7,661,577
Unassigned	14,414,594	-	-	14,414,594
Total fund balances	<u>19,814,606</u>	<u>4,956,007</u>	<u>6,215,074</u>	<u>30,985,687</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 98,832,646</u>	<u>\$ 6,834,090</u>	<u>\$ 14,417,982</u>	<u>\$ 120,084,718</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, 2014

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

Total fund balances—governmental funds (page 17)		\$ 30,985,687
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$310,340,545 and the accumulated depreciation is \$151,235,788.		159,104,757
Uncollected property taxes are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		17,061,288
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.		646,945
Net accrued interest expense for serial bonds is not reported in the funds. Accrued interest for general obligation bonds is \$1,566,264 and accrued interest on RTASC bonds is \$123,023 at year end.		(1,689,287)
To recognize tobacco settlement revenue that is not available for recognition within the governmental fund financial statements.		2,507,291
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:		
Bonds payable	\$ (36,079,002)	
Unamortized premiums	(833,792)	
RTASC bonds and accreted interest	(47,344,350)	
Installment purchase debt	(59,247,729)	
Compensated absences	(12,656,073)	
Retirement obligations	(1,293,695)	
Due to other governments	(897,354)	
Net OPEB obligation	(28,272,810)	
Workers' compensation	<u>(1,904,533)</u>	<u>(188,529,338)</u>
Total net position of governmental activities		<u>\$ 20,087,343</u>

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

COUNTY OF RENSSELAER, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
For the Year Ended December 31, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 52,024,650	\$ -	\$ 6,384,926	\$ 58,409,576
Real property tax items	6,970,865	-	-	6,970,865
Non-property tax items	81,549,371	-	894,392	82,443,763
Departmental income	13,505,035	-	8,051,334	21,556,369
Intergovernmental charges	13,751,576	18,530	-	13,770,106
Use of money and property	90,237	4,027	2,189,365	2,283,629
Licenses and permits	-	-	8,159	8,159
Fines and forfeitures	328,991	-	-	328,991
Sale of property and compensation for loss	119,945	-	45,169	165,114
Miscellaneous	411,173	-	259,538	670,711
Interfund revenues	1,199,224	-	-	1,199,224
State aid	38,150,601	2,846,874	2,942,178	43,939,653
Federal aid	24,763,529	1,235,201	1,426,147	27,424,877
Tobacco settlement revenue	-	-	2,515,270	2,515,270
Total revenues	<u>232,865,197</u>	<u>4,104,632</u>	<u>24,716,478</u>	<u>261,686,307</u>
EXPENDITURES				
Current:				
General government support	45,531,968	-	944,296	46,476,264
Education	18,672,696	-	-	18,672,696
Public safety	35,062,111	-	223,506	35,285,617
Health	18,665,053	-	-	18,665,053
Transportation	545,366	-	9,427,647	9,973,013
Economic assistance and opportunity	104,186,859	-	1,551,334	105,738,193
Culture and recreation	522,968	-	-	522,968
Home and community services	1,074,886	-	3,800,663	4,875,549
Employee benefits	-	-	2,433,807	2,433,807
Debt service:				
Principal	4,449,874	-	4,058,831	8,508,705
Interest	2,723,419	-	3,259,412	5,982,831
Capital outlay	-	<u>19,651,412</u>	-	<u>19,651,412</u>
Total expenditures	<u>231,435,200</u>	<u>19,651,412</u>	<u>25,699,496</u>	<u>276,786,108</u>
Excess (deficiency) of revenues over expenditures	<u>1,429,997</u>	<u>(15,546,780)</u>	<u>(983,018)</u>	<u>(15,099,801)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,673	194,353	548,112	757,138
Transfers out	(644,883)	(34,257)	(133,928)	(813,068)
Proceeds from issuance of debt	-	7,830,417	-	7,830,417
Tax sale certificates reserve	<u>(263,275)</u>	-	-	<u>(263,275)</u>
Total other financing sources (uses)	<u>(893,485)</u>	<u>7,990,513</u>	<u>414,184</u>	<u>7,511,212</u>
Net change in fund balances	536,512	(7,556,267)	(568,834)	(7,588,589)
Fund balances—beginning	<u>19,278,094</u>	<u>12,512,274</u>	<u>6,783,908</u>	<u>38,574,276</u>
Fund balances—ending	<u>\$ 19,814,606</u>	<u>\$ 4,956,007</u>	<u>\$ 6,215,074</u>	<u>\$ 30,985,687</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—Governmental Funds to the Government-wide Statement of Activities
For the Year Ended December 31, 2014

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) \$ (7,588,589)

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

Capital asset additions	\$ (19,750,923)	
Depreciation expense	<u>8,652,403</u>	11,098,520

Property tax and other revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 989,485

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. 195,209

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 143,612

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:

Issuance of serial bonds	\$ (2,829,338)	
Principal payments on serial bonds	3,597,266	
Premium amortization	64,138	
Payment on RTASC bond	1,080,000	
Accreted interest of RTASC bond	(1,431,500)	
Issuance of installment purchase debt	(5,001,079)	
Payment of installment purchase debt	1,538,705	
Change in compensated absences	(1,210,813)	
Change in retirement obligation	547,279	
Change in due to other governments	4,302,646	
Change in other post-employment benefits plan	(2,284,756)	
Change in workers' compensation	<u>(467,914)</u>	<u>(2,095,366)</u>

Change in net position of governmental activities \$ 2,742,871

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, 2014

	Business-type Activities	Governmental Activities
	Van Rensselaer Manor	Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 2,320	\$ 3,511,276
Restricted cash	2,407,093	-
Resident trust cash	196,403	-
Other receivables (net of allowance for uncollectibles)	11,233,125	1,859,070
Due from other funds	11,596,997	2,685,961
Inventories	177,092	-
Prepaid items	1,667	13,837
Total current assets	25,614,697	8,070,144
Noncurrent assets:		
Capital assets not being depreciated	2,880,206	-
Capital assets, net of accumulated depreciation	9,150,088	-
Total noncurrent assets	12,030,294	-
Total assets	37,644,991	8,070,144
LIABILITIES		
Current liabilities:		
Accounts payable	1,588,386	151,500
Accrued liabilities	3,762,392	36,766
Pension contributions payable	-	87,550
Due to other funds	-	586,465
Retirement costs—current	2,478,535	-
Long-term debt—current	2,000,000	-
Total current liabilities	9,829,313	862,281
Noncurrent liabilities:		
Accrued workers' compensation liability	934,428	6,560,918
Accrued retirement costs—excluding current portion	17,295	-
Accrued other post employment benefits	10,989,289	-
Long-term debt—excluding current portion	22,000,000	-
Total noncurrent liabilities	33,941,012	6,560,918
Total liabilities	43,770,325	7,423,199
NET POSITION		
Net investment in capital assets	(9,887,855)	-
Unrestricted	3,762,521	646,945
Total net position	\$ (6,125,334)	\$ 646,945

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
For the Year Ended December 31, 2014

	Business-type Activities	Governmental Activities
	Van Rensselaer Manor	Internal Service Funds
Operating revenues:		
Net patient service revenue	\$ 33,185,559	\$ -
Charges for services—interfund	-	22,199,767
Charges for services—intergovernmental	9,464,548	959,848
Other operating revenues	134,374	424
Total operating revenues	42,784,481	23,160,039
Operating expenses:		
Nursing and medical services	17,457,421	-
Dietary	3,318,818	-
Household and plant operation	4,269,891	-
Administrative and general services	4,403,066	-
Fringe benefits	9,427,237	2,953,777
Other post employment benefits	962,634	-
Interest expense	759,290	-
Depreciation	1,587,382	-
Personal services	-	726,217
Contractual expenses	-	19,290,482
Bad debt expense	471,207	-
Total operating expenses	42,656,946	22,970,476
Operating income	127,535	189,563
Nonoperating revenues (expenses):		
Contribution from County	55,930	-
Other non-operating expenses	(145,936)	-
Interest income	-	5,646
Total non-operating revenues (expenses)	(90,006)	5,646
Change in net position	37,529	195,209
Total net position—beginning	(6,162,863)	451,736
Total net position—ending	\$ (6,125,334)	\$ 646,945

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

COUNTY OF RENSSELAER, NEW YORK
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Van Rensselaer Manor</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for patient care or services provided	\$ 48,637,649	\$ 22,652,289
Payments to suppliers for goods and services	(9,415,932)	(19,351,915)
Payments to employees for services	(29,128,613)	(3,085,216)
Payments for interest	(618,225)	-
Internal activity—payment made from or to County	(7,490,183)	44,244
Other operating revenue	134,374	424
Net cash provided by operating activities	<u>2,119,070</u>	<u>259,826</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions and advances from County	55,930	-
Other non-operating expenses	(145,936)	-
Interest earned (fees incurred) on bank accounts	-	5,646
Net cash (used for) provided by non-capital financing activities	<u>(90,006)</u>	<u>5,646</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures, net	(2,654,996)	-
Net increase in assets held by trustee	2,898,025	-
Cash proceeds from serial bonds	24,000,000	-
Payment to call bonds payable	(22,360,000)	-
Principal payments on long-term debt	(1,505,000)	-
Net cash provided by capital and related financing activities	<u>378,029</u>	<u>-</u>
Net increase in cash and cash equivalents	2,407,093	265,472
Cash—beginning	<u>2,320</u>	<u>3,245,804</u>
Cash—ending (including amount restricted for capital projects)	<u>\$ 2,409,413</u>	<u>\$ 3,511,276</u>

(continued)

COUNTY OF RENSSELAER, NEW YORK
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities	Governmental Activities
	Van Rensselaer Manor	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 127,535	\$ 189,563
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,587,382	-
Decrease (increase) in accounts receivable	6,263,260	(507,326)
(Increase) in due from other governments	(7,490,183)	-
(Increase) in inventory	(34,543)	-
(Increase) in prepaid expenses	-	(13,837)
(Increase) in due from other funds	-	(506,567)
Increase (decrease) in accounts payable	403,950	(47,596)
Increase in due to other governments	195,489	550,811
Increase in compensation and related costs	230,870	-
(Decrease) in retirement and workers' compensation	(281,076)	(200,246)
Increase in other post employment benefits	962,634	-
Increase in other accrued expenses	153,752	795,024
Total adjustments	1,991,535	70,263
Net cash provided by operating activities	\$ 2,119,070	\$ 259,826

(concluded)

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, 2014

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,876,686
Accounts receivable	20
Due from other funds	<u>2,968,707</u>
Total assets	<u>\$ 5,845,413</u>
LIABILITIES	
Agency liabilities	<u>\$ 5,845,413</u>
Total liabilities	<u>\$ 5,845,413</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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 units are reported in a separate column to emphasize that they are legally separate from the County.

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

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

Hudson Valley Community College—The Hudson Valley Community College (“HVCC”) was established under Article 126 of the Education Act of the State of New York under the sponsorship of Rensselaer County. A Board of Trustees operates the College under paragraph (C) of the Subdivision 6 of Section 6304 of the Education Act of the State of New York. There are ten board members, five are appointed by the County Legislature, the Governor appoints four, and one is an elected student. HVCC is included based on its August 31, 2014 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 Units—The following blended component units are legally separate entities from the County, but are, in substance, part of the County’s operations and therefore data from these units are combined with data of the primary government.

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

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

bond principal and interest payments. Upon termination of the lease term, title to the project facility will transfer to the County.

However, during the year ended December 31, 2014, the County issued \$24,000,000 in Public Improvement Serial Bonds and called the Corporation's bonds and redeemed the outstanding principal and accrued interest. As such, the Corporation does not have any remaining debt as of December 31, 2014.

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

Rensselaer Tobacco Asset Securitization Corporation—The Rensselaer Tobacco Asset Securitization Corporation (“RTASC”) is a special purpose, 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 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 so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period 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 90 days 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.

Restricted Cash—Restricted cash represents debt proceeds, 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, 2013, the County reported unearned revenues within the General Fund of \$1,026,815 and within other governmental funds of \$74,845.

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:

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

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 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, 2014, the County does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has two 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. Additionally, the County reports deferred inflows of resources for items which represent resources that have been received before timing requirements have been met.

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 Financial 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 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.

Van Rensselaer 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 2014.

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. The portion of the receivable, \$8,978,185, that represents taxes relieved for schools and villages is recognized as a liability and is included in intergovernmental payables. Another portion of the receivable, \$17,061,288, 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 2014 is approximately \$6.8 billion. The total County levy, including all charge-backs, for 2014 was \$66,875,857. 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 2014 levy represents approximately 39.48% of the maximum statutory levy.

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.

During the year ended December 31, 2012 the County sold TSCs totaling \$2,945,736, which represented liens on certain outstanding property taxes for 2011. Of this amount, \$2,156,646 was collected relating to the 2012 TSC sale and subsequently transferred to the trustee during 2014. As of December 31, 2014, \$557,526 remained outstanding on the 2012 sales. The County did not sell any TSCs during the years ended December 31, 2014 and 2013.

The primary non-property tax receivable item is sales tax totaling \$8,525,324, which is accrued as revenue based on the date on which the underlying sale occurs and is included in other receivables.

Effective September 1, 1994, the 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. 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 through March 31, 2021 and is currently pending final approval by the New York State Office of the Comptroller.

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 \$3,869,404 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 \$691,340.

An additional accrued liability of \$8,786,669 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 \$467,129.

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

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 ration 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 2014, the County has reported interfund revenues in the General Fund of \$1,199,224 representing an allocation of costs to various special revenue funds and Van Rensselaer Manor. The amounts are reported as general government support expenditures in the General Fund as well as in the benefiting funds.

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, \$34,577,336 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.

Insurance—The County assumes liability for some risk including, but not limited to, workers’ compensation. Asserted and incurred but not reported claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonable estimated. Such recording is consistent with the requirements of GASB.

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.

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, 2014, the County implemented GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, No. 69, *Government Combinations and Disposals of Government Operations*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 69 is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statements No. 67, 69, and 70 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. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015 and No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016. The County is,

therefore, unable to disclose the impact that adopting GASB Statements No. 68, 71 and 72 will have on its financial position and results of operations—when such statements are adopted.

Stewardship, Compliance and Accountability

Deficit Net Position—The Enterprise Fund of the County, Van Rensselaer Manor, had a net position deficit of \$6,125,334 at December 31, 2014. The major factors contributing to the deficit are the increasing costs of operations, combined with uncertainty in Medicaid reimbursement rates and other state/federal funding sources. The County has provided annual contributions to the Manor to support operations in the past. There is currently no formal plan to fund the net position deficit.

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 1.
- 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.

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

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, 2014 is presented on the following page.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 3,650	\$ 2,320	\$ -	\$ 5,970
Deposits	48,126,322	2,603,496	2,876,686	53,606,504
Total	<u>\$ 48,129,972</u>	<u>\$ 2,605,816</u>	<u>\$ 2,876,686</u>	<u>\$ 53,612,474</u>

The County's cash and cash equivalents were comprised of the following at December 31, 2014:

	Maturity Date	Fair Value at December 31, 2014
Petty cash (uncollateralized)	n/a	\$ 5,970
Deposits with financial institutions	n/a	47,147,441
Cash held by fiscal agent	n/a	3,858,921
Money market funds	n/a	70,172
Discount note	1/2/2015	2,529,970
Total		<u>\$ 53,612,474</u>

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

	December 31, 2014	
	Carrying Amount	Bank Balance
FDIC insured	\$ 2,696,817	\$ 2,697,821
Uninsured:		
Collateral held by pledging bank's agent in County's name	44,450,624	50,481,176
Total deposits	<u>\$ 47,147,441</u>	<u>\$ 53,178,997</u>

Cash equivalents—Cash equivalents, in the case of RTASC, include money market accounts and a discount note with a maturity date within three months of year end, and are, therefore, considered to be cash equivalents at December 31, 2014. These cash equivalents are carried at fair value as displayed below.

	Carrying Amount	Bank Balance
Money market funds	\$ 70,172	\$ 70,172
Discount note	2,529,970	2,529,970
Total	<u>\$ 2,600,142</u>	<u>\$ 2,600,142</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, 2014, 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 \$9,381,429, of which \$5,975,867 represents cash held on behalf of HVCC and \$3,405,562 to support restricted fund balance. Additionally, the County report cash with fiscal agent of \$3,858,921 for capital projects at December 31, 2014. Total business-type activities restricted cash of \$2,603,496 represents cash held in custody for patients of the Van Rensselaer Manor of \$196,403 and cash restricted for capital projects of \$2,407,093. These deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County.

Industrial Development Agency Component Unit—Deposits totaled \$4,408,578 (includes restricted cash of \$13,602) and were fully collateralized at December 31, 2014.

HVCC Component Unit—Deposits and investments (including amounts held by trustee banks) totaled \$71,940,566 and were fully collateralized or insured at August 31, 2014.

3. RECEIVABLES

Major revenues accrued by the County at December 31, 2014 consisted of the following:

Other Receivables—Represent amounts due from various sources. The County’s accounts receivable at December 31, 2014 are as shown below:

Governmental Funds:	
General Fund	\$ 11,233,769
Capital Projects Fund	280,609
Other nonmajor funds	4,281,720
Enterprise Fund	11,233,125
Internal Service Fund	<u>1,859,070</u>
Total	<u>\$ 28,888,293</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, 2014 are shown below:

Governmental Funds:	
General Fund	\$ 22,153,364
Capital Projects Fund	2,094,736
Other nonmajor funds	<u>2,605,323</u>
Total	<u>\$ 26,853,423</u>

4. CAPITAL ASSETS

Governmental activities—Capital asset activity for governmental activities for the year ended December 31, 2014 was as follows:

	Primary Government—Governmental Activities			
	Balance	Increases	Decreases	Balance
	1/1/2014			12/31/2014
Capital assets, not being depreciated:				
Land	\$ 672,880	\$ 90,000	\$ -	\$ 762,880
Construction in progress	<u>12,991,246</u>	<u>12,778,844</u>	<u>(262,675)</u>	<u>25,507,415</u>
Total capital assets, not being depreciated	<u>13,664,126</u>	<u>12,868,844</u>	<u>(262,675)</u>	<u>26,270,295</u>
Capital assets, being depreciated:				
Land improvements	6,875,250	-	-	6,875,250
Buildings and improvements	120,600,927	-	-	120,600,927
Infrastructure	117,334,334	5,746,567	-	123,080,901
Machinery and equipment	<u>32,562,186</u>	<u>1,398,187</u>	<u>(447,201)</u>	<u>33,513,172</u>
Total capital assets, being depreciated	<u>277,372,697</u>	<u>7,144,754</u>	<u>(447,201)</u>	<u>284,070,250</u>
Less accumulated depreciation for:				
Land improvements	(6,873,750)	(1,000)	-	(6,874,750)
Buildings and improvements	(44,640,151)	(3,626,869)	-	(48,267,020)
Infrastructure	(64,516,665)	(3,636,653)	-	(68,153,318)
Machinery and equipment	<u>(27,000,020)</u>	<u>(1,387,881)</u>	<u>447,201</u>	<u>(27,940,700)</u>
Total accumulated depreciation	<u>(143,030,586)</u>	<u>(8,652,403)</u>	<u>447,201</u>	<u>(151,235,788)</u>
Total capital assets, being depreciated, net	<u>134,342,111</u>	<u>(1,507,649)</u>	<u>-</u>	<u>132,834,462</u>
Governmental activities capital assets, net	<u>\$ 148,006,237</u>	<u>\$ 11,361,195</u>	<u>\$ (262,675)</u>	<u>\$ 159,104,757</u>

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

Governmental activities:	
General government support	\$ 1,327,253
Public safety	2,327,977
Health	13,492
Transportation	3,271,907
Economic assistance and opportunity	115,155
Culture and recreation	5,292
Home and community services	<u>1,591,327</u>
Total depreciation expense—governmental activities	<u>\$ 8,652,403</u>

Business-type activities—Capital asset activity for business-type activities (Enterprise Fund) for the year ended December 31, 2014 as presented below:

	Primary Government - Business-type Activities			Balance 12/31/2014
	Balance 1/1/2014	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Construction in progress	-	2,330,206	-	2,330,206
Total capital assets, not being depreciated	<u>550,000</u>	<u>2,330,206</u>	<u>-</u>	<u>2,880,206</u>
Capital assets, being depreciated:				
Buildings	20,439,030	-	-	20,439,030
Fixed equipment	10,873,491	-	-	10,873,491
Major moveable equipment	<u>5,034,953</u>	<u>324,790</u>	<u>(1,693,342)</u>	<u>3,666,401</u>
Total capital assets, being depreciated	<u>36,347,474</u>	<u>324,790</u>	<u>(1,693,342)</u>	<u>34,978,922</u>
Less accumulated depreciation for:				
Buildings	(13,451,088)	(717,415)	-	(14,168,503)
Fixed equipment	(9,338,185)	(540,735)	-	(9,878,920)
Major moveable equipment	<u>(3,145,521)</u>	<u>(329,232)</u>	<u>1,693,342</u>	<u>(1,781,411)</u>
Total accumulated depreciation	<u>(25,934,794)</u>	<u>(1,587,382)</u>	<u>1,693,342</u>	<u>(25,828,834)</u>
Total capital assets, being depreciated, net	<u>10,412,680</u>	<u>(1,262,592)</u>	<u>-</u>	<u>9,150,088</u>
Business-type activities capital assets, net	<u>\$ 10,962,680</u>	<u>\$ 1,067,614</u>	<u>\$ -</u>	<u>\$ 12,030,294</u>

Discretely presented component units

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

i) Rensselaer County Industrial Development Agency

	Balance 12/31/14
Machinery and equipment	\$ 148,459
Less: accumulated depreciation	(132,690)
Total capital assets, net	<u>\$ 15,769</u>

ii) Hudson Valley Community College

	Balance 8/31/2014
Land, land improvements and infrastructure	\$ 25,572,165
Buildings and building improvements	209,985,597
Machinery and equipment	29,160,144
Construction in progress	719,098
Total capital assets	265,437,004
Less: accumulated depreciation	(116,519,693)
Total Hudson Valley Community College	<u>\$ 148,917,311</u>

Additionally, net capital assets of \$12,634,114 were reported for HVCC Component Unit, the Faculty Student Association.

5. ACCRUED LIABILITIES

Accrued liabilities reported by the governmental funds at December 31, 2014 were as follows:

	General Fund	Other Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 86,635	\$ -	\$ 86,635
Litigation payable	816,000	-	816,000
Other liabilities	1,990	1,152	3,142
Total	<u>\$ 904,625</u>	<u>\$ 1,152</u>	<u>\$ 905,777</u>

6. PENSION PLANS

Plan Description—The County participates in the New York and Local Employees' Retirement System (“ERS”) and the Public Employees' Group Life Insurance Plan (“System”). These are cost-sharing multiple-employer retirement systems. The systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (“NYSRSSL”) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”)

serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for custody and control of its funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy—The Systems are noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who join on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute three and one-half percent (3.5%) of their annual salary until March 31, 2013, after which the contribution percentage will be based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer’s contributions based on salaries paid during the New York State Local Retirement System’s fiscal year ending March 31.

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

<u>Year</u>	<u>Contribution</u>
2014	\$ 14,241,425
2013	14,930,644
2012	13,425,305

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

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 \$1,208,000 and \$256,160, respectively for the fiscal year ended December 31, 2014.

The County's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the 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	Business-type Activities
Annual required contribution	\$ 3,951,185	\$ 1,383,380
Interest on net OPEB obligation	1,039,522	369,230
Adjustment to annual required contribution	<u>(1,497,951)</u>	<u>(533,816)</u>
Annual OPEB costs (expense)	3,492,756	1,218,794
Contributions made	<u>(1,208,000)</u>	<u>(256,160)</u>
Increase in net OPEB obligation	2,284,756	962,634
Net OPEB obligation—beginning of year	<u>25,988,054</u>	<u>10,026,655</u>
Net OPEB obligation—end of year	<u>\$ 28,272,810</u>	<u>\$ 10,989,289</u>

As of January 1, 2013, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was \$39,272,568 and \$10,955,363 for governmental activities and business-type activities, respectively.

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 Required Contribution	Contributions Made	Percentage Contributed
2014	\$ 3,951,185	\$ 1,208,000	30.6%
2013	3,951,185	1,131,000	28.6%
2012	4,663,629	1,125,457	24.1%

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

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2014	\$ 1,383,380	\$ 256,160	18.5%
2013	1,356,255	218,000	16.1%
2012	1,611,233	191,924	11.9%

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, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date and measurement date of January 1, 2013. The expected investment rate of return on employer’s assets is 4.0%. The RP-2000 Mortality Table for males and females is used for mortality rates. The rates of decrement due to retirement is based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service’s actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB Statement No. 45 Valuation. The unfunded actuarial accrued liability is being amortized over 30 years, therefore the remaining amortization period at December 31, 2014, was twenty-two years.

8. RISK MANAGEMENT

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 of Rensselaer 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 \$3 million limit. All other policies have limits ranging from \$100,000 to \$341,602,610.

The County also holds a professional liability policy on behalf of the Van Rensselaer Manor, which is limited to \$1 million per incident and an aggregate limit of \$3 million. The aggregate claim amount for general liability has decreased in the current year from \$6,000,000 to \$2,000,000. There have not been any settlements which have exceeded commercial insurance coverage during the fiscal year ended December 31, 2014.

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 Van Rensselaer 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 Van Rensselaer 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, 2014 were \$31,506.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2014	\$ 81,858	\$ 18,527,304	\$ 18,577,656	\$ 31,506
2013	91,047	17,981,931	17,991,120	81,858

Workers' compensation liability, reported in the Internal Service Fund, for the County and 20 other plan members at December 31, 2014 was \$6,560,918. An additional liability of \$1,904,553 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
2014	\$ 5,660,645	\$ 3,382,510	\$ 2,482,237	\$ 6,560,918
2013	5,603,362	2,205,055	2,147,772	5,660,645

The claims liability of the Van Rensselaer Manor relating to workers' compensation at December 31, 2014 and 2013 was \$934,428 and \$895,428, respectively. Expenses for workers' compensation for the years ended December 31, 2014 and 2013 were \$789,141 and \$440,672, respectively. Claims and claim adjustments were \$827,581 and \$252,471 for the years ended December 31, 2014 and 2013, respectively.

9. LEASE OBLIGATIONS

Leases payable—The County leases certain property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligation, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, is also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable in the fund financial statements. Total expenditures on operating leases for the fiscal year ended December 31, 2014 were approximately \$1,381,323.

The County had future minimum payments under operating leases with a remaining term in excess of one year for its governmental activities as presented on the following page.

December 31,	Operating Leases
2015	\$ 1,447,958
2016	1,366,687
2017	1,327,904
2018	1,219,447
2019	1,213,932
2020-2024	4,291,356
2025 and beyond	<u>55,407</u>
Future minimum payments	<u>\$ 10,922,691</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%.

The following summarizes requirements of the Installment Purchase Debt:

Year ended December 31,	Governmental Activities		
	Sewer District	County Building	Total
2015	\$ 3,437,374	\$ 440,934	\$ 3,878,308
2016	4,107,163	532,357	4,639,520
2017	4,403,387	648,682	5,052,069
2018	4,403,887	655,690	5,059,577
2019	4,402,348	408,500	4,810,848
2020-2024	22,479,774	2,122,500	24,602,274
2025-2029	17,124,737	2,175,200	19,299,937
2030 and beyond	<u>4,952,744</u>	<u>435,679</u>	<u>5,388,423</u>
Total minimum lease payments	65,311,414	7,419,542	72,730,956
Less: Amount representing imputed interest costs	<u>(12,024,141)</u>	<u>(1,459,086)</u>	<u>(13,483,227)</u>
Present value of minimum lease payment	<u>\$ 53,287,273</u>	<u>\$ 5,960,456</u>	<u>\$ 59,247,729</u>

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Assets:	
Infrastructure	\$ 48,674,903
Less: Accumulated depreciation	<u>(1,427,294)</u>
Total	<u>\$ 47,247,609</u>

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.

The following is an analysis of the County’s short-term debt as of, and for the year ending, December 31, 2014:

<u>Description</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Projects Fund:					
<i>Bond anticipation notes:</i>					
Clean water facility note 2013A	0.00%	\$ 1,655,044	\$ -	\$ 1,655,044	\$ -
Clean water facility note 2013B	0.40%	<u>1,655,044</u>	<u>-</u>	<u>1,655,044</u>	<u>-</u>
Total		<u>\$ 3,310,088</u>	<u>\$ -</u>	<u>\$ 3,310,088</u>	<u>\$ -</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, due to other governments, other post-employment benefits (“OPEB”) obligations, and workers’ compensation.

A summary of changes in the County’s long-term debt at December 31, 2014 is shown on the following page.

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Governmental activities:					
Serial bonds	\$ 36,846,930	\$ 2,829,338	\$ 3,597,266	\$ 36,079,002	\$ 2,623,010
Serial bonds - HVCC	36,870,070	-	2,292,734	34,577,336	1,586,990
Unamortized premiums	897,930	-	64,138	833,792	64,138
RTASC bonds and accreted interest	46,992,850	1,431,500	1,080,000	47,344,350	2,205,000
Installment purchase debt	55,785,355	5,001,079	1,538,705	59,247,729	2,250,198
Compensated absences	11,445,260	1,210,813	-	12,656,073	632,804
Retirement obligations	1,840,974	-	547,279	1,293,695	582,810
Due to other governments	5,200,000	897,354	5,200,000	897,354	-
Net OPEB obligation	25,988,054	3,492,756	1,208,000	28,272,810	-
Workers' compensation	7,097,264	3,850,424	2,482,237	8,465,451	-
Total governmental activities	<u>\$ 228,964,687</u>	<u>\$ 18,713,264</u>	<u>\$ 18,010,359</u>	<u>\$ 229,667,592</u>	<u>\$ 9,944,950</u>
Business type activities:					
Bonds payable	\$ 23,865,000	\$ 24,000,000	\$ 23,865,000	\$ 24,000,000	\$ 2,000,000
Retirement obligations	2,815,346	2,616,184	2,935,700	2,495,830	2,478,535
Net OPEB obligation	10,026,655	1,218,794	256,160	10,989,289	-
Workers' compensation	895,988	827,581	789,141	934,428	-
Total business-type activities	<u>\$ 37,602,989</u>	<u>\$ 28,662,559</u>	<u>\$ 27,846,001</u>	<u>\$ 38,419,547</u>	<u>\$ 4,478,535</u>

Discretely Presented Component Units

	Balance 9/1/2013	Increases	Decreases	Balance 8/31/2014	Due Within One Year
HVCC:					
Termination benefits	\$ 19,111,749	\$ 418,826	\$ -	\$ 19,530,575	\$ -
Net OPEB obligation	10,331,999	1,922,207	205,022	12,049,184	205,022
Association financing agreement	7,634,971	488,584	-	8,123,555	1,428,348
Capital leases	10,022,910	2,200,000	3,285,099	8,937,811	3,323,343
Other long-term liabilities	3,784,095	-	45,626	3,738,469	-
Total HVCC	<u>\$ 50,885,724</u>	<u>\$ 5,029,617</u>	<u>\$ 3,535,747</u>	<u>\$ 52,379,594</u>	<u>\$ 4,956,713</u>

Bond indebtedness—The County issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both governmental and business-type activities and the Hudson Valley Community College discretely presented component unit.

On May 1, 2014, the County issued serial bonds totaling \$2,829,338 to redeem bond anticipation notes. The serial bonds were issued at an interest rate of 0.15%-3.55%. Principal payments on the bonds began on November 1, 2014 and mature on November 1, 2034.

On July 18, 2014, the County issued \$24,000,000 in Public Improvement Serial Bonds for the purpose of acquiring and renovating the Van Rensselaer Manor Nursing Home. Subsequently, on August 20, 2014, the County called the Rensselaer Municipal Leasing Corporation's Refunding Bond Series 2009 and redeemed the outstanding principal of \$22,360,000 with County debt proceeds and assets held in the Corporation's Bond Fund and Debt Service Reserve fund. The cumulative cash flow savings as a result of the refunding totals \$6,669,647. The additional debt proceeds are being used for renovation capital projects with remaining amounts of \$2,407,093 held in restricted cash as of December 31, 2014.

A summary of additions and payments for the year ended December 31, 2014 is shown below:

Description	Original Issue	Interest Rate (%)	Year of Maturity	Balance 1/1/2014	Additions	Payments	Balance 12/31/2014	Due Within One Year
Governmental activities serial bonds issued by the County:								
General:								
Public Safety Bldg	\$ 19,245,000	6.70	2021	\$ 5,997,700	\$ -	\$ 750,100	\$ 5,247,600	\$ 750,100
Fac Master Plan	1,500,000	4.0-4.2	2014	67,878	-	67,878	-	-
Jail Expansion	5,000,000	4.0-4.2	2014	226,258	-	226,258	-	-
Jail Expansion	20,300,000	3.25-4.38	2028	16,765,000	-	795,000	15,970,000	835,000
Facilities Master Plan	930,287	3.0-5.0	2025	930,287	-	-	930,287	66,806
Jail Expansion	3,100,932	3.0-5.0	2025	3,100,932	-	-	3,100,932	222,685
Jail	4,078,947	3.0-3.25	2038	3,988,000	-	92,000	3,896,000	98,000
Highway:								
2001 Improvements	3,547,403	4.00-4.25	2014	969,579	-	969,579	-	-
2005 Improvements	2,000,000	4.0-4.2	2014	90,503	-	90,503	-	-
2005 Machinery	2,500,000	4.0-4.2	2014	113,132	-	113,132	-	-
2005 Improvements	1,240,377	3.0-5.0	2025	1,240,377	-	-	1,240,377	89,075
2005 Machinery	1,550,468	3.0-5.0	2025	1,550,468	-	-	1,550,468	111,344
2012 Highway Equipment	1,500,000	3.0	2017	1,226,000	-	282,000	944,000	305,000
Sewer:								
Clarifier	575,579	4.00-4.25	2014	55,816	-	55,816	-	-
Monofill Phase II	635,000	3.25-4.38	2028	525,000	-	25,000	500,000	25,000
EFC	2,829,338	0.15-3.55	2034	-	2,829,338	130,000	2,699,338	120,000
Total serial bonds				<u>36,846,930</u>	<u>2,829,338</u>	<u>3,597,266</u>	<u>36,079,002</u>	<u>2,623,010</u>
Unamortized premium				897,930	-	64,138	833,792	64,138
Total governmental activities bonded debt				<u>\$ 37,744,860</u>	<u>\$ 2,829,338</u>	<u>\$ 3,661,404</u>	<u>\$ 36,912,794</u>	<u>\$ 2,687,148</u>
Governmental activities - issued on behalf of the Discretely Presented Component Unit - HVCC - serial bonds:								
HPER Center	\$ 2,000,000	6.90-7.00	2019	\$ 365,000	\$ -	\$ 65,000	\$ 300,000	\$ 60,000
HPER Center	5,500,000	6.70	2020	1,469,300	-	209,900	1,259,400	209,900
Reconstruction	2,460,890	4.00-4.25	2014	238,634	-	238,634	-	-
HVAC	967,290	4.00-4.25	2014	93,800	-	93,800	-	-
Electrical System	479,650	4.00-4.25	2014	46,511	-	46,511	-	-
Tennis Courts	24,941	4.00-4.25	2014	2,419	-	2,419	-	-
Parking Lot	213,638	4.00-4.25	2014	20,717	-	20,717	-	-
Guenther Hall	251,817	4.00-4.25	2014	24,419	-	24,419	-	-
Renovations/Improve.	3,022,581	4.00-4.25	2014	293,104	-	293,104	-	-
Campus Center	4,057,687	4.0-4.2	2014	183,617	-	183,617	-	-
Various Projects	1,236,000	4.0-4.2	2014	55,930	-	55,930	-	-
Admin Building	4,700,000	4.0-4.2	2014	212,683	-	212,683	-	-
Various Projects	6,200,000	4.4-4.5	2015	555,000	-	270,000	285,000	285,000
Admin/Campus/Various	10,287,936	3.0-5.0	2026	10,287,936	-	-	10,287,936	445,090
HVCC Project	23,578,862	3.0-3.25	2038	23,021,000	-	576,000	22,445,000	587,000
Total serial bonds - component unit				<u>\$ 36,870,070</u>	<u>\$ -</u>	<u>\$ 2,292,734</u>	<u>\$ 34,577,336</u>	<u>\$ 1,586,990</u>
Business-type activities—Van Rensselaer Manor:								
Enterprise Fund:								
Leasehold Mortgage	\$ 29,980,000	3.55/5.88	2009/2024	\$ 23,865,000	\$ -	\$ 23,865,000	\$ -	\$ -
2014 - Serial Bonds	24,000,000	2.0/3.1	2014/2031	-	24,000,000	-	24,000,000	2,000,000
Total business-type activities				<u>\$ 23,865,000</u>	<u>\$ 24,000,000</u>	<u>\$ 23,865,000</u>	<u>\$ 24,000,000</u>	<u>\$ 2,000,000</u>

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

	Governmental Activities		Business-Type Activities		Issued on behalf of the Discretely Presented Component Unit - HVCC	
	Serial Bond		Van Rensselaer Manor			
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,623,010	\$ 1,480,420	\$ 2,000,000	\$ 549,346	\$ 1,586,990	\$ 1,224,943
2016	2,693,687	1,367,481	2,040,000	513,963	1,640,651	1,158,427
2017	2,766,688	1,249,212	2,080,000	473,163	1,693,312	1,094,599
2018	2,529,886	1,125,254	2,125,000	431,563	1,790,114	1,025,124
2019	2,612,465	1,007,492	2,170,000	389,063	1,847,535	952,303
2020-2034	12,163,934	3,289,731	11,700,000	1,236,338	9,153,066	3,618,565
2025-2029	8,066,332	1,121,936	1,305,000	210,325	6,213,668	2,125,779
2030-2034	1,732,000	277,513	580,000	27,344	5,548,000	1,339,685
2035 and beyond	891,000	73,016	-	-	5,104,000	419,678
Total	<u>\$ 36,079,002</u>	<u>\$ 10,992,055</u>	<u>\$ 24,000,000</u>	<u>\$ 3,831,105</u>	<u>\$ 34,577,336</u>	<u>\$ 12,959,103</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 Hudson Valley Community College (HVCC). Regular debt service related to the bonds issued for the College are funded by the College and are reported in the General Fund as intergovernmental charges. Regular payments funded in the current year amounted to \$2,292,734 in principal and \$1,319,021 in interest.

Rensselaer Tobacco Asset Securitization Corporation (“RTASC”)—Changes in RTASC’s long-term debt for the year ended December 31, 2014 are as follows:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014	Due Within One Year
Tobacco Settlement Bonds:					
Series 2001A	<u>\$ 26,775,000</u>	<u>\$ -</u>	<u>\$ 1,080,000</u>	<u>\$ 25,695,000</u>	<u>\$ 2,205,000</u>
Subordinate Turbo CABs:					
Series 2005 - Original Principal	11,653,100	-	-	11,653,100	-
Accreted Interest	<u>8,564,750</u>	<u>1,431,500</u>	<u>-</u>	<u>9,996,250</u>	<u>-</u>
Total Subordinated Turbo CABs	<u>20,217,850</u>	<u>1,431,500</u>	<u>-</u>	<u>21,649,350</u>	<u>-</u>
Total RTASC bonds and interest	<u>\$ 46,992,850</u>	<u>\$ 1,431,500</u>	<u>\$ 1,080,000</u>	<u>\$ 47,344,350</u>	<u>\$ 2,205,000</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”).

The payment of the Series 2001A Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued

operations of the OPMs. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the bond indenture, and amounts established and held in accordance with the bond indenture.

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

Each Series 2001A Bond has a Rated Maturity Date and a Planned Principal Payment Date. Planned Principal Payment Dates are based upon a maturity of debt that began June 1, 2002 extending through 2027 at variable rates. Interest is payable June 1 and December 1 of each year. Planned Principal Payments and Rate Maturities are scheduled only on June 1 of each year although principal could be paid semiannually if actual principal payments are slower than Planned Principal Payments. Failure to pay interest on the Series 2001A Bonds when due or principal of the Series 2001A Bonds when due on a Rated Maturity Date will constitute a default.

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.

RTASC debt service requirements based upon planned principal payments for Tobacco Settlement Bonds, Series 2001A are shown below.

Year ended December 31,	Principal	Interest	Total
2015	2,205,000	1,397,788	3,602,788
2016	1,265,000	1,302,188	2,567,188
2017	1,325,000	1,229,584	2,554,584
2018	1,685,000	1,144,928	2,829,928
2019	1,775,000	1,047,616	2,822,616
2020-2024	10,575,000	3,556,697	14,131,697
2025-2027	6,865,000	552,431	7,417,431
	<u>\$ 25,695,000</u>	<u>\$ 10,231,232</u>	<u>\$ 35,926,232</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 as long-term accreted interest payable.

Redemption of the Subordinate Turbo CABs as outlined in the original official statement totals \$67,955,251 with interest ranging from 6.00% to 7.85% and are scheduled to be paid from 2017 through 2040, while early payment is allowed. During the year ended December 31, 2014, funds were not available to make redemption payments. Any debt service amounts not paid in accordance with the Subordinated Turbo CAB’s redemption payments schedule will be due and payable on the maturity dates shown on the following page.

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

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 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.

Due to Other Governments—Represents amounts due to New York State for the County’s share of expenses. The County reports \$897,354 as a long-term liability. This amount will not be liquidated with current available financial resources, and is not estimated to be payable in 2015.

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, 2013 is \$8,456,451.

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 below and 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		\$ 159,104,757
Related debt:		
Serial bonds issued	(36,079,002)	
Installment purchase debt	(59,247,729)	
RTASC bonds	(37,348,100)	
Unspent proceeds reported within the Capital Projects Fund	<u>3,918,985</u>	
Debt issued issued for capital assets		<u>(128,755,846)</u>
Net investment in capital assets—governmental activities		<u>\$ 30,348,911</u>

Business type activities:		
Capital assets, net of accumulated depreciation		12,030,294
Related debt:		
Serial bonds issued	(24,000,000)	
Unspent proceeds used for capital projects	<u>2,081,851</u>	
Debt issued issued for capital assets		<u>(21,918,149)</u>
Net investment in capital assets—business type activities		<u>\$ (9,887,855)</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.
- **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, 2014 includes:

- **Prepaid Items**—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods.
- **Inventories**—Represents the portion of fund balance composed of inventory and is nonspendable because inventory is not an available spendable resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. As of December 31, 2014, the County had the following restricted funds, as presented on the following page.

	General Fund	Capital Projects Fund	RTASC	Total
Tax stabilization	\$ 243,368	\$ -	\$ -	\$ 243,368
Handicapped parking	37,010	-	-	37,010
Capital Projects	-	4,956,007	-	4,956,007
Debt service	-	-	2,611,235	2,611,235
Sheriff–Asset forfeiture	<u>518,554</u>	<u>-</u>	<u>-</u>	<u>518,554</u>
Total restricted fund balance	<u>\$ 798,932</u>	<u>\$ 4,956,007</u>	<u>\$ 2,611,235</u>	<u>\$ 8,366,174</u>

- **Restricted for Tax stabilization**—Represents amounts set aside 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 funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items.

- **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, 2014, 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, 2014, the following balances were considered to be assigned:

	Other nonmajor funds						
	General Fund	Special Grant Fund	Community Development Fund	Highway Fund	Sewer Fund	RTASC	Total
Encumbrances	\$ 145,050	\$ -	\$ -	\$ -	\$ 26,612	\$ -	\$ 171,662
Retirement contribution	4,000,000	-	-	-	-	-	4,000,000
Subsequent year's expenditures	-	-	-	-	1,153,226	-	1,153,226
Specific use	-	29,213	371,136	444,159	1,417,768	74,413	2,336,689
Total assigned fund balance	<u>\$ 4,145,050</u>	<u>\$ 29,213</u>	<u>\$ 371,136</u>	<u>\$ 444,159</u>	<u>\$ 2,597,606</u>	<u>\$ 74,413</u>	<u>\$ 7,661,577</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 Retirement Contribution**—Represents the portion of fund balance restricted 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 2015 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 (Van Rensselaer 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, 2014 is shown below:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 2,805,054	\$ 17,332,914
Capital Projects Fund	1,498	33,258
Nonmajor governmental funds	2,739,929	4,845,509
Proprietary funds:		
Enterprise Fund	11,596,997	-
Internal Service Fund	2,685,961	586,465
Fiduciary fund:		
Agency Fund	2,968,707	-
Total	<u>\$ 22,798,146</u>	<u>\$ 22,798,146</u>

The County made the following transfers during the year ended December 31, 2014:

Transfers out:	Transfers in:				Total
	General Fund	Capital Projects Fund	Other Nonmajor Funds	Enterprise Fund	
General Fund	\$ -	\$ 194,353	\$ 450,530	\$ -	\$ 644,883
Capital Projects Fund	14,673	-	19,584	-	34,257
Other nonmajor funds	-	-	77,998	55,930	133,928
Total	<u>\$ 14,673</u>	<u>\$ 194,353</u>	<u>\$ 548,112</u>	<u>\$ 55,930</u>	<u>\$ 813,068</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, 2014 is presented below:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
ASSETS				
Cash	\$ 2,896,586	\$ 69,373,398	\$ (69,393,298)	\$ 2,876,686
Accounts receivable	-	419,797	(419,777)	20
Due from other funds	<u>2,562,815</u>	<u>79,112,127</u>	<u>(78,706,235)</u>	<u>2,968,707</u>
Total assets	<u>\$ 5,459,401</u>	<u>\$ 148,905,322</u>	<u>\$ (148,519,310)</u>	<u>\$ 5,845,413</u>
LIABILITIES				
Accounts payable	\$ 597,246	\$ 40,704,683	\$ (41,301,929)	\$ -
Agency liabilities	4,862,155	102,067,863	(101,084,606)	5,845,413
Due to other funds	<u>-</u>	<u>30,561</u>	<u>(30,561)</u>	<u>-</u>
Total liabilities	<u>\$ 5,459,401</u>	<u>\$ 142,803,107</u>	<u>\$ (142,417,096)</u>	<u>\$ 5,845,413</u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUND

Segment information for the Manor as of, and for the year ended, December 31, 2014 follows:

	Van Rensselaer Manor
Operating revenues	\$ 42,784,481
Operating expenses:	
Services provided	41,069,564
Depreciation and amortization	<u>1,587,382</u>
Operating loss	127,535
Non-operating revenue (expense), net	<u>(90,006)</u>
Change in net position	<u>\$ 37,529</u>
Current assets	\$ 25,614,697
Current liabilities	<u>(9,829,313)</u>
Net working capital	<u>\$ 15,785,384</u>
Total assets	\$ 37,644,991
Total liabilities	<u>(43,770,325)</u>
Net position	<u>\$ (6,125,334)</u>
Capital asset additions	<u>\$ 2,654,997</u>
Long-term liabilities—excluding current portions	<u>\$ 33,941,012</u>

16. LABOR CONTRACTS

Four bargaining units represent the unionized county employees. One of the County's largest bargaining units, UPSEU, has settled through December 31, 2017. Three contracts, PBA, Council 82, and CSEA, expired December 31, 2013, 2012, and 2011, respectively, and are currently in negotiations.

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, 2014 the County did not have any encumbrances that were considered to be significant.

18. 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.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2015, 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, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Governmental Activities:						
As of 1/1/2013	\$ -	\$ 39,272,568	\$ 39,272,568	0.0%	\$ 55,307,918	71.0%
As of 1/1/2011	-	46,547,475	46,547,475	0.0%	54,445,917	85.5%
As of 1/1/2009	-	39,768,759	39,768,759	0.0%	53,158,000	74.8%
Business-type Activities:						
As of 1/1/2013	-	10,955,363	10,955,363	0.0%	19,542,329	56.1%
As of 1/1/2011	-	13,300,956	13,300,956	0.0%	19,094,888	69.7%
As of 1/1/2009	-	12,380,735	12,380,735	0.0%	18,251,000	67.8%

COUNTY OF RENSSELAER, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 49,449,069	\$ 49,449,069	\$ 52,024,650	\$ 2,575,581
Real property tax items	6,036,920	6,036,920	6,970,865	933,945
Nonproperty tax items	82,004,830	82,004,830	81,549,371	(455,459)
Departmental income	16,941,573	16,945,573	13,505,035	(3,440,538)
Intergovernmental charges	12,804,149	13,604,149	13,751,576	147,427
Use of money and property	112,943	112,943	90,237	(22,706)
Fines and forfeitures	399,442	399,442	328,991	(70,451)
Sale of property and compensation for loss	6,300	14,742	119,945	105,203
Miscellaneous	505,800	517,800	411,173	(106,627)
Interfund revenues	1,297,684	1,297,684	1,199,224	(98,460)
State aid	34,964,268	36,645,415	38,150,601	1,505,186
Federal aid	<u>22,653,128</u>	<u>22,839,420</u>	<u>24,763,529</u>	<u>1,924,109</u>
Total revenues	<u>227,176,106</u>	<u>229,867,987</u>	<u>232,865,197</u>	<u>2,997,210</u>
EXPENDITURES				
Current:				
General government support	45,754,286	46,533,299	45,531,968	1,001,331
Education	18,000,396	18,837,982	18,672,696	165,286
Public safety	35,611,733	36,794,718	35,062,111	1,732,607
Health	20,136,447	20,034,536	18,665,053	1,369,483
Transportation	549,661	549,661	545,366	4,295
Economic assistance and opportunity	101,221,505	104,195,537	104,186,859	8,678
Culture and recreation	599,134	689,392	522,968	166,424
Home and community services	856,782	1,205,113	1,074,886	130,227
Debt service:				
Principal	4,450,608	4,450,608	4,449,874	734
Interest	<u>2,724,778</u>	<u>2,724,778</u>	<u>2,723,419</u>	<u>1,359</u>
Total expenditures	<u>229,905,330</u>	<u>236,015,624</u>	<u>231,435,200</u>	<u>4,580,424</u>
Excess (deficiency) of revenues over expenditures	(2,729,224)	(6,147,637)	1,429,997	7,577,634
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	14,673	(285,327)
Transfers out	-	(1,541,386)	(644,883)	896,503
Tax sale certificates proceeds	3,600,000	3,600,000	-	(3,600,000)
Tax sale certificates reserve and issuance costs	<u>(1,398,228)</u>	<u>(1,398,228)</u>	<u>(263,275)</u>	<u>1,134,953</u>
Total other financing sources	<u>2,501,772</u>	<u>960,386</u>	<u>(893,485)</u>	<u>(1,853,871)</u>
Net change in fund balances*	(227,452)	(5,187,251)	536,512	5,723,763
Fund balances—beginning	<u>19,278,094</u>	<u>19,278,094</u>	<u>19,278,094</u>	<u>-</u>
Fund balances—ending	<u>\$ 19,050,642</u>	<u>\$ 14,090,843</u>	<u>\$ 19,814,606</u>	<u>\$ 5,723,763</u>

*The net change in fund balance was included in the budget as a reappropriation of prior year encumbrances.

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

COUNTY OF RENSSELAER, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2014

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, 2014 includes encumbrances from the prior year of \$227,452.

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SUPPLEMENTARY INFORMATION

COUNTY OF RENSSELAER, NEW YORK

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2014

	Special Revenue					Total Nonmajor Funds
	Special Grant	Community Development	Highway	Sewer	RTASC	
ASSETS						
Cash and cash equivalents	\$ 37,265	\$ 385,763	\$ 63,338	\$ 1,542,778	\$ 63,319	\$ 2,092,463
Restricted cash and cash equivalents	-	-	-	-	2,611,235	2,611,235
Other receivables	-	1,721,482	320,817	2,228,327	11,094	4,281,720
Intergovernmental receivables	164,509	-	2,440,814	-	-	2,605,323
Due from other funds	17,971	491	2,720,959	508	-	2,739,929
Inventories	-	-	73,278	-	-	73,278
Prepaid items	4,388	-	1,069	8,577	-	14,034
Total assets	<u>\$ 224,133</u>	<u>\$ 2,107,736</u>	<u>\$ 5,620,275</u>	<u>\$ 3,780,190</u>	<u>\$ 2,685,648</u>	<u>\$ 14,417,982</u>
LIABILITIES						
Accounts payable	\$ 16,533	\$ 1,516	\$ 336,231	\$ 550,300	\$ -	\$ 904,580
Accrued liabilities	1,152	-	-	-	-	1,152
Due to other funds	24,832	16,411	4,401,000	403,266	-	4,845,509
Intergovernmental payables	74,945	62	364,538	218,666	-	658,211
Unearned revenues	73,070	-	-	1,775	-	74,845
Total liabilities	<u>190,532</u>	<u>17,989</u>	<u>5,101,769</u>	<u>1,174,007</u>	<u>-</u>	<u>6,484,297</u>
DEFERRED INFLOWS OF RESOURCES						
Grant funding and loans receivable	-	1,718,611	-	-	-	1,718,611
Total deferred inflows of resources	<u>-</u>	<u>1,718,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,718,611</u>
FUND BALANCES						
Nonspendable	4,388	-	74,347	8,577	-	87,312
Restricted	-	-	-	-	2,611,235	2,611,235
Assigned	29,213	371,136	444,159	2,597,606	74,413	3,516,527
Total fund balances	<u>33,601</u>	<u>371,136</u>	<u>518,506</u>	<u>2,606,183</u>	<u>2,685,648</u>	<u>6,215,074</u>
Total liabilities and fund balances	<u>\$ 224,133</u>	<u>\$ 2,107,736</u>	<u>\$ 5,620,275</u>	<u>\$ 3,780,190</u>	<u>\$ 2,685,648</u>	<u>\$ 14,417,982</u>

COUNTY OF RENSSELAER, NEW YORK
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2014

	Special Revenue					Total Nonmajor Funds
	Special Grant	Community Development	Highway	Sewer	RTASC	
REVENUES						
Real property taxes	\$ -	\$ -	\$ 6,384,926	\$ -	\$ -	\$ 6,384,926
Non-property tax items	-	-	894,392	-	-	894,392
Departmental income	-	317,990	-	7,733,344	-	8,051,334
Use of money and property	-	-	2,188,821	544	-	2,189,365
Licenses and permits	-	-	8,159	-	-	8,159
Sale of property and compensation for loss	-	-	44,071	1,098	-	45,169
Miscellaneous	38,664	-	73,774	27,025	120,075	259,538
State aid	-	-	2,942,178	-	-	2,942,178
Federal aid	1,425,936	211	-	-	-	1,426,147
Tobacco settlement revenue	-	-	-	-	2,515,270	2,515,270
Total revenues	<u>1,464,600</u>	<u>318,201</u>	<u>12,536,321</u>	<u>7,762,011</u>	<u>2,635,345</u>	<u>24,716,478</u>
EXPENDITURES						
Current:						
General government support	26,000	-	452,274	402,631	63,391	944,296
Public safety	-	-	223,506	-	-	223,506
Transportation	-	-	9,427,647	-	-	9,427,647
Economic assistance and opportunity	1,438,600	112,734	-	-	-	1,551,334
Home and community services	-	-	-	3,800,663	-	3,800,663
Employee benefits	-	-	1,511,018	922,789	-	2,433,807
Debt service:						
Principal	-	-	1,455,212	1,523,619	1,080,000	4,058,831
Interest	-	-	200,398	1,572,419	1,486,595	3,259,412
Total expenditures	<u>1,464,600</u>	<u>112,734</u>	<u>13,270,055</u>	<u>8,222,121</u>	<u>2,629,986</u>	<u>25,699,496</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>205,467</u>	<u>(733,734)</u>	<u>(460,110)</u>	<u>5,359</u>	<u>(983,018)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	472,604	508	75,000	548,112
Transfers out	-	-	(58,928)	-	(75,000)	(133,928)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>413,676</u>	<u>508</u>	<u>-</u>	<u>414,184</u>
Net change in fund balances	-	205,467	(320,058)	(459,602)	5,359	(568,834)
Fund balances—beginning	<u>33,601</u>	<u>165,669</u>	<u>838,564</u>	<u>3,065,785</u>	<u>2,680,289</u>	<u>6,783,908</u>
Fund balances—ending	<u>\$ 33,601</u>	<u>\$ 371,136</u>	<u>\$ 518,506</u>	<u>\$ 2,606,183</u>	<u>\$ 2,685,648</u>	<u>\$ 6,215,074</u>

FEDERAL AWARDS INFORMATION

COUNTY OF RENSSELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

<u>Federal Grantor Program Title (1)</u>	<u>Federal CFDA Number (2)</u>	<u>Pass-Through Grantor's Number (3)</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Passed through New York State:			
Summer Food Service Program for Children	10.559	N/A	\$ 215,577
Passed through NYS Office of Temporary and Disability Assistance:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>1,224,930</u>
Total U.S. Department of Agriculture			<u>1,440,507</u>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Community Development Block Grants—Small Cities Program	14.219	N/A	112,466
Passed through New York State:			
Community Development Block Grants—State's Program	14.228	975H07-13	<u>266</u>
Total U.S. Department of Housing and Urban Development			<u>112,732</u>
U.S. Department of Justice:			
Direct Program:			
Equitable Sharing Program	16.922	N/A	53,408
Passed through NYS Crime Victims Board:			
Crime Victim Assistance	16.575	C-100324	91,080
Passed through City of Troy:			
Encourage Arrest Policies and Enforcement of Orders	16.590	N/A	11,490
Passed through NYS Division of Criminal Justice:			
State Criminal Alien Assistance Program	16.606	N/A	<u>8,990</u>
Total U.S. Department of Justice			<u>164,968</u>
U.S. Department of Labor:			
Passed through New York State:			
Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	8,213
Senior Community Service Employment Program	17.235	N/A	38,390
Trade Adjustment Assistance	17.245	N/A	82,534
<i>WIA Cluster</i>			
WIA Adult Program	17.258	N/A	398,603
WIA Youth Activities	17.259	N/A	362,744
WIA Dislocated Workers	17.278	N/A	<u>346,320</u>
<i>Total WIA Cluster</i>			<u>1,107,667</u>
Workforce Innovation Fund Program	17.283	N/A	<u>58,391</u>
Total U.S. Department of Labor			<u>1,295,195</u>

(continued)

COUNTY OF RENSSELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

<u>Federal Grantor Program Title (1)</u>	<u>Federal CFDA Number (2)</u>	<u>Pass-Through Grantor's Number (3)</u>	<u>Expenditures</u>
U.S. Department of Transportation:			
Direct Programs:			
Highway Planning and Construction Projects	20.205	N/A	1,268,912
Passed through New York State:			
Formula Grants for Other Than Urbanized Areas	20.509	C005584	43,300
Total U.S. Department of Transportation			<u>1,312,212</u>
U.S. Department of Education:			
Passed through NYS Department of Health:			
Special Education Grants for Infants and Families	84.181	C-021815	63,120
Total U.S. Department of Education			<u>63,120</u>
U.S. Department of Health and Human Services:			
Passed through Health Research Inc.:			
Public Health Emergency Preparedness	93.069	1595-09	151,697
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	15-0642-01	13,806
Passed through NYS Office of Temporary and Disability Assistance:			
Temporary Assistance for Needy Families	93.558	N/A	15,372,446
Child Support Enforcement	93.563	N/A	427,315
Low-Income Home Energy Assistance Program (HEAP)	93.568	N/A	4,326,321
Passed through NYS Office of Children and Family Services:			
Child Care and Development Block Grant	93.575	N/A	130,830
Foster Care—Title IV-E	93.658	N/A	2,145,265
Adoption Assistance	93.659	N/A	648,281
Social Services Block Grant	93.667	N/A	971,535
Chafee Foster Care Independence Program	93.674	N/A	55,395
Passed through NYS Office of Mental Health:			
Medical Assistance Program	93.778	N/A	2,208,714
Community Mental Health Services Block Grant	93.958	N/A	621,317
Passed through NYS Department of Health:			
Medical Reserve Corp Small Grant Program	93.008	N/A	9,032
Immunization Grants	93.268	C-023265	25,249
Maternal and Child Health Services Block Grant to the States	93.994	C-026530	35,242
Maternal and Child Health Services Block Grant to the States	93.994	C-024636	26,158
Passed through NYS Office of Alcoholism and Substance Abuse Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	1,061,955

(continued)

COUNTY OF RENSSELAER, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

<u>Federal Grantor Program Title (1)</u>	<u>Federal CFDA Number (2)</u>	<u>Pass-Through Grantor's Number (3)</u>	<u>Expenditures</u> (concluded)
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	142,948
Special Programs for the Aging—Title III, Part C - Nutrition Services	93.045	N/A	267,114
Nutrition Services Incentive Program	93.053	N/A	<u>110,170</u>
<i>Total Aging Cluster</i>			<u>520,232</u>
Special Programs for the Aging—Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	N/A	11,076
Special Programs for the Aging—Title III, Part F - Disease Prevention and Health Promotion Services	93.043	N/A	7,572
National Family Caregiver Support—Title III, Part E Centers for Medicare and Medicaid Services (CMS)	93.052	N/A	52,608
Research, Demonstrations and Evaluations	93.779	N/A	<u>17,841</u>
Total U.S. Department of Health and Human Services			<u>28,839,887</u>
 U.S. Department of Homeland Security:			
Passed through NYS Division of Homeland Security and Emergency Services:			
Homeland Security Grant Program	97.067	C-835403	335
Homeland Security Grant Program	97.067	C-972812	4,610
Homeland Security Grant Program	97.067	C-835403	4,964
Homeland Security Grant Program	97.067	C-972820	8,007
Homeland Security Grant Program	97.067	C-835402	8,454
Homeland Security Grant Program	97.067	C-972820	9,236
Homeland Security Grant Program	97.067	C-972810	17,418
Homeland Security Grant Program	97.067	T-198364	17,823
Homeland Security Grant Program	97.067	C-972830	26,515
Homeland Security Grant Program	97.067	C-835402	28,445
Homeland Security Grant Program	97.067	C-972830	30,597
Homeland Security Grant Program	97.067	C-972810	35,653
Homeland Security Grant Program	97.067	C-192725	<u>63,239</u>
Total U.S. Department of Homeland Security			<u>255,296</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE (4)			 <u>\$ 33,483,917</u>

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, 2014

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, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (1) Includes all federal award programs of the County of Rensselaer, New York. The federal expenditures of the Rensselaer County Industrial Development Agency (the "IDA") and the Hudson Valley Community College (the "College") have not been included.
- (2) Source: Catalog of Federal Domestic Assistance
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (4) A reconciliation to the 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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. SUBRECIPIENTS

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

	<u>CFDA</u>	<u>Amount</u>
Formula Grants for Other Than Urbanized Areas	20.509	\$43,300
Community Mental Health Services Block Grant	93.958	58,862

4. RECONCILIATION

A reconciliation to the basic financial statements is available.

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, 2014, 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 11, 2015. 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 entity'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Drescher & Malecki LLP

May 11, 2015

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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 U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. 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 \$33,609,137 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2014. Our 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 OMB Circular A-133, as applicable.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

May 11, 2015

COUNTY OF RENSSELAER, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified*

* (which report includes a reference to other auditors)

Internal control over financial reporting:

1. Material weakness(es) identified? _____ Yes No
2. Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes None reported
3. Noncompliance material to financial statements noted? _____ Yes None

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified? _____ Yes None
5. Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes None reported

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

6. Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? _____ Yes None

7. The County's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Supplemental Nutrition Assistance Program	10.561
Highway Planning and Construction	20.205
Low-Income Home Energy Assistance	93.568
Medical Assistance Program	93.778

8. Dollar threshold used to distinguish between Type A and Type B programs? \$ 1,004,518

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

Part II. FINANCIAL STATEMENT FINDINGS SECTION

No findings were noted as reportable.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings were noted as reportable.

COUNTY OF RENSSELAER, NEW YORK
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2014

No findings were noted as reportable.

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NEW YORK STATE DEPARTMENT OF
TRANSPORTATION ASSISTANCE
EXPENDED

COUNTY OF RENSSELAER, NEW YORK
Schedule of New York State Department of Transportation Assistance Expended
Year Ended December 31, 2014

<u>Program Title / Description</u>	NYS Reference Number	<u>Expenditures</u>
Consolidated Highway Improvement Program (CHIPS)	140000	\$ <u>2,372,524</u>
Total New York State Department of Transportation Expenditures		\$ <u>2,372,524</u>

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

COUNTY OF RENSSELAER, NEW YORK
Note to Schedule of New York State Department of Transportation Assistance Expended
Year Ended December 31, 2014

1. BASIS OF PRESENTATION

The accompanying Schedule of New York State Department of Transportation (the "NYSDOT") Assistance Expended includes the financial assistance provided by or passed through NYSDOT.

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

* * * * *

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR NEW YORK STATE DEPARTMENT OF
TRANSPORTATION ASSISTANCE EXPENDED AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH DRAFT PART 43 OF NYCRR**

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

Report on Compliance for New York State Transportation Assistance Programs

We have audited the County of Rensselaer, New York's (the "County") compliance with the types of compliance requirements described in Draft Part 43 of the New York State Codification of Rules and Regulations ("NYCRR") that are applicable to each state transportation assistance program tested for the year ended December 31, 2014. The program tested is identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the laws, regulations, contracts and grants applicable to its state transportation assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's program 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 Draft Part 43 of NYCRR. Those standards and Draft Part 43 of NYCRR require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state transportation assistance program tested has 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 state transportation assistance program tested. However, our audit does not provide a legal determination on the County's compliance.

Opinion

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 its state transportation assistance programs tested for the year ended December 31, 2014.

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 requirements that could have a direct and material effect on each state transportation assistance program tested as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state transportation assistance program tested and to test and report on internal control over compliance in accordance with Draft Part 43 of NYCRR, 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 state transportation assistance program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation assistance program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state transportation assistance 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of State Transportation Assistance Expended

We have audited the financial statements of the County as of and for the year ended December 31, 2014, and have issued our report thereon dated May 11, 2015, which contained an unmodified opinion on those financial statements and refers to other auditors. Our audit was conducted for the purpose of forming an opinion on the County's financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of State Transportation Assistance Expended is fairly stated in all material respects in relation to the financial statements as a whole.

Purpose of this Report

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 Draft Part 43 of NYCRR. This report is for the information and use of the County Legislature, management, the New York State Department of Transportation, and the Office of the State Comptroller of the State of New York. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

May 11, 2015

COUNTY OF RENSSELAER, NEW YORK
Schedule of Findings and Questioned Costs of
New York State Department of Transportation Assistance Expended
Year Ended December 31, 2014

Part I. SUMMARY OF AUDITORS' RESULTS

New York State Department of Transportation Assistance:

Internal control over major programs:

- | | | | |
|---|-----------|---------|---------------|
| 1. Material weakness(es) identified? | _____ Yes | _____ ✓ | None |
| 2. Significant deficiency(ies) identified not considered to be material weaknesses? | _____ Yes | _____ ✓ | None Reported |

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

- | | | | |
|---|-----------|---------|------|
| 3. Any audit findings disclosed that are required to be reported in accordance with Draft Part 43 of NYCRR? | _____ Yes | _____ ✓ | None |
|---|-----------|---------|------|

4. The County's programs tested were:

Name of Program

Consolidated Highway Improvement Program ("CHIPS")

Part II. COMPLIANCE FINDINGS AND QUESTIONED COSTS

No matters reported.