

**COUNTY OF RENSSELAER,  
NEW YORK**

*Basic Financial Statements, Required  
Supplementary Information, and Federal and  
New York State Department of Transportation  
Financial Assistance Schedules for the  
Year Ended December 31, 2011 and  
Independent Auditors' Reports*



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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Rensselaer, New York (the "County") as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hudson Valley Community College and the Rensselaer County Industrial Development Agency, which are shown as discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Rensselaer County Industrial Development Agency were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County at December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 9, 2012, on our consideration of County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3-14 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, economical, 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.

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

The County's basic financial statements include the operations of the Hudson Valley Community College and the Rensselaer County Industrial Development Agency, which expended \$19,555,194 and \$-0- of federal awards, respectively, which are not included in the County's Schedule of Expenditures of Federal Awards for the year ended December 31, 2011. Our audit, as described in our report on compliance and internal control over compliance applicable to each major federal award program, did not include the operations of the Hudson Valley Community College and the Rensselaer County Industrial Development Agency, as other auditors were engaged to perform such audits in accordance with OMB Circular A-133, as applicable.



May 9, 2012

**COUNTY OF RENSSELAER, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2011**

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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, 2011. We encourage readers to consider the information presented here in conjunction with additional information contained in the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in dollars.

**Financial Highlights**

- ◆ The assets of the County, excluding discretely presented component units (the Rensselaer County Industrial Development Agency and the Hudson Valley Community College), exceeded total liabilities at the close of the most recent fiscal year by \$10,963,142 (*net assets*). The County has a net deficit in its *unrestricted net assets* category of \$7,673,490.
- ◆ The primary government's total net assets increased by \$3,362,049 during the current fiscal year. The increase mainly represents a \$2,749,098 increase in business-type net assets related to a retroactive payment for rebased Medicaid rates.
- ◆ As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$23,045,099, a decrease of \$12,303,291 in comparison with the prior year. This decrease is attributable to a \$13,302,668 decrease in the Capital Projects fund which was the result of the expenditure of \$14.1 million in capital outlay related to energy performance contracts for the wastewater treatment plant.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,229,879 or 4.7 percent of total General Fund expenditures.
- ◆ Net assets for the discretely presented component units, the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, were \$6,670,015 at December 31, 2011 and \$46,040,541 at August 31, 2011, respectively.

**Overview of the Financial Statements**

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to remove all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services. The business-type activity of the County is the Van Rensselaer Manor.

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

The government-wide financial statements can be found on pages 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.

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

The basic governmental fund financial statements can be found on pages 17-21 of this report.

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

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

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

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

The basic fiduciary fund financial statement can be found on page 26 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 27-59 of this report.

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

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$10,963,142 at the close of the most recent fiscal year.

**THE COUNTY OF RENSSELAER'S NET ASSETS (DEFICITS)**

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 142,865,750	\$ 122,720,583	\$ 22,798,254	\$ 17,647,587	\$ 165,664,004	\$ 140,368,170
Capital assets	<u>120,588,075</u>	<u>110,932,622</u>	<u>12,799,950</u>	<u>13,891,002</u>	<u>133,388,025</u>	<u>124,823,624</u>
Total assets	<u>263,453,825</u>	<u>233,653,205</u>	<u>35,598,204</u>	<u>31,538,589</u>	<u>299,052,029</u>	<u>265,191,794</u>
Current liabilities	107,612,729	76,621,764	4,171,573	3,339,887	111,784,302	79,961,651
Non-current liabilities	<u>139,239,971</u>	<u>141,043,267</u>	<u>37,064,614</u>	<u>36,585,783</u>	<u>176,304,585</u>	<u>177,629,050</u>
Total liabilities	<u>246,852,700</u>	<u>217,665,031</u>	<u>41,236,187</u>	<u>39,925,670</u>	<u>288,088,887</u>	<u>257,590,701</u>
Net assets (deficits):						
Invested in capital assets						
net of related debt	26,354,466	23,250,443	(10,500,780)	(10,613,095)	15,853,686	12,637,348
Restricted	2,782,946	2,716,376	-	-	2,782,946	2,716,376
Unrestricted	<u>(12,536,287)</u>	<u>(9,978,645)</u>	<u>4,862,797</u>	<u>2,226,014</u>	<u>(7,673,490)</u>	<u>(7,752,631)</u>
Total net assets (deficits)	<u>\$ 16,601,125</u>	<u>\$ 15,988,174</u>	<u>\$ (5,637,983)</u>	<u>\$ (8,387,081)</u>	<u>\$ 10,963,142</u>	<u>\$ 7,601,093</u>

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

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

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

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

The County's total net assets increased \$3,362,049 during the current fiscal year. Key elements of this increase are as follows:

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 34,188,110	\$ 34,271,544	\$ 36,237,000	\$ 30,016,302	\$ 70,425,110	\$ 64,287,846
Operating grants and contributions	63,730,757	93,558,194	6,912,482	5,416,793	70,643,239	98,974,987
Capital grants and contributions	508,894	8,866,022	-	-	508,894	8,866,022
General revenues:						
Real property taxes and tax items	61,845,104	61,502,259	-	-	61,845,104	61,502,259
Non-property taxes	77,970,086	71,443,319	-	-	77,970,086	71,443,319
Use of money and property	2,311,131	2,383,504	-	-	2,311,131	2,383,504
Other	1,433,111	1,149,249	-	-	1,433,111	1,149,249
Total revenues	<u>241,987,193</u>	<u>273,174,091</u>	<u>43,149,482</u>	<u>35,433,095</u>	<u>285,136,675</u>	<u>308,607,186</u>
Expenses:						
General government support	44,156,293	43,862,277	-	-	44,156,293	43,862,277
Education	18,573,259	25,648,406	-	-	18,573,259	25,648,406
Public safety	35,483,639	34,599,497	-	-	35,483,639	34,599,497
Health	19,216,486	20,479,611	-	-	19,216,486	20,479,611
Transportation	12,395,332	9,665,326	-	-	12,395,332	9,665,326
Economic opportunity and development	99,950,899	125,091,382	-	-	99,950,899	125,091,382
Culture and recreation	511,928	536,392	-	-	511,928	536,392
Home and community services	4,537,854	5,703,019	-	-	4,537,854	5,703,019
Interest and fiscal charges	5,793,319	4,664,923	-	-	5,793,319	4,664,923
Van Rensselaer Manor	-	-	41,203,287	39,982,961	41,203,287	39,982,961
Total expenses	<u>240,619,009</u>	<u>270,250,833</u>	<u>41,203,287</u>	<u>39,982,961</u>	<u>281,822,296</u>	<u>310,233,794</u>
Transfers	(802,903)	(2,700,000)	802,903	2,700,000	-	-
Premium on debt issuance	<u>47,670</u>	-	-	-	<u>47,670</u>	-
Change in net assets (deficits)	612,951	223,258	2,749,098	(1,849,866)	3,362,049	(1,626,608)
Net assets (deficits)—beginning	<u>15,988,174</u>	<u>15,764,916</u>	<u>(8,387,081)</u>	<u>(6,537,215)</u>	<u>7,601,093</u>	<u>9,227,701</u>
Net assets (deficits)—ending	<u>\$ 16,601,125</u>	<u>\$ 15,988,174</u>	<u>\$ (5,637,983)</u>	<u>\$ (8,387,081)</u>	<u>\$ 10,963,142</u>	<u>\$ 7,601,093</u>

**Governmental activities.** Governmental activities increased the County's net assets by \$612,951. A summary of revenues for governmental activities for the years ended December 31, 2011 and 2010 is presented on the following page.

**SUMMARY OF REVENUES — GOVERNMENTAL ACTIVITIES**

	Year Ended December 31,		Increase/(Decrease)	
	2011	2010	\$	%
Charges for services	\$ 34,188,110	\$ 34,271,544	\$ (83,434)	(0.2)
Operating and capital grants	64,239,651	102,424,216	(38,184,565)	(37.3)
Property taxes and tax items	61,845,104	61,502,259	342,845	0.6
Non-property taxes	77,970,086	71,443,319	6,526,767	9.1
Use of money and property	2,311,131	2,383,504	(72,373)	(3.0)
Other	1,433,111	1,149,249	283,862	24.7
Total revenues	<u>\$ 241,987,193</u>	<u>\$ 273,174,091</u>	<u>\$ (31,186,898)</u>	(11.4)

- ◆ Operating and capital grants decreased by \$38,184,565, from the prior year. This decrease is primarily due to changes in reporting requirements for the federal Supplemental Nutrition Assistance Program which no longer requires the County to report the revenues and expenditures related to the program.
- ◆ Non-property taxes (primarily sales tax) increased by \$6,526,797, or 9.1 percent from the prior year, which is a result of favorable sales within the County as compared to the prior year.

The most significant sources of revenues for governmental activities are non-property taxes, which account for 32.2 percent of total revenue; operating and capital grants, which account for 26.5 percent of total revenues; and property taxes and tax items, which account for 25.5 percent of total revenues for the year ended December 31, 2011.

A summary of program expenses of governmental activities for the years ended December 31, 2011 and 2010 is presented below.

**SUMMARY OF PROGRAM EXPENSES — GOVERNMENTAL ACTIVITIES**

	Year Ended December 31,		Increase/(Decrease)	
	2011	2010	Dollars	Percent
General government support	\$ 44,156,293	\$ 43,862,277	\$ 294,016	0.7
Education	18,573,259	25,648,406	(7,075,147)	(27.6)
Public safety	35,483,639	34,599,497	884,142	2.6
Health	19,216,486	20,479,611	(1,263,125)	(6.2)
Transportation	12,395,332	9,665,326	2,730,006	28.2
Economic assistance and opportunity	99,950,899	125,091,382	(25,140,483)	(20.1)
Culture and recreation	511,928	536,392	(24,464)	(4.6)
Home and community services	4,537,854	5,703,019	(1,165,165)	(20.4)
Interest and fiscal charges	5,793,319	4,664,923	1,128,396	24.2
Total program expenses	<u>\$ 240,619,009</u>	<u>\$ 270,250,833</u>	<u>\$ (29,631,824)</u>	(11.0)

The County saw a significant decrease in the economic assistance and opportunity category, which decreased \$25,140,483 or 20.1% from the prior year due to previously mentioned changes in reporting requirements related to the Supplemental Nutrition Assistance program.

The County's most significant expense categories for governmental activities are economic assistance and opportunity (primarily composed of social service costs), which accounts for approximately 41.5 percent of program expenses; general government support expenses, which accounts for approximately 18.4 percent of program expenses; and public safety expenses which are approximately 14.7 percent of program expenses.

**Business-type activities.** Business-type activities (Van Rensselaer Manor) increased the County's net assets by \$2,749,098. Operating revenues and expenses for the year ended December 31, 2011 increased 21.8 percent and 3.1 percent, respectively, from the year ended December 31, 2010.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2011 and 2010 is presented as follows:

**SUMMARY OF OPERATING REVENUES AND EXPENSES — BUSINESS-TYPE ACTIVITIES**

	Year Ended December 31,		Increase/(Decrease)	
	2011	2010	\$	%
Operating revenues:				
Charges for services	\$ 36,237,000	\$ 30,016,302	\$ 6,220,698	20.7
Operating grants and contributions	6,912,482	5,416,793	1,495,689	27.6
Total operating revenues	<u>\$ 43,149,482</u>	<u>\$ 35,433,095</u>	<u>\$ 7,716,387</u>	21.8
Operating expenses:				
Nursing and medical	\$ 17,029,992	\$ 16,441,091	\$ 588,901	3.6
Ancillary	7,404,126	7,257,144	146,982	2.0
Administrative and general	4,269,515	3,575,604	693,911	19.4
Fringe benefits	8,094,100	7,768,583	325,517	4.2
Other post-employment benefits	1,220,828	1,608,705	(387,877)	(24.1)
Interest expense	1,219,014	1,257,945	(38,931)	(3.1)
Depreciation	1,522,428	1,548,595	(26,167)	(1.7)
Bad debt expense	241,860	316,019	(74,159)	(23.5)
Total operating expenses	<u>\$ 41,001,863</u>	<u>\$ 39,773,686</u>	<u>\$ 1,228,177</u>	3.1

The most significant source of revenues relating to the County's business-type activities is charges for services, of which increased 20.7 percent during 2011. This was primarily due to an increase in net patient revenues related to a retroactive payment for rebased Medicaid rates.

Overall expenses increased by \$1,228,177 or 3.1%. The increase is primarily the result of increasing personnel costs (salaries and fringe benefits) incurred by the Manor, partially offset by a favorable change in the Manor's other post-employment benefits obligation.

**Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* (unreserved, undesignated for the year ended December 31, 2010) may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**THE COUNTY OF RENSSELAER'S GOVERNMENTAL FUNDS' FUND BALANCES**

	<u>December 31, 2011</u>			
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable	\$ 2,250	\$ -	\$ 372,708	\$ 374,958
Restricted	161,913	-	2,621,033	2,782,946
Committed	-	209,770	-	209,770
Assigned	4,785,220	-	4,662,326	9,447,546
Unassigned	<u>10,229,879</u>	<u>-</u>	<u>-</u>	<u>10,229,879</u>
Total fund balances	<u>\$ 15,179,262</u>	<u>\$ 209,770</u>	<u>\$ 7,656,067</u>	<u>\$ 23,045,099</u>

	<u>December 31, 2010</u>			
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Reserved	\$ 833,142	\$ -	\$ 2,965,495	\$ 3,798,637
Unreserved:				
Designated	3,293,344	-	444,492	3,737,836
Undesignated	<u>9,324,095</u>	<u>13,512,438</u>	<u>4,975,384</u>	<u>27,811,917</u>
Total fund balances	<u>\$ 13,450,581</u>	<u>\$ 13,512,438</u>	<u>\$ 8,385,371</u>	<u>\$ 35,348,390</u>

As of the end of the current fiscal year, the County governmental funds reported combined ending fund balances of \$23,045,099, a decrease of \$12,303,291 in comparison with the prior year. Of the total governmental fund, fund balance of \$10,229,879, approximately 44.4 percent constitutes *unassigned fund balance*. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed for a variety of purposes. The decrease in total fund balance is primarily due to \$14.1 million in capital outlay expenditures.

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 \$10,229,879, while total fund balance was \$15,179,262. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 4.7 percent of total General Fund expenditures, while total fund balance represents approximately 6.9 percent of that same amount. The fund balance of the General Fund increased by \$1,728,681 during the current fiscal year namely due to greater than anticipated sales tax revenues that outpaced expenditures that held steady during the fiscal year ended December 31, 2011.

The fund balance in the Capital Projects Fund decreased from \$13,302,668 at December 31, 2010 to \$209,770 at December 31, 2011. The decrease is the result of capital outlay expenditures which are attributable to energy performance contract for the wastewater treatment plant.

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

The unrestricted net assets of Van Rensselaer Manor (the County's only enterprise fund) at the end of year amounted to \$4,862,797 and the total net asset deficit was \$5,637,983. During 2011, this total net deficit decreased by \$2,749,098. The operating activities of the Manor for 2011 showed operating income of \$2,147,619 and the nonoperating revenues and expenses (primarily a contribution from the County's General Fund) netted to a total nonoperating revenue of \$601,479 which resulted in the reduction in the net deficit.

### **General Fund Budgetary Highlights**

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

The County's adopted budget assumed that the General Fund would not require the use of appropriated fund balance to meet operational needs; however, outstanding encumbrances from the prior year resulted in the appropriation of \$260,220 of fund balance.

Throughout the year, the County's budget is modified, usually to reflect the acceptance of new state and federal grants. These grants explain the majority of the increases in appropriations and revenue from the adopted to modified budget scenarios. Significant grants for which the budget was amended throughout the year included state grants for farmland protection and various health programs. Overall, the General Fund's budgeted appropriations increased by approximately 4.1 percent during the year.

For the General Fund, actual revenues were less than budgeted by \$843,807. This significant variance in budgeted revenues is attributable to state aid, which consisted primarily of aid for social service programs and is offset as discussed in the ensuing paragraph.

The General Fund had a favorable variance from budgetary appropriations of \$8,288,302. The primary positive variances were realized in public safety, health, and economic assistance and opportunity. The County achieved savings in several other budgeted areas, with the most significant being general government support and education.

### **Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$133,388,025 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, infrastructure, and machinery and equipment.

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

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 672,880	\$ 672,880	\$ 550,000	\$ 550,000	\$ 1,222,880	\$ 1,222,880
Construction in progress	11,552,393	42,385,929	-	-	11,552,393	42,385,929
Land improvements	1,419,999	47,300	-	-	1,419,999	47,300
Buildings and building improvements	67,307,499	27,240,913	8,425,698	9,148,637	75,733,197	36,389,550
Equipment	7,244,747	6,283,850	3,824,252	4,192,365	11,068,999	10,476,215
Infrastructure	32,390,557	34,301,750	-	-	32,390,557	34,301,750
<b>Total</b>	<b>\$ 120,588,075</b>	<b>\$ 110,932,622</b>	<b>\$ 12,799,950</b>	<b>\$ 13,891,002</b>	<b>\$ 133,388,025</b>	<b>\$ 124,823,624</b>

Total government activities capital asset additions for 2011 were \$60,557,314, with major additions being in buildings and building improvements, representing the major portion of County jail renovations and expansions placed into service at December 31, 2011. Governmental activities depreciation for 2011 was \$7,420,815.

Business-type activities had capital asset acquisitions of \$431,376 for 2011, which represents new equipment purchases. Business-type activities depreciation for 2011 was \$1,522,462.

In the business-type activity depreciation expense and capital asset disposals exceeded the value of assets added, leading to the total net decrease in the book value of assets of \$1,091,086.

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

**Long-term debt.** The County currently has approximately \$91 million in total bonded debt for functions considered governmental activities. This includes serial bonds (and accreted interest on capital appreciation bonds) and bonds issued by the Rensselaer Tobacco Asset Securitization Corporation (the "RTASC").

As previously discussed, the RTASC is considered a component unit of the County and its long-term debt is included within the non-current liabilities of the County. The long-term debt of RTASC is \$45,935,762. The County created the RTASC in 2001. The purpose of RTASC was to issue bonds backed by the County's interests in the national tobacco Master Settlement Agreement ("MSA") in exchange for the County's future rights to a portion of this revenue stream. The County was entitled to the proceeds of this sale as compensation. In turn, the County set aside the majority of the proceeds in an irrevocable trust to legally defease over \$26,000,000 in outstanding long-term bonds; the additional proceeds were set aside for capital projects.

The County's business-type activity, Van Rensselaer Manor, also has long-term debt issued and recorded as a liability. The amount outstanding primarily consists of leasehold revenue bonds originally issued in 1994 and refunded in 2009, for purposes of constructing a new nursing home. The outstanding principal totals \$26,590,000 as of December 31, 2011.

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

The County has an "A1" rating from Moody's Investors Service and an AA- rating from Standard & Poor's.

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

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

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

In particular, the expansion of the state run Medicaid program has caused the County to experience expenditure increases despite a "cap" in the percentage of annual growth.

The current national economic conditions will also place stress on New York State counties over the foreseeable future. As a result of the difficult economy, the County may need to fund increases in mandated economic assistance programs.

Other significant risks include:

- ◆ Rising employee benefit costs in the form of increased contributions to the New York State Local Retirement System, and for rising health insurance premiums for both active employees and retirees.
- ◆ The uncertainty of the local economic recovery and the effect that the difficult economy is having on general revenue collections such as property, mortgage and sales taxes.
- ◆ Increasing public safety costs, including new debt service and personnel costs related to the mandated expansion of the Rensselaer County Jail.
- ◆ The ability of the County to continue to control costs at the Van Rensselaer Manor Nursing Home, combined with potential decreases in state and federal reimbursement for providing these services.

Despite these factors, Rensselaer County was able to develop a budget for 2012 which did not rely heavily upon fund balance or a significant property tax increase to fund its operations. The County's economic development efforts have been successful in attracting new technology jobs and adding additional retail business. As part of New York's Capital Region, the County continues to experience lower unemployment rates as compared to other regions of the State. The County's property tax base has remained stable despite the overall national housing market.

## **Requests for Information**

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

# BASIC FINANCIAL STATEMENTS



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**COUNTY OF RENSSELAER, NEW YORK**

**Statement of Net Assets (Deficits)**

**December 31, 2011**

	<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, 2011</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 37,284,877	\$ 2,671	\$ 37,287,548	\$ 4,257,564	\$ 55,142,790
Restricted cash	24,819,793	163,212	24,983,005	358,124	-
Investments	-	-	-	-	5,440,191
Property taxes receivable (net of allowance)	27,883,999	-	27,883,999	-	-
Other receivables (net of allowance)	21,917,559	8,501,560	30,419,119	845	6,693,463
State and federal receivables	22,822,551	-	22,822,551	-	-
Internal balances	398,280	11,072,809	11,471,089	-	-
Due from other governments	7,234,661	-	7,234,661	-	-
Inventories	372,708	158,306	531,014	-	482,697
Prepays	131,322	1,667	132,989	-	1,217,393
Other assets	-	-	-	884,519	2,064,876
Assets held by trustee	-	2,898,029	2,898,029	-	26,038,817
Capital assets not being depreciated	12,225,273	-	12,225,273	-	-
Capital assets, net of accumulated depreciation	<u>108,362,802</u>	<u>12,799,950</u>	<u>121,162,752</u>	<u>2,047,846</u>	<u>127,184,088</u>
Total assets	<u>263,453,825</u>	<u>35,598,204</u>	<u>299,052,029</u>	<u>7,548,898</u>	<u>224,264,315</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	15,638,862	1,059,480	16,698,342	7,998	10,895,095
Accrued liabilities	15,192,049	3,111,742	18,303,791	-	13,369,962
Pension contributions payable	6,186,656	-	6,186,656	-	-
Internal balances	14,024,375	-	14,024,375	-	-
Due to other governments	24,134,035	351	24,134,386	-	-
Unearned revenues	4,568,050	-	4,568,050	-	21,562,232
Bond anticipation notes payable	9,000,000	-	9,000,000	-	-
Amounts held on behalf of HVCC	18,868,702	-	18,868,702	-	-
Non-current liabilities:					
Due within one year	7,572,195	3,236,656	10,808,851	870,885	28,759,480
Due within more than one year	<u>131,667,776</u>	<u>33,827,958</u>	<u>165,495,734</u>	<u>-</u>	<u>103,637,005</u>
Total liabilities	<u>246,852,700</u>	<u>41,236,187</u>	<u>288,088,887</u>	<u>878,883</u>	<u>178,223,774</u>
<b>NET ASSETS (DEFICITS)</b>					
Invested in capital assets, net of related debt	26,354,466	(10,500,780)	15,853,686	1,187,487	47,333,562
Restricted for:					
Tax stabilization	129,220	-	129,220	-	-
Handicapped parking	32,693	-	32,693	-	-
Debt service	2,621,033	-	2,621,033	-	-
Scholarships and fellowships	-	-	-	-	4,867,934
Capital projects and debt service	-	-	-	-	2,838,086
South Troy Industrial Park Project	-	-	-	358,124	-
Unrestricted	<u>(12,536,287)</u>	<u>4,862,797</u>	<u>(7,673,490)</u>	<u>5,124,404</u>	<u>(8,999,041)</u>
Total net assets (deficits)	<u>\$ 16,601,125</u>	<u>\$ (5,637,983)</u>	<u>\$ 10,963,142</u>	<u>\$ 6,670,015</u>	<u>\$ 46,040,541</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, 2011

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		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, 2011
Primary government:									
Governmental activities:									
General government support	\$ 44,156,293	\$ 7,003,882	\$ 1,088,674	\$ 86,542	\$ (35,977,195)	\$ -	\$ (35,977,195)		
Education	18,573,259	2,674,294	6,843,259	-	(9,055,706)	-	(9,055,706)		
Public safety	35,483,639	6,125,557	1,798,440	-	(27,559,642)	-	(27,559,642)		
Health	19,216,486	8,718,068	11,769,124	-	1,270,706	-	1,270,706		
Transportation	12,395,332	-	3,822,162	422,352	(8,150,818)	-	(8,150,818)		
Economic assistance and opportunity	99,950,899	4,447,591	36,058,644	-	(59,444,664)	-	(59,444,664)		
Culture and recreation	511,928	-	2,198,360	-	1,686,432	-	1,686,432		
Home and community services	4,537,854	5,218,718	152,094	-	832,958	-	832,958		
Interest and fiscal charges	5,793,319	-	-	-	(5,793,319)	-	(5,793,319)		
Total governmental activities	<u>240,619,009</u>	<u>34,188,110</u>	<u>63,730,757</u>	<u>508,894</u>	<u>(142,191,248)</u>	<u>-</u>	<u>(142,191,248)</u>		
Business-type activities:									
Van Rensselaer Manor	<u>41,203,287</u>	<u>36,237,000</u>	<u>6,912,482</u>	<u>-</u>	<u>-</u>	<u>1,946,195</u>	<u>1,946,195</u>		
Total primary government	<u>\$ 281,822,296</u>	<u>\$ 70,425,110</u>	<u>\$ 70,643,239</u>	<u>\$ 508,894</u>	<u>(142,191,248)</u>	<u>1,946,195</u>	<u>(140,245,053)</u>		
Component units:									
Industrial Development Agency	\$ 1,341,852	\$ 1,042,446	\$ 163,816	\$ -				\$ (135,590)	\$ -
Hudson Valley Community College	<u>132,094,077</u>	<u>61,794,809</u>	<u>65,297,110</u>	<u>1,308,217</u>				<u>-</u>	<u>(3,693,941)</u>
Total component units	<u>\$ 133,435,929</u>	<u>\$ 62,837,255</u>	<u>\$ 65,460,926</u>	<u>\$ 1,308,217</u>				<u>(135,590)</u>	<u>(3,693,941)</u>
General revenues:									
					61,845,104	-	61,845,104	-	-
					77,970,086	-	77,970,086	-	-
					2,311,131	-	2,311,131	399,687	610,464
					352,945	-	352,945	-	-
					576,284	-	576,284	-	-
					503,882	-	503,882	34,625	3,702,509
Total general revenues					<u>143,559,432</u>	<u>-</u>	<u>143,559,432</u>	<u>434,312</u>	<u>4,312,973</u>
					(802,903)	802,903	-	-	-
					47,670	-	47,670	-	-
Change in net assets (deficits)					612,951	2,749,098	3,362,049	298,722	619,032
Net assets (deficit)—beginning					<u>15,988,174</u>	<u>(8,387,081)</u>	<u>7,601,093</u>	<u>6,371,293</u>	<u>45,421,509</u>
Net assets (deficit)—ending					<u>\$ 16,601,125</u>	<u>\$ (5,637,983)</u>	<u>\$ 10,963,142</u>	<u>\$ 6,670,015</u>	<u>\$ 46,040,541</u>

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

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# COUNTY OF RENSSELAER, NEW YORK

## Balance Sheet Governmental Funds December 31, 2011

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,305,233	\$ 3,750,318	\$ 6,130,498	\$ 33,186,049
Restricted cash	-	24,819,793	-	24,819,793
Property taxes receivable (net of allowance)	21,514,169	-	-	21,514,169
Other receivables	16,455,775	856,181	3,428,926	20,740,882
State and federal receivables	17,348,116	2,809,472	2,664,963	22,822,551
Due from other funds	806,084	141,913	433,966	1,381,963
Due from other governments	7,234,661	-	-	7,234,661
Inventories	-	-	372,708	372,708
Prepaid expenditures	2,250	-	-	2,250
Total assets	\$ 86,666,288	\$ 32,377,677	\$ 13,031,061	\$ 132,075,026
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 8,980,077	\$ 4,063,288	\$ 2,009,715	\$ 15,053,080
Accrued liabilities	2,216,854	-	61,702	2,278,556
Due to other funds	16,119,429	-	994,067	17,113,496
Due to other governments	23,896,924	235,917	1,194	24,134,035
Deferred revenues	14,820,153	-	1,747,838	16,567,991
Pension contributions payable	5,453,589	-	560,478	6,014,067
Bond anticipation notes payable	-	9,000,000	-	9,000,000
Amounts held on behalf of HVCC	-	18,868,702	-	18,868,702
Total liabilities	71,487,026	32,167,907	5,374,994	109,029,927
Fund balances:				
Nonspendable	2,250	-	372,708	374,958
Restricted	161,913	-	2,621,033	2,782,946
Committed	-	209,770	-	209,770
Assigned	4,785,220	-	4,662,326	9,447,546
Unassigned	10,229,879	-	-	10,229,879
Total fund balances	15,179,262	209,770	7,656,067	23,045,099
Total liabilities and fund balances	\$ 86,666,288	\$ 32,377,677	\$ 13,031,061	\$ 132,075,026

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

**COUNTY OF RENSSELAER, NEW YORK**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets (Deficits)**  
**December 31, 2011**

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

Total fund balance—governmental funds \$ 23,045,099

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$247,165,546 and the accumulated depreciation is \$126,577,471. 120,588,075

To recognize interest accrual on long term debt. Accrued interest for general obligation bonds is \$1,111,829 and accrued interest on RTASC bonds is \$132,919 at year end. (1,244,748)

Uncollected property taxes are not available to pay for current period expenditures and therefore are deferred in the funds. 11,999,941

Internal service funds are used by management to charge the costs of management information systems and other internal services in addition to health insurance and workers' compensation. The assets and liabilities of the internal service funds are included in the governmental statement of net assets. 1,452,729

Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds, as follows:

Bonds payable	\$ (45,268,629)	
RTASC bonds and accreted interest	(45,935,762)	
Installment purchase debt	(13,659,404)	
Compensated absences	(10,408,283)	
Retirement liabilities	(2,921,986)	
Judgements and claims	(920,150)	
Other post employment benefits	<u>(20,414,274)</u>	(139,528,488)

Bond issuance costs have been recognized as an expenditure within the fund statements, but are amortized over the life of the debt issuance for the government-wide statements. The balance of these deferred costs, net of amortization is \$288,517. 288,517

Total net assets—governmental activities \$ 16,601,125

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

# COUNTY OF RENSSELAER, NEW YORK

## Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds Year Ended December 31, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 46,230,950	\$ -	\$ 6,384,926	\$ 52,615,876
Real property tax items	6,122,949	-	-	6,122,949
Non-property tax items	77,077,544	-	892,542	77,970,086
Departmental income	15,342,208	-	5,206,532	20,548,740
Intergovernmental charges	14,218,370	-	-	14,218,370
Use of money and property	159,813	20,130	2,131,188	2,311,131
Fines and forfeitures	351,816	-	1,129	352,945
Sale of property and compensation for loss	541,419	-	34,865	576,284
Miscellaneous	378,266	-	125,616	503,882
Interfund revenues	930,945	-	-	930,945
State aid	33,178,778	226,608	1,928,325	35,333,711
Federal aid	24,985,968	282,286	3,637,686	28,905,940
Tobacco settlement revenue	-	-	2,181,438	2,181,438
Total revenues	<u>219,519,026</u>	<u>529,024</u>	<u>22,524,247</u>	<u>242,572,297</u>
<b>EXPENDITURES</b>				
Current:				
General government support	42,105,809	-	695,656	42,801,465
Education	16,921,962	-	-	16,921,962
Public safety	32,903,259	-	217,126	33,120,385
Health	18,628,581	-	-	18,628,581
Transportation	674,609	-	9,754,020	10,428,629
Economic assistance and opportunity	96,682,116	-	2,148,092	98,830,208
Culture and recreation	474,913	-	-	474,913
Home and community services	1,098,336	-	4,127,163	5,225,499
Employee benefits	-	-	2,132,543	2,132,543
Debt service:				
Principal	6,608,317	-	2,131,896	8,740,213
Interest	2,585,546	-	2,052,156	4,637,702
Capital outlay	-	14,138,803	-	14,138,803
Total expenditures	<u>218,683,448</u>	<u>14,138,803</u>	<u>23,258,652</u>	<u>256,080,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>835,578</u>	<u>(13,609,779)</u>	<u>(734,405)</u>	<u>(13,508,606)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	259,441	123,274	382,715
Transfers out	(1,067,445)	-	(118,173)	(1,185,618)
Premium on debt issuance	-	47,670	-	47,670
Tax sale certificates proceeds	2,975,229	-	-	2,975,229
Tax sale certificates reserve and issuance costs	(1,014,681)	-	-	(1,014,681)
Total other financing sources (uses)	<u>893,103</u>	<u>307,111</u>	<u>5,101</u>	<u>1,205,315</u>
Net change in fund balances	1,728,681	(13,302,668)	(729,304)	(12,303,291)
Fund balances—beginning	<u>13,450,581</u>	<u>13,512,438</u>	<u>8,385,371</u>	<u>35,348,390</u>
Fund balances—ending	<u>\$ 15,179,262</u>	<u>\$ 209,770</u>	<u>\$ 7,656,067</u>	<u>\$ 23,045,099</u>

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

**COUNTY OF RENSSELAER, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2011**

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

Net change in fund balances—total governmental funds	\$ (12,303,291)
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.	9,655,453
The issuance of long-term debt (e.g., bonds, capital leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, the governmental funds report the effects of issuance costs when the debt is first issued, whereas these items are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,076,978
Governmental funds report interest expenditures on long-term debt when such interest is paid. However, in the statement of activities interest on long-term debt is reported as an expense as it accrues.	(183,765)
In the statement of activities, certain operating expenses: compensated absences (vacation & sick leave), amounts due to retirement systems, judgments and claims, and other post-employment benefits, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows:	
Compensated absences	\$ 205,707
Retirement liability	489,775
Other post-employment benefits	(2,916,642)
Workers' compensation judgment and claims	<u>(52,522)</u>
	(2,273,682)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,145,731
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.	<u>495,527</u>
Change in net assets of governmental activities	<u><u>\$ 612,951</u></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—**  
**Budget and Actual—General Fund**  
**Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 45,995,627	\$ 45,995,627	\$ 46,230,950	\$ 235,323
Real property tax items	6,059,564	6,059,564	6,122,949	63,385
Nonproperty tax items	72,426,482	74,026,482	77,077,544	3,051,062
Departmental income	16,464,665	16,248,538	15,342,208	(906,330)
Intergovernmental charges	13,408,155	14,606,606	14,218,370	(388,236)
Use of money and property	239,831	239,831	159,813	(80,018)
Fines and forfeitures	415,312	415,312	351,816	(63,496)
Sale of property and compensation for loss	3,044	3,044	541,419	538,375
Miscellaneous	664,704	684,872	378,266	(306,606)
Interfund revenues	954,379	954,379	930,945	(23,434)
State aid	38,482,047	39,532,090	33,178,778	(6,353,312)
Federal aid	21,657,351	21,596,488	24,985,968	3,389,480
Total revenues	<u>216,771,161</u>	<u>220,362,833</u>	<u>219,519,026</u>	<u>(843,807)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	39,404,848	42,720,753	42,105,809	614,944
Education	17,503,018	17,488,607	16,921,962	566,645
Public safety	33,051,533	34,912,768	32,903,259	2,009,509
Health	21,300,119	21,748,925	18,628,581	3,120,344
Transportation	547,091	684,776	674,609	10,167
Economic assistance and opportunity	95,669,008	98,487,800	96,682,116	1,805,684
Culture and recreation	573,034	599,761	474,913	124,848
Home and community services	816,397	1,134,478	1,098,336	36,142
Debt service:				
Principal	6,608,318	6,608,318	6,608,317	1
Interest	2,585,564	2,585,564	2,585,546	18
Total expenditures	<u>218,058,930</u>	<u>226,971,750</u>	<u>218,683,448</u>	<u>8,288,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,287,769)</u>	<u>(6,608,917)</u>	<u>835,578</u>	<u>7,444,495</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,300,000	1,300,000	-	(1,300,000)
Transfers out	(2,528,575)	(1,067,445)	(1,067,445)	-
Tax sale certificates proceeds	4,010,000	4,010,000	2,975,229	(1,034,771)
Tax sale certificates reserve and issuance costs	(1,792,000)	(1,537,213)	(1,014,681)	522,532
Total other financing sources (uses)	<u>989,425</u>	<u>2,705,342</u>	<u>893,103</u>	<u>(1,812,239)</u>
Net change in fund balances	(298,344)	(3,903,575)	1,728,681	5,632,256
Fund balances—beginning	<u>13,450,581</u>	<u>13,450,581</u>	<u>13,450,581</u>	<u>-</u>
Fund balances—ending	<u>\$ 13,152,237</u>	<u>\$ 9,547,006</u>	<u>\$ 15,179,262</u>	<u>\$ 5,632,256</u>

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

# COUNTY OF RENSSELAER, NEW YORK

## Statement of Net Assets (Deficit)

### Proprietary Funds

December 31, 2011

	<b>Business-type Activities — Enterprise Fund</b>	<b>Governmental Activities — Internal Service Funds</b>
	<b>Van Rensselaer Manor</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,671	\$ 4,098,828
Restricted cash and cash equivalents	163,212	-
Accounts receivable (net of allowance for uncollectibles)	8,501,560	1,176,677
Due from other funds	11,072,809	2,193,938
Inventories	158,306	-
Prepaid assets	1,667	129,072
Total current assets	19,900,225	7,598,515
Non-current assets:		
Assets held by trustee	2,898,029	-
Capital assets, net of accumulated depreciation	12,799,950	-
Total non-current assets	15,697,979	-
Total assets	35,598,204	7,598,515
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,059,480	585,782
Accrued liabilities	3,111,742	5,298,915
Pension contributions payable	-	172,589
Due to other funds	-	88,500
Due to other governments	351	-
Retirement costs—current	1,921,656	-
Long-term debt—current	1,315,000	-
Total current liabilities	7,408,229	6,145,786
Non-current liabilities:		
Accrued workers' compensation liability	891,966	-
Accrued retirement costs—excluding current portion	283,251	-
Accrued other post employment benefits	7,768,982	-
Long-term debt—excluding current portion	24,883,759	-
Total non-current liabilities	33,827,958	-
Total liabilities	41,236,187	6,145,786
<b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets, net of related debt	(10,500,780)	-
Unrestricted	4,862,797	1,452,729
Total net assets (deficit)	\$ (5,637,983)	\$ 1,452,729

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

**COUNTY OF RENSSELAER, NEW YORK**  
**Statement of Revenues, Expenses and Changes in Net Assets (Deficit)**  
**Proprietary Funds**  
**Year Ended December 31, 2011**

	<b>Business-type Activities — Enterprise Fund</b>	<b>Governmental Activities — Internal Service Funds</b>
	<b>Van Rensselaer Manor</b>	
Operating revenues:		
Net patient service revenue	\$ 36,237,000	\$ -
Charges for services—interfund	-	23,139,263
Charges for services—intergovernmental	6,795,348	661,976
Other operating revenues	117,134	933
Total operating revenues	<u>43,149,482</u>	<u>23,802,172</u>
Operating expenses:		
Nursing and medical services	17,029,992	-
Dietary	3,212,742	-
Household and plant operation	4,191,384	-
Administrative and general services	4,269,515	-
Fringe benefits	8,094,100	2,470,312
Other post employment benefits	1,220,828	-
Interest expense	1,219,014	-
Depreciation	1,522,428	-
Personal service	-	1,711,554
Contractual expenses	-	19,108,712
Equipment	-	23,664
Bad debt expense	241,860	-
Total operating expenses	<u>41,001,863</u>	<u>23,314,242</u>
Operating income	<u>2,147,619</u>	<u>487,930</u>
Non-operating revenues (expenses):		
Contribution from County	802,903	-
Other non-operating expenses	(201,424)	-
Interest income	-	7,597
Total non-operating revenues (expenses)	<u>601,479</u>	<u>7,597</u>
Change in net assets (deficit)	2,749,098	495,527
Total net assets (deficit)—beginning	<u>(8,387,081)</u>	<u>957,202</u>
Total net assets (deficit)—ending	<u>\$ (5,637,983)</u>	<u>\$ 1,452,729</u>

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

# COUNTY OF RENSSELAER, NEW YORK

## Statement of Cash Flows

### Proprietary Funds

Year Ended December 31, 2011

	<b>Business-type Activities — Enterprise Fund</b>	<b>Governmental Activities — Internal Service Funds</b>
	<b>Van Rensselaer Manor</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts for patient care or services provided	\$ 48,085,767	\$ 23,452,238
Payments to suppliers for goods and services	(7,812,478)	(19,109,967)
Payments to employees for services	(28,233,461)	(3,560,158)
Payments for interest	(1,187,715)	-
Internal activity—payment made from County	(9,904,684)	(993,318)
Other operating revenue	117,134	933
Net cash provided (used) by operating activities	1,064,563	(210,272)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Contributions and advances from County	802,903	-
Other non-operating expenses	(201,424)	-
Interest earned (fees incurred) on bank accounts	(539)	7,597
Net cash provided by non-capital financing activities	600,940	7,597
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures, net	(431,376)	-
Net increase in assets held by trustee	334	-
Principal payments on long-term debt	(1,235,000)	-
Net cash used by capital and related financing activities	(1,666,042)	-
Net decrease in cash and cash equivalents	(539)	(202,675)
Cash and cash equivalents—beginning	3,210	4,301,503
Cash and cash equivalents—ending	\$ 2,671	\$ 4,098,828

(continued)

# COUNTY OF RENSSELAER, NEW YORK

## Statement of Cash Flows

### Proprietary Funds

Year Ended December 31, 2011

(concluded)

	<b>Business-type Activities — Enterprise Fund</b>	<b>Governmental Activities — Internal Service Funds</b>
	<b>Van Rensselaer Manor</b>	
<b>Reconciliation of operating (loss) income to net cash (used) provided by operating activities:</b>		
Operating income	\$ 2,147,619	\$ 487,930
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,522,428	-
Amortization of issuance costs	31,299	-
Decrease (increase) in accounts receivable	4,684,177	(434,394)
Decrease in due from other governments	-	85,393
Decrease in inventory	43,900	-
Decrease in prepaid expenses	-	31,369
(Increase) in due from other funds	(9,904,684)	(797,939)
Increase (decrease) in accounts payable	181,609	(8,960)
Increase (decrease) in due to other governments	611,102	(195,379)
Increase in compensation and related costs	53,775	-
Increase in retirement and workers' compensation	162,505	24,014
Increase in other post employment benefits	1,220,828	-
Increase in other accrued expenses	310,005	597,694
Total adjustments	(1,083,056)	(698,202)
Net cash provided by (used in) operating activities	\$ 1,064,563	\$ (210,272)

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

**COUNTY OF RENSSELAER, NEW YORK**

**Statement of Fiduciary Net Assets**

**Fiduciary Fund**

**December 31, 2011**

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	<b>Agency Fund</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,740,718
Accounts receivable	307,931
Due from other funds	<u>2,844,706</u>
Total assets	<u><u>\$ 6,893,355</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 121,052
Agency liabilities	6,480,883
Due to other funds	<u>291,420</u>
Total liabilities	<u><u>\$ 6,893,355</u></u>
 <b>NET ASSETS</b>	
Total net assets	<u><u>\$ -</u></u>

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

**COUNTY OF RENSSELAER, NEW YORK**  
**Notes to the Financial Statements**  
**December 31, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the County of Rensselaer, New York (the “County”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

**A. Reporting entity**

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

Independently elected officials of the County include:

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

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

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

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

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

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

- **Hudson Valley Community College**—The Hudson Valley Community College (“HVCC”) was established under Article 126 of the Education Act of the State of New York under the sponsorship of Rensselaer County. A Board of Trustees operates the College under paragraph (C) of the Subdivision 6 of Section 6304 of the Education Act of the State of New York. There are ten board members, five are appointed by the County Legislature, the Governor appoints four, and one is an elected student. HVCC is included based on its August 31, 2011 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.

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.

## **B. Government-wide and fund financial statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* have been included as part of the program expenses reported for the various functional activities. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

considered *available* when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period.

For this purpose, the County considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Real property taxes, non-property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County considers the following governmental funds as major funds:

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

The County reports one major proprietary fund as follows:

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

Additionally, the County reports the following fund types:

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

Private-sector standard of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB: Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), Accounting Principles Board (APB), Opinions and Accounting Research Bulletins (ARBs) of The Committee on Accounting Procedure. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

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

#### **D. Assets, liabilities and net assets or equity**

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

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

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

***Prepaid items***—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Assets held by trustees**—Certain resources set aside for the repayment of the County’s Enterprise Fund’s revenue bonds are classified as assets held by trustees on the balance sheet because they are maintained by the trustee agent and their use is limited.

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

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

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

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

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

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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

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

Vacation time vests for both union and non-union employees to a maximum of 30 days. Accordingly, liabilities for vacation time of \$3,848,624 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 \$760,148.

An additional accrued liability of \$6,559,659 is reported within long-term debt in the government-wide financial statements for the value of sick leave, which will eventually be used to pay the retired employee's share of post employment health insurance premiums. A similar liability is included in accrued liabilities of the enterprise fund in the amount of \$800,213.

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

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

## **E. Insurance**

The County assumes liability for some risk including, but not limited to, workers' compensation. Asserted and incurred but not reported claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonable estimated. Such recording is consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

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

#### **F. Net resident service revenue at Van Rensselaer Manor**

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

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

Final determination of amounts due the facility under these cost reimbursement programs is subject to audit or review by the respective administrative agencies and provision has been made for estimated adjustments that may result. Differences between estimated amounts accrued and final settlements are reported in operations in the year of settlement. The Medicare cost report has been audited and settled through 2010. The Medicaid cost reports for years 2010 and prior have been submitted to the regulators.

#### **G. 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.

#### **H. 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 2011, the County has reported interfund revenues in the General Fund of \$930,945 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.

#### **I. 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 percent thereafter.

#### **J. Use of estimates**

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

## **K. Adoption of new accounting pronouncements**

During the year ended December 31, 2011, the County adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the County to change its fund balance classifications for governmental funds. The new classifications are explained below.

**Nonspendable fund balance**—Amounts that are not in a spendable form (such as inventory or prepaids) or are required to be maintained intact (such as the corpus of an endowment fund).

**Restricted fund balance**—Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

**Committed fund balance**—Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (County Legislature); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

**Assigned fund balance**—Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body (Chief Fiscal Officer) to which the governing body delegates the authority.

**Unassigned fund balance**—Amounts that are available for any purpose; these amounts are reported only in the general fund.

Additionally, during the year ended December 31, 2011, the County completed the process of evaluating the impact that will result from adopting GASB Statement No. 59, *Financial Instruments Omnibus* effective for the year ended December 31, 2011. GASB Statement No. 59 did not have a material impact on the County’s financial position or results from operations.

## **L. Impacts of accounting pronouncements**

The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*; No. 65, *Items Previously Reported as Assets and Liabilities*; and No. 66, *Technical Corrections—2012—an amendment of GASB Statement No. 10 and No. 62*, effective for the ending December 31, 2012; and No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the year ending December 31, 2013. The County is therefore unable to disclose the impact that adopting GASB Statements No. 57, 60, 61, 62, 63, 64, 65 and 66 will have on its financial position and results of operations when such statements are adopted.

## 2. BUDGETS AND BUDGETARY DATA

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

- Prior to October 20th, the Budget Director, on behalf of the County Executive, submits to the County Legislature a tentative budget for the following fiscal year to commence on January 1.
- The tentative budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments, 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.
- Total expenditures for each object may not legally exceed the total appropriations for that object. Encumbrances outstanding at year-end are accounted for by an assignment of fund balance. During the year ended December 31, 2011, supplemental appropriations in the amount of \$7,196,903 were approved in the General Fund. These additional appropriations were partially funded by increases to estimated revenues.

## 3. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS

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

Total cash and cash equivalents reported by the County at December 31, 2011 is as follows:

Governmental Funds	\$ 33,186,049
Enterprise Fund	2,671
Internal Service Fund	4,098,828
Agency Fund	<u>3,740,718</u>
Total	<u>\$ 41,028,266</u>

The County's cash and cash equivalents were comprised of the following at December 31, 2011:

	Maturity Date	Fair Value at December 31, 2011
Petty cash (uncollateralized)	n/a	\$ 4,620
Deposits with financial institutions	n/a	38,413,936
Money market funds	n/a	79,840
Discount note	1/3/2011	2,529,870
Total		<u>\$ 41,028,266</u>

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

	December 31, 2011	
Credit risk category:	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 8,730,711	\$ 9,723,951
Uninsured:		
Collateral held by bank's agent in County's name	<u>29,683,225</u>	<u>32,148,789</u>
Total deposits	<u>\$ 38,413,936</u>	<u>\$ 41,872,740</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, 2011. These cash equivalents are carried at fair value as follows:

	Carrying Amount	Bank Balance
Money market funds	\$ 79,840	\$ 79,840
Discount note	<u>2,529,870</u>	<u>2,529,870</u>
Total	<u>\$ 2,609,710</u>	<u>\$ 2,609,710</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, 2011, all of the County's deposits were insured or collateralized.

***Restricted cash***—Total restricted cash of \$24,819,793, represents \$18,222,749 of debt proceeds and deposits held on behalf of HVCC, \$2,847,044 of Installment Purchase proceeds and \$3,750,000 of New York State Environmental Facilities Corporation ("EFC") loan proceeds held by the trustee bank to be drawn down as the County incurs eligible project costs. Business-type activities restricted cash represents deposits totaling \$163,212, which are held in custody for patients of the Van Rensselaer Manor. 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 \$4,271,164 (includes restricted cash of \$358,124) and were fully collateralized at December 31, 2011.

**HVCC Component Unit**—Deposits and investments totaled \$86,621,798 and were fully collateralized or insured at August 31, 2011.

#### **4. REAL PROPERTY AND NONPROPERTY TAXES**

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

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable \$8,702,639 that represents taxes re-levied for schools is recognized as a liability and is included in due to other governments. Another portion of the receivable \$11,999,941 that is not considered available under the modified accrual basis of accounting, i.e. not collected within sixty days, is recorded as deferred revenue.

Tax rates are calculated using assessments prepared by individual town and city assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessed value of real property included in the tax levy of 2011 is approximately \$5.3 billion. The total County levy, including all charge backs, for 2011 was \$73.4 million. County tax rates vary by each assessing unit due to differences in equalization rates. The statutory maximum tax rate is 1.5% of the 5-year average of the equalized assessment. The 2011 levy represents approximately 37.49% 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 2011, 2010 and 2009, the County sold TSCs totaling \$2,975,229, \$4,105,782, and \$4,153,249, respectively, which represented liens on certain outstanding property taxes for 2010, 2009 and 2008. Of these amounts, \$1,489,554 and \$819,215 were collected related to the 2010 and 2009 TSC sales and subsequently transferred to the trustee during 2011. As of December 31, 2011, \$2,975,229, \$1,489,554 and \$819,215 remained outstanding on the 2011, 2010 and 2009 sales, respectively.

The primary non-property tax item is sales tax totaling \$10,048,748, which is accrued as revenue based on the date on which the underlying sale occurs and is included in other receivables.

Effective September 1, 1994, the countywide sales tax was increased from seven percent to eight percent. The County's received authorization to impose an additional 1% 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 1% extension on its local share of sales tax for the period commencing December 1, 2011 and ending on November 30, 2013. The County allocates a percentage of the sales tax to the cities, towns and villages within the County. The agreements with cities relating to calculation and distribution of their proportional share of sales tax are negotiated through November 30, 2014.

## 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Interfund receivables, payables, and transfers of the County as of, and for the year ended December 31, 2011 are presented below.

Fund	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
General Fund	\$ 806,084	\$ 16,119,429	\$ -	\$ 1,067,445
Capital Projects Fund	141,913	-	259,441	-
Other governmental funds	433,966	994,067	123,274	118,173
Enterprise Fund	11,072,809	-	802,903	-
Internal Service Fund	2,193,938	88,500	-	-
Agency Fund	2,844,706	291,420	-	-
Total	<u>\$ 17,493,416</u>	<u>\$ 17,493,416</u>	<u>\$ 1,185,618</u>	<u>\$ 1,185,618</u>

## 6. RECEIVABLES

Revenues accrued by the County consist of the following:

- A. Other receivables**—Represent amounts due from various sources. Amounts accrued at December 31, 2011 are:

<u>Fund</u>	
General Fund	\$ 16,455,775
Capital Projects Fund	856,181
Other governmental funds	3,428,926
Enterprise Fund	8,501,560
Internal Service Fund	<u>1,176,677</u>
Total	<u>\$ 30,419,119</u>

- B. State and federal receivables**—Primarily represent claims for reimbursement of expenditures in administering various mental health and social service programs. Amounts are net of related advances from New York State. Amounts accrued at December 31, 2011 are:

<u>Fund</u>	
General Fund	\$ 17,348,116
Capital Projects Fund	2,809,472
Other governmental funds	<u>2,664,963</u>
Total	<u>\$ 22,822,551</u>

- C. Due from other governments**—Represents amounts due primarily from other local municipalities for chargebacks and other miscellaneous items. Amounts accrued at December 31, 2011 are:

<u>Fund</u>	
General Fund	<u>\$ 7,234,661</u>
Total	<u>\$ 7,234,661</u>

## CAPITAL ASSETS

**D. Governmental activities**—Capital asset activity for the primary government’s governmental activities, for fiscal year ending December 31, 2011, was as follows:

	Primary Government - Governmental Activities			
	Beginning Balance	Increases/ Reclassifications	Decreases/ Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 672,880	\$ -	\$ -	\$ 672,880
Construction in progress	42,385,929	11,127,929	(41,961,465)	11,552,393
Total capital assets not being depreciated	<u>43,058,809</u>	<u>11,127,929</u>	<u>(41,961,465)</u>	<u>12,225,273</u>
Capital assets, being depreciated:				
Land improvements	6,918,050	1,373,699	-	8,291,749
Buildings and building improvements	63,260,928	44,600,038	(2,145,200)	105,715,766
Infrastructure	89,088,294	1,444,507	(152,250)	90,380,551
Equipment	30,953,997	2,011,141	(2,412,931)	30,552,207
Total capital assets being depreciated	<u>190,221,269</u>	<u>49,429,385</u>	<u>(4,710,381)</u>	<u>234,940,273</u>
Less accumulated depreciation for:				
Land improvements	(6,870,750)	(1,000)	-	(6,871,750)
Buildings and building improvements	(36,020,015)	(2,388,252)	684,706	(37,723,561)
Infrastructure	(54,786,544)	(3,203,450)	97,048	(57,892,946)
Equipment	(24,670,147)	(1,828,113)	2,409,046	(24,089,214)
Total accumulated depreciation	<u>(122,347,456)</u>	<u>(7,420,815)</u>	<u>3,190,800</u>	<u>(126,577,471)</u>
Total capital assets, being depreciated, net	<u>67,873,813</u>	<u>42,008,570</u>	<u>(1,519,581)</u>	<u>108,362,802</u>
Governmental activities capital assets, net	<u>\$ 110,932,622</u>	<u>\$ 53,136,499</u>	<u>\$ (43,481,046)</u>	<u>\$ 120,588,075</u>

During 2011, the jail expansion and renovation and public safety building projects were completed and placed into service. Therefore, construction in progress totaling \$41,961,465 was transferred to buildings and building improvements.

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

Governmental activities:	
General government support	\$ 1,189,228
Public safety	2,387,285
Health	6,586
Transportation	3,288,341
Economic assistance and opportunity	51,740
Culture and recreation	18,776
Home and community service	478,859
Total depreciation expense—governmental activities	<u>\$ 7,420,815</u>

**E. Business-type activities**—Capital asset activity for the primary government’s business-type activities (Enterprise Fund), for fiscal year ending December 31, 2011, as presented below:

	Primary Government - Business-type Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Total capital assets not being depreciated	<u>550,000</u>	<u>-</u>	<u>-</u>	<u>550,000</u>
Capital assets, being depreciated:				
Buildings	20,439,030	-	-	20,439,030
Fixed equipment	10,873,491	-	-	10,873,491
Major moveable equipment	<u>5,132,107</u>	<u>431,376</u>	<u>(94,277)</u>	<u>5,469,206</u>
Total capital assets being depreciated	<u>36,444,629</u>	<u>431,376</u>	<u>(94,277)</u>	<u>36,781,727</u>
Less accumulated depreciation for:				
Buildings	(11,290,392)	(722,940)	-	(12,013,332)
Fixed equipment	(7,715,290)	(541,140)	-	(8,256,430)
Major moveable equipment	<u>(4,097,944)</u>	<u>(258,348)</u>	<u>94,277</u>	<u>(4,262,015)</u>
Total accumulated depreciation	<u>(23,103,627)</u>	<u>(1,522,428)</u>	<u>94,277</u>	<u>(24,531,777)</u>
Total capital assets, being depreciated, net	<u>13,341,002</u>	<u>(1,091,052)</u>	<u>-</u>	<u>12,249,950</u>
Business-type activities capital assets, net	<u>\$ 13,891,002</u>	<u>\$ (1,091,052)</u>	<u>-</u>	<u>\$ 12,799,950</u>

**F. 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 12/31/2011
Building	\$ 2,700,000
Equipment	<u>125,032</u>
Total capital assets	2,825,032
Less: accumulated depreciation	<u>(777,186)</u>
Total capital assets, net	<u>\$ 2,047,846</u>

**ii) Hudson Valley Community College**

	Balance 8/31/2011
Land, land improvements and infrastructure	\$ 22,315,411
Buildings and building improvements	158,649,199
Furniture and equipment	23,679,347
Construction in progress	<u>4,029,450</u>
Total capital assets	208,673,407
Less: accumulated depreciation	<u>(92,765,184)</u>
Total primary institution, capital assets, net	115,908,223
Add: component unit capital assets, net	<u>11,275,865</u>
Total Hudson Valley Community College	<u>\$ 127,184,088</u>

**7. SHORT-TERM DEBT**

Short-term debt of the County consists of bond anticipation notes (“BANs”) at December 31, 2011. The County had one tax anticipation note (“TANs”) that was paid during the current fiscal year. There were no TANs outstanding at December 31, 2011.

The following is an analysis of the County’s short-term debt as of, and for the year ending, December 31, December 31, 2011:

Description	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<b>General Fund:</b>					
<i>Tax anticipation notes:</i>					
Issued: 9/16/2010					
Maturity: 4/29/2011	0.72%-0.82%	\$ 8,000,000	\$ -	\$ 8,000,000	\$ -
Total		<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ 8,000,000</u>	<u>\$ -</u>
<b>Capital Projects Fund:</b>					
<i>Bond anticipation notes:</i>					
Issued: 9/17/2009					
Maturity: 9/17/2012	0.00%	\$ 3,750,000	\$ -	\$ -	\$ 3,750,000
Issued: 8/19/2010					
Maturity: 8/19/2011	0.69%	3,250,000		3,250,000	-
Issued: 8/18/2011					
Maturity: 8/17/2012	1.5%	-	5,250,000	-	5,250,000
Total		<u>\$ 7,000,000</u>	<u>\$ 5,250,000</u>	<u>\$ 3,250,000</u>	<u>\$ 9,000,000</u>

## 8. LONG-TERM DEBT

The following is a summary of changes in the County's long-term liabilities for the year ended December 31, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Serial bonds/CAB principal	\$ 45,820,500	\$ -	\$ 5,015,056	\$ 40,805,444	\$ 4,390,933
CAB interest accretions	4,162,717	300,468	-	4,463,185	-
RTASC bonds and interest	45,467,739	1,163,023	695,000	45,935,762	1,410,000
RTASC bond issuance costs	(309,318)	-	20,801	(288,517)	-
Installment purchase debt	13,510,618	368,999	220,213	13,659,404	769,593
Compensated absences	10,613,990	-	205,707	10,408,283	520,414
Retirement obligations	3,411,761	-	489,775	2,921,986	481,255
Other post-employment benefits	17,497,632	4,351,642	1,435,000	20,414,274	-
Other long-term liabilities	<u>867,628</u>	<u>52,522</u>	<u>-</u>	<u>920,150</u>	<u>-</u>
Total governmental activities	<u>\$ 141,043,267</u>	<u>\$ 6,236,654</u>	<u>\$ 8,081,552</u>	<u>\$ 139,239,971</u>	<u>\$ 7,572,195</u>
<b>Business type activities:</b>					
Bond and mortgage	\$ 27,825,000	\$ -	\$ 1,235,000	\$ 26,590,000	\$ 1,315,000
Bond issuance costs	(422,540)	-	31,299	(391,241)	-
Retirement obligations	1,905,708	384,549	85,350	2,204,907	1,921,656
Other post-employment benefits	6,548,154	1,494,468	273,640	7,768,982	-
Other long-term liabilities	<u>729,461</u>	<u>162,505</u>	<u>-</u>	<u>891,966</u>	<u>-</u>
Total business-type activities	<u>\$ 36,585,783</u>	<u>\$ 2,041,522</u>	<u>\$ 1,625,289</u>	<u>\$ 37,064,614</u>	<u>\$ 3,236,656</u>

Discretely Presented Component Units					
	Balance			Balance	Due
	January 1, 2011	Increases	Decreases	December 31, 2011	Within One Year
<b>IDA:</b>					
Mortgage payable	\$ 1,474,378	\$ -	\$ 603,493	\$ 870,885	\$ 870,885
Total IDA	<u>\$ 1,474,378</u>	<u>\$ -</u>	<u>\$ 603,493</u>	<u>\$ 870,885</u>	<u>\$ 870,885</u>
	Balance			Balance	Due
	September 1, 2010	Increases	Decreases	August 31, 2011	Within One Year
<b>HVCC:</b>					
Serial bonds	\$ 21,028,679	\$ -	\$ 2,809,944	\$ 18,218,735	\$ 2,021,322
Bond anticipation notes	3,527,543	20,699,258	3,527,543	20,699,258	20,699,258
DASNY bonds	45,847,362	111,659	1,098,677	44,860,344	1,048,413
Termination benefits	18,234,878	-	243,129	17,991,749	-
Other post-employment benefits	8,518,881	2,943,447	543,566	10,918,762	543,586
Association financing agreement	5,469,683	-	1,555,933	3,913,750	1,208,121
Capital leases	11,780,496	2,951,058	3,125,157	11,606,397	3,238,780
Other long-term liabilities	2,217,905	-	1,969,585	4,187,490	-
Total HVCC	<u>\$116,625,427</u>	<u>\$ 26,705,422</u>	<u>\$ 14,873,534</u>	<u>\$ 132,396,485</u>	<u>\$ 28,759,480</u>

**A. Bond indebtedness**—The County issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both governmental and business-type activities and the Hudson Valley Community College discretely presented component unit. A summary of bond transactions for the year ended December 31, 2011 is presented on the following pages.

<u>Description</u>	<u>Year Issue/ Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental funds:</b>							
General:							
Public Safety Bldg	1991/2021	6.70	\$ 19,245,000	\$ 8,248,000	\$ -	\$ 750,100	\$ 7,497,900
Jail (CAB)	1995/2012	4.6/5.85	942,000	51,749	-	-	51,749
Industrial Pk (CAB)	1995/2012	4.6/5.85	821,000	87,272	-	-	87,272
E-911 (CAB)	1995/2012	4.6/5.85	1,500,000	82,419	-	-	82,419
Radios (CAB)	1995/2012	4.6/5.85	250,000	13,720	-	-	13,720
Courts (CAB)	1995/2012	4.6/5.85	500,000	27,465	-	-	27,465
Courts (G/208/90)	1998/2013	4.00/5.25	290,000	52,976	-	26,155	26,821
Courts (G168/94)	1998/2013	4.00/5.25	1,223,000	223,413	-	110,306	113,107
Courts (G/405/96)	1998/2013	4.00/5.25	5,000,000	913,379	-	450,964	462,415
Courts (G/521/97)	1998/2013	4.00/5.25	10,000,000	1,826,758	-	901,928	924,830
800 Mhz Radio	1998/2013	4.00/5.25	3,750,000	685,033	-	338,223	346,810
Senior Center	1998/2013	4.00/5.25	101,419	18,527	-	9,148	9,379
Jail	2004/2011	3.0/5.0	103,980	39,848	-	39,848	-
Industrial Park	2004/2011	3.0/5.0	175,357	67,202	-	67,202	-
E-911	2004/2011	3.0/5.0	165,601	63,464	-	63,464	-
Radios	2004/2011	3.0/5.0	27,567	10,565	-	10,565	-
Courts	2004/2011	3.0/5.0	55,191	21,152	-	21,152	-
Fac Master Plan	2005/2025	4.0/4.2	1,500,000	1,238,231	-	59,661	1,178,570
Jail Expansion	2005/2025	4.0/4.2	5,000,000	4,127,432	-	198,870	3,928,562
Jail Expansion	2008/2028	3.25/4.375	20,300,000	18,950,000	-	705,000	18,245,000
Highway:							
1995 Roads (CAB)	1995/2013	3.0/5.0	2,899,459	325,083	-	-	325,083
1996 Improvemts	1998/2013	4.00/5.25	2,288,000	417,962	-	206,361	211,601
1997 Improvemts	1998/2013	4.00/5.25	1,000,000	182,676	-	90,192	92,484
2001 Improvemts	2001/2014	4.00/4.25	3,547,403	3,177,733	-	369,009	2,808,724
1995 Roads	2004/2011	3.0/5.0	656,262	251,502	-	251,502	-
2005 Improvemts	2005/2025	4.0/4.2	2,000,000	1,650,970	-	79,548	1,571,422
2005 Machinery	2005/2025	4.0/4.2	2,500,000	2,063,716	-	99,435	1,964,281
Sewer:							
Odor Control	1998/2013	4.00/5.25	480,000	87,684	-	43,292	44,392
Monofill	1998/2013	4.00/5.25	592,000	108,144	-	53,394	54,750
Clarifier	2001/2014	4.00/4.25	575,579	211,425	-	49,737	161,688
Monofill Phase II	2008/2028	3.25/4.375	635,000	595,000	-	20,000	575,000
<b>Total serial bonds and capital appreciation bond principal</b>				<u>45,820,500</u>	<u>-</u>	<u>5,015,056</u>	<u>40,805,444</u>
Capital appreciation bonds (interest accretions):							
Accum appreciation	1995/2013	4.60/5.85	N/A	1,967,539	126,058	-	2,093,597
Accum appreciation	1998/2013	4.00/5.25	N/A	2,195,178	174,410	-	2,369,588
Total capital appreciation bond interest accretions				<u>4,162,717</u>	<u>300,468</u>	<u>-</u>	<u>4,463,185</u>
Total government activities bonded debt				<u>\$ 49,983,217</u>	<u>\$ 300,468</u>	<u>\$ 5,015,056</u>	<u>\$ 45,268,629</u>

<u>Description</u>	<u>Year Issue/ Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities—</b>							
<b>Van Rensselaer Manor:</b>							
Enterprise Fund:							
Leasehold Mortgage	2009/2024	3.55/5.88	\$29,980,000	\$27,825,000	\$ -	\$ 1,235,000	\$ 26,590,000
Total business-type activities				<u>\$27,825,000</u>	<u>\$ -</u>	<u>\$ 1,235,000</u>	<u>\$ 26,590,000</u>
<b>Component Unit—</b>							
<b>Hudson Valley Community College ("HVCC"):</b>							
HPER Center	1989/2019	6.90/7.00	\$ 2,000,000	\$ 560,000	\$ -	\$ 65,000	\$ 495,000
HPER Center	1991/2020	6.70	5,500,000	2,099,000	-	209,900	1,889,100
COMP/COMM (CAB)	1995/2013	4.6/5.85	7,000,000	497,823	-	-	497,823
Building Renovations (CAI)	1995/2013	4.6/5.85	2,040,000	145,080	-	-	145,080
Roads/Parking (CAB)	1995/2013	4.6/5.85	663,000	47,151	-	-	47,151
HVAC System	1998/2013	4.00/5.25	905,000	165,322	-	81,625	83,697
Roofs	1998/2013	4.00/5.25	269,000	49,139	-	24,262	24,877
Gas system	1998/2013	4.00/5.25	46,000	8,403	-	4,150	4,253
Reconstruction	2001/2014	4.00/4.25	2,460,890	903,944	-	212,654	691,290
HVAC	2001/2014	4.00/4.25	967,290	355,310	-	83,586	271,724
Electrical System	2001/2014	4.00/4.25	479,650	176,186	-	41,448	134,738
Tennis Courts	2001/2014	4.00/4.25	24,941	9,162	-	2,155	7,007
Parking Lot	2001/2014	4.00/4.25	213,638	78,475	-	18,461	60,014
Guenther Hall	2001/2014	4.00/4.25	251,817	92,499	-	21,760	70,739
Renovations/Improve.	2001/2014	4.00/4.25	3,022,581	1,110,268	-	261,190	849,078
COMP/COMM	2004/2011	3.0/5.0	2,157,816	826,947	-	826,947	-
Building Renovations	2004/2011	3.0/5.0	628,850	240,996	-	240,996	-
Roads/parking	2004/2011	3.0/5.0	204,376	78,323	-	78,323	-
Campus Center	2005/2025	4.0/4.2	4,057,687	3,349,564	-	161,389	3,188,175
Various Projects	2005/2025	4.0/4.2	1,236,000	1,020,302	-	49,161	971,141
Admin Building	2005/2025	4.0/4.2	4,700,000	3,879,785	-	186,937	3,692,848
Various Projects	2006/2026	4.4/4.5	6,200,000	5,335,000	-	240,000	5,095,000
Total serial bonds - component unit				<u>\$21,028,679</u>	<u>\$ -</u>	<u>\$ 2,809,944</u>	<u>\$ 18,218,735</u>
Bond anticipation notes:							
Bond anticipation note	2010	1.5	3,527,543	3,527,543	-	3,527,543	-
Bond anticipation note	2011	1.5	20,699,258	-	20,699,258	-	20,699,258
Total bond anticipation notes				<u>\$ 3,527,543</u>	<u>20,699,258</u>	<u>\$ 3,527,543</u>	<u>\$ 20,699,258</u>

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

	Governmental Activities		Business-Type Activities		Component Unit	
	Serial Bond / CAB		Enterprise Fund		HVCC	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 4,390,933	\$ 3,395,807	\$ 1,315,000	\$ 1,331,456	\$ 2,021,322	\$ 1,417,213
2013	4,391,243	3,349,124	1,410,000	1,276,956	2,053,684	1,369,966
2014	3,093,263	1,447,803	1,505,000	1,218,656	1,716,737	625,703
2015	2,131,447	1,299,760	1,610,000	1,148,306	1,028,553	546,109
2016	2,195,026	1,192,703	1,720,000	1,065,056	1,059,974	495,931
2017-2021	12,039,763	4,261,858	10,560,000	3,820,977	5,527,236	1,687,696
2022-2026	9,553,769	1,762,484	8,470,000	691,245	4,811,231	516,443
2027-2030	3,010,000	198,844	-	-	-	-
Total	<u>\$ 40,805,444</u>	<u>\$ 16,908,383</u>	<u>\$ 26,590,000</u>	<u>\$ 10,552,652</u>	<u>\$ 18,218,737</u>	<u>\$ 6,659,060</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 \$2,809,944 in principal and \$881,439 in interest.

- B. Capital Appreciation Bonds (“CABs”)**—On May 18, 1995, the County issued \$4,999,459 in capital appreciation bonds dated May 24, 1995 which mature over 18 years, beginning in the year 2001 and ending in the year 2013, require the payment of \$10,076,000 principal (plus interest of \$5,076,541) based on the stated value of the bonds. The bonds are not redeemable prior to maturity. On June 1, 1998, the County issued an additional \$2,399,419 in capital appreciation bonds dated June 24, 1998 which upon maturity over the next 15 years, beginning in the year 2012 and ending in the year 2013, require the payment of \$4,928,000 principal (plus interest of \$2,528,582) based upon the stated value of the bonds. The bonds are not redeemable prior to maturity. As of December 31, 2011, accreted interest less interest paid for both issuances amounts to \$4,463,185 and is included as a long-term liability in the governmental activities.

**C. Rensselaer Tobacco Asset Securitization Corporation**—Changes in RTASC’s long-term debt for the year ended December 31, 2011 are as follows:

	Balance 1/1/2011	Increases	Decreases	Balance 12/31/2011	Within One Year
Tobacco Settlement Bonds:					
Series 2001A	\$ 28,995,000	\$ -	\$ 695,000	\$ 28,300,000	\$ 1,410,000
Subordinate Turbo CABs:					
Series 2005 - Original Principal	11,653,100	-	-	11,653,100	-
Accreted Interest	4,819,639	1,163,023	-	5,982,662	-
Total Subordinated Turbo CABs	16,472,739	1,163,023	-	17,635,762	-
Bond issuance costs	(309,318)	-	20,801	(288,517)	-
Total RTASC	\$ 45,158,421	\$ 1,163,023	\$ 715,801	\$ 45,647,245	\$ 1,410,000

**Series 2001A**—In 2001, the RTASC issued \$34,555,000 of Tobacco Settlement Asset Backed Bonds, Series A pursuant to an indenture dated as of December 1, 2001. The net proceeds of the Series A Bonds were used to purchase from the County all of the County’s right, title and interest, under the MSA and the Decree, including the Tobacco Settlement Revenues (“TSR”).

The payment of the Series A Bonds is dependent on the receipt of TSR’s. The amount of TSR’s actually collected is dependent on many factors including cigarette consumption and the continued operations of the OPMs. Such bonds are secured by and payable solely from TSR’s and investment earnings pledged under the bond indenture, and amounts established and held in accordance with the bond indenture.

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

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

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

Year ended December 31,	Principal	Interest	Total
2012	\$ 1,410,000	\$ 1,548,484	\$ 2,958,484
2013	1,095,000	1,492,908	2,587,908
2014	1,135,000	1,433,546	2,568,546
2015	1,170,000	1,370,219	2,540,219
2016	1,265,000	1,302,188	2,567,188
2017-2021	10,770,000	5,402,638	16,172,638
2022-2026	9,675,000	2,279,440	11,954,440
2027-2030	1,780,000	51,175	1,831,175
	<u>\$ 28,300,000</u>	<u>\$ 14,880,598</u>	<u>\$ 43,180,598</u>

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

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

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, 2011 funds were not available to make redemption payments. Any debt service amounts not paid in accordance with the Subordinated Turbo CAB’s redemption payments schedule will be due and payable on the following maturity dates:

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

**Advance Refunding**—During 2001, on behalf of the County, the RTASC deposited \$27,520,954 of proceeds from the sale of tobacco settlement monies with an escrow agent to advance refund \$26,415,100 in County serial bonds (with \$1,090,106 for HVCC bonds). Therefore, at December 31, 2011, the value of the refunded bonds has been removed from the County’s liabilities. The principal value of these defeased bonds at December 31, 2011 is \$0.

**D. Leases payable**—The County leases certain property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligation, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, is also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable in the fund financial statements. Total expenditures on operating leases for the fiscal year ended December 31, 2011 were approximately \$1,505,123.

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

<u>December 31,</u>	<u>Operating Leases</u>
2012	\$ 1,529,643
2013	1,340,852
2014	875,852
2015	889,784
2016	889,938
2017-2021	1,254,032
2022-2025	<u>535,246</u>
Future minimum payments	<u>\$ 7,315,347</u>

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

The following summarizes requirements of the Installment Purchase Debt:

<u>Year ended December 31,</u>	<u>Governmental Activities</u>		
	<u>Sewer District</u>	<u>County Building</u>	<u>Total</u>
2012	\$ 1,125,568	\$ 78,748	\$ 1,204,316
2013	1,125,568	78,748	1,204,316
2014	1,125,568	78,748	1,204,316
2015	1,125,568	78,748	1,204,316
2016	1,125,568	78,748	1,204,316
2017-2021	5,627,840	157,504	5,785,344
2022-2026	<u>5,346,446</u>	<u>-</u>	<u>5,346,446</u>
Total minimum lease payments	16,602,126	551,244	17,153,370
Less: Amount representing imputed interest costs	<u>(3,410,305)</u>	<u>(83,661)</u>	<u>(3,493,966)</u>
Present value of minimum lease payment	<u>\$ 13,191,821</u>	<u>\$ 467,583</u>	<u>\$ 13,659,404</u>

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

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

**10. RETIREMENT PLANS**

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

The Systems are noncontributory, except for employees who joined after July 27, 1976 who contribute 3% of their salary 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. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employees to the pension accumulation fund.

The County is required to contribute at an actuarially determined rate on or before February 1<sup>st</sup> of each year for the period April 1<sup>st</sup> through March 31<sup>st</sup>. 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>
2011	\$ 10,965,203
2010	8,015,268
2009	4,800,232

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

## 11. SEGMENT INFORMATION FOR ENTERPRISE FUND

Segment information for the Manor as of, and for the year ended, December 31, 2011 follows:

	Van Rensselaer Manor
Operating revenues	\$ 43,149,482
Operating expenses:	
Services provided	39,479,435
Depreciation and amortization	<u>1,522,428</u>
Operating income	2,147,619
Non-operating revenue (expense), net	<u>601,479</u>
Net gain	<u>\$ 2,749,098</u>
Current assets	\$ 19,900,225
Current liabilities	<u>7,408,229</u>
Net working capital	<u>\$ 12,491,996</u>
Total assets	\$ 35,598,204
Total liabilities	<u>41,236,187</u>
Net assets (deficit)	<u>\$ (5,637,983)</u>
Fixed asset additions	<u>\$ 431,376</u>
Long-term liabilities—excluding current portions	<u>\$ 33,827,958</u>

## 12. OTHER POST-EMPLOYMENT BENEFITS

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

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

The County recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. County governmental activities and business type activities contributed \$1,435,000 and \$273,640, respectively for the fiscal year ended December 31, 2011.

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

	Governmental Activities	Business-type Activities
Annual required contribution	\$ 4,351,642	\$ 1,494,468
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB costs (expense)	4,351,642	1,494,468
Contributions made	(1,435,000)	(273,640)
Increase in net OPEB obligation	2,916,642	1,220,828
Net OPEB obligation - beginning of year	17,497,632	6,548,154
Net OPEB obligation - end of year	<u>\$ 20,414,274</u>	<u>\$ 7,768,982</u>

As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities and business type activities was \$46,547,475 and \$13,300,956, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of December 31, 2011, the County had an actuarial valuation performed with a valuation date of January 1, 2011. Accordingly, information from this study is presented in the County's Schedule of Funding Progress and the Schedule of Contributions.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL to Budget Covered Payroll
<b>Governmental Activities:</b>						
As of 1/1/2007	\$ -	\$ 46,036,935	\$ 46,036,935	0.0%	NA	NA
As of 1/1/2009	-	39,768,759	39,768,759	0.0%	\$ 53,158,000	74.8%
As of 1/1/2011	-	46,547,475	46,547,475	0.0%	NA	NA
<b>Business-type Activities:</b>						
As of 1/1/2007	\$ -	\$ 15,383,081	\$ 15,383,081	0.0%	NA	NA
As of 1/1/2009	-	12,380,735	12,380,735	0.0%	\$ 18,251,000	67.8%
As of 1/1/2011	-	13,300,956	13,300,956	0.0%	NA	NA

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

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2011	\$ 4,351,642	\$ 1,435,000	33.0%
2010	5,224,837	940,430	18.0%
2009	5,122,389	755,182	14.7%

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

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2011	\$ 1,494,468	\$ 273,640	18.3%
2010	1,833,045	224,340	12.2%
2009	1,797,103	190,529	10.6%

Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date and measurement date of January 1, 2011. The expected investment rate of return on employer's assets is 4.0%. The RP-2000 Mortality Table for males and females is used for mortality rates. The rates of decrement due to retirement is based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation . The unfunded actuarial accrued liability is being amortized over 30 years, therefore the remaining amortization period at December 31, 2011, was twenty five years.

### 13. LABOR RELATIONS

Four bargaining units represent the unionized county employees. The County's largest bargaining unit (UPSEU) has a contract settled through December 31, 2013; two other bargaining units (CSEA and SEARCO) have contracts settled through December 31, 2011 and December 31, 2012, respectively. While the fourth contract, PBA, is settled through December 31, 2010 and is in negotiation.

### 14. NET ASSETS AND FUND BALANCE

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

- ***Invested in capital assets, net of related debt***—This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- **Restricted net assets**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** – This category represents net assets of the County not restricted for any project or other purpose.

**B. Fund balances**—In the fund financial statements, 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 County at December 31, 2011 include:

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

Restricted fund balance represents amounts that can be spent only for the specific purposes stipulated by constitution, external source providers, or through enabling legislation. Restricted fund balance at December 31, 2011, is composed of:

- **Tax stabilization**—Represents amounts set aside for future use to stabilize real property tax levies.
- **Handicapped parking**—Represents revenues restricted to pay for the handicapped parking program, which is required by State Law.
- **Debt service**—Represents amounts reserved for payment of debt.
- **RTASC**—Restricted for debt payments of the Rensselaer Tobacco Asset Securitization Corporation.

At December 31, 2011 the County had the following restricted funds:

	General Fund	RTASC	Total
Tax stabilization	\$ 129,220	\$ -	\$ 129,220
Handicapped parking	32,693	-	32,693
Debt service	-	2,621,033	2,621,033
Total restricted fund balance	<u>\$ 161,913</u>	<u>\$ 2,621,033</u>	<u>\$ 2,782,946</u>

Committed fund balance represents amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (County Legislature); as all capital projects are approved by the County Legislature, amounts reported in the Capital Projects fund are reported as committed as monies within this fund represent commitments for future capital projects.

The County Legislature authorizes the Chief Fiscal Officer to make a determination of the assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. For example the amount appropriated to reduce the tax levy as determined through the

budget process and finalized when the tax rates are established would be considered assigned fund balance. In the fund financial statements, assignments by the County at December 31, 2011 include:

- **Encumbrances**—Represents commitments related to unperformed (executory) contracts for goods or services.
- **Retirement contributions**—Represents the portion of fund balance restricted for the future payment of retirement contributions.
- **Subsequent year’s expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2012 fiscal year.
- **Special Revenue Funds**—Represents fund balance within the special revenue funds that is assigned for a specific purpose.

At December 31, 2011 the County had the following assigned funds:

	General Fund	Special Grant	Community Development	Highway	Sewer	RTASC	Total
Encumbrances	\$ 260,220	\$ 1,536	\$ -	\$ -	\$ -	\$ -	\$ 261,756
Retirement contribution	4,525,000	-	-	-	-	-	4,525,000
Subsequent years' expenditures	-	-	-	700,000	1,330,476	-	2,030,476
Assigned to Special Grant Fund	-	32,063	-	-	-	-	32,063
Assigned to Community Development	-	-	297,480	-	-	-	297,480
Assigned to Highway	-	-	-	1,217,310	-	-	1,217,310
Assigned to Sewer	-	-	-	-	959,065	-	959,065
Assigned to RTASC	-	-	-	-	-	124,396	124,396
Total assigned fund balance	<u>\$ 4,785,220</u>	<u>\$ 33,599</u>	<u>\$ 297,480</u>	<u>\$ 1,917,310</u>	<u>\$ 2,289,541</u>	<u>\$ 124,396</u>	<u>\$ 9,447,546</u>

Unassigned fund balance represents amounts that are available for any purpose; these amounts are reported only in the County’s General Fund.

If the County must use funds for emergency expenditures the Legislature shall authorize the Chief Fiscal Officer to expend funds first from funds classified under GASB 54 as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB 54 will occur after the exhaustion of available restricted funds. If the expenditure does not meet the legal purpose of the other categories, the County will use unassigned fund balance.

## 15. RISK FINANCING ACTIVITIES

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

All funds of the County and the Manor participate in the self insurance programs and make payments to the internal service funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for unforeseen losses. Claims and judgments are recognized consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Losses*, (“GASB Statement No. 10”) which requires that claims and judgments be recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Internal service fund claim liabilities reported for health, dental and unemployment at December 31, 2011 were \$447,205.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2011	\$ 650,682	\$ 17,724,943	\$ 17,928,420	\$ 447,205
2010	787,557	16,810,761	16,947,636	650,682

Worker’s compensation liability, reported in the Internal Service Fund, for the County and 20 other plan members at December 31, 2011 was \$4,817,047. Other plan members participate in the program and make payments on the same basis as County funds and departments. The liability for worker’s compensation is also established based on the requirements of GASB Statement No. 10.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2011	\$ 4,017,937	\$ 2,524,593	\$ 1,725,483	\$ 4,817,047
2010	4,007,550	1,585,060	1,574,673	4,017,937

**16. OTHER CONTINGENT LIABILITIES**

- A. Grant and aid programs**—The County receives significant financial assistance from numerous federal and state agencies. The receipt of such funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the County. The amount of disallowance, if any, cannot be determined at this time, although the County expects any such amounts to be immaterial.
- B. Pending litigation**—The County is also involved in litigation arising in the ordinary course of its operations. The County believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the County’s financial condition or results of operations.

In 2010, the Hudson River – Black River Regulating District prepared an apportionment report of operation and maintenance costs associated with the Great Sacandaga Lake Reservoir. The District’s cost reports, approved by the NYS Department of Environmental Conservation, attempts to apportion costs of approximately \$3.2 million to Rensselaer County for the fiscal years ending June 30, 2010 through June 30, 2012. However, the County has partnered with the other parties involved to contest the apportionment. The County’s defense is that the District has violated and exceeded its statutory powers by making its assessments. Therefore, the County has not recorded a liability at December 31, 2011.

**C. Other**—The County of Rensselaer is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injuries to employees, health insurance, and unemployment insurance. These risks are covered by commercial insurance purchased from independent third parties. The County of Rensselaer purchases insurance for: general liability, property, boiler and machinery, building ordinance or law, crime, earthquake and flood. The general liability insurance is limited to \$2 million per occurrence and an aggregate \$6 million limit. All other policies have limits ranging from \$100,000 to \$303,523,310.

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 \$3 million limit. There have not been any significant changes in the type of insurance coverage from the prior year, nor have there been any settlements which have exceeded commercial insurance coverage during the fiscal year ended December 31, 2011.

## 17. AGENCY FUNDS

An agency fund exists for employee withholding and temporary deposits funds. The following is a summary of changes in assets and liabilities for the fiscal year ended December 31, 2011.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>ASSETS</b>				
Cash	\$ 4,743,919	\$ 66,101,797	\$ (67,104,998)	\$ 3,740,718
Accounts receivable	-	647,848	(339,919)	307,929
Due from other funds	3,220,540	77,551,476	(77,927,308)	2,844,708
Total assets	<u>\$ 7,964,459</u>	<u>\$ 144,301,121</u>	<u>\$ (145,372,225)</u>	<u>\$ 6,893,355</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 132,490	\$ 39,453,326	\$ (39,464,764)	\$ 121,052
Agency liabilities	7,433,689	98,718,660	(99,671,466)	6,480,883
Due to other funds	398,280	291,445	(398,305)	291,420
Total liabilities	<u>\$ 7,964,459</u>	<u>\$ 138,463,431</u>	<u>\$ (139,534,535)</u>	<u>\$ 6,893,355</u>

## 18. DEFICIT NET ASSETS

**Enterprise Fund**—The Manor had a net asset deficit of \$5,637,983 at December 31, 2011. 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 asset deficit.

## 19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2012, 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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# SUPPLEMENTAL SCHEDULES



**COUNTY OF RENSSELAER, NEW YORK**

**Combining Balance Sheet**

**Non-Major Governmental Funds**

**December 31, 2011**

	<b>Special Revenue</b>					<b>Total Non-Major Governmental Funds</b>
	<b>Special Grant</b>	<b>Community Development</b>	<b>Highway</b>	<b>Sewer</b>	<b>RTASC</b>	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 64,223	\$ 314,445	\$ 844,563	\$ 2,173,161	\$ 2,734,106	\$ 6,130,498
Other receivables	37,154	1,754,635	59,921	1,565,893	11,323	3,428,926
State and federal receivables	33,179	-	2,631,784	-	-	2,664,963
Due from other funds	24,769	107	409,090	-	-	433,966
Inventories	-	-	372,708	-	-	372,708
Total assets	<u>\$ 159,325</u>	<u>\$ 2,069,187</u>	<u>\$ 4,318,066</u>	<u>\$ 3,739,054</u>	<u>\$ 2,745,429</u>	<u>\$ 13,031,061</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 31,306	\$ 38	\$ 931,579	\$ 1,046,792	\$ -	\$ 2,009,715
Accrued liabilities	13,002	-	48,700	-	-	61,702
Due to other funds	21,025	24,381	708,384	240,277	-	994,067
Due to other governments	-	1,125	-	69	-	1,194
Deferred revenues	-	1,746,163	-	1,675	-	1,747,838
Pension contributions payable	60,393	-	339,385	160,700	-	560,478
Total liabilities	<u>125,726</u>	<u>1,771,707</u>	<u>2,028,048</u>	<u>1,449,513</u>	<u>-</u>	<u>5,374,994</u>
Fund balances:						
Nonspendable	-	-	372,708	-	-	372,708
Restricted	-	-	-	-	2,621,033	2,621,033
Assigned	33,599	297,480	1,917,310	2,289,541	124,396	4,662,326
Total fund balances	<u>33,599</u>	<u>297,480</u>	<u>2,290,018</u>	<u>2,289,541</u>	<u>2,745,429</u>	<u>7,656,067</u>
Total liabilities and fund balances	<u>\$ 159,325</u>	<u>\$ 2,069,187</u>	<u>\$ 4,318,066</u>	<u>\$ 3,739,054</u>	<u>\$ 2,745,429</u>	<u>\$ 13,031,061</u>

**COUNTY OF RENSSELAER, NEW YORK**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**December 31, 2011**

	<u>Special Revenue</u>					<b>Total Non-major Governmental Funds</b>
	<u>Special Grant</u>	<u>Community Development</u>	<u>Highway</u>	<u>Sewer</u>	<u>RTASC</u>	
<b>REVENUES</b>						
Real property taxes	\$ -	\$ -	\$ 6,384,926	\$ -	\$ -	\$ 6,384,926
Non-property tax items	-	-	892,542	-	-	892,542
Departmental income	-	148,463	-	5,058,069	-	5,206,532
Use of money and property	-	-	1,999,818	898	130,472	2,131,188
Licenses and permits	-	-	1,129	-	-	1,129.00
Sale of property and compensation for loss	-	-	26,286	8,579	-	34,865
Miscellaneous	30,164	-	88,282	7,170	-	125,616
Tobacco settlement revenue	-	-	-	-	2,181,438	2,181,438
State aid	-	-	1,928,325	-	-	1,928,325
Federal aid	1,363,200	613,780	1,660,706	-	-	3,637,686
Total revenues	<u>1,393,364</u>	<u>762,243</u>	<u>12,982,014</u>	<u>5,074,716</u>	<u>2,311,910</u>	<u>22,524,247</u>
<b>EXPENDITURES</b>						
Current:						
General government support	35,000	-	351,015	247,951	61,690	695,656
Public safety	-	-	217,126	-	-	217,126
Transportation	-	-	9,754,020	-	-	9,754,020
Economic assistance and opportunity	1,356,188	791,904	-	-	-	2,148,092
Home and community services	-	-	-	4,127,163	-	4,127,163
Employee benefits	-	-	1,397,393	735,150	-	2,132,543
Debt service:						
Principal	-	-	1,096,048	340,848	695,000	2,131,896
Interest	-	-	295,654	143,279	1,613,223	2,052,156
Total expenditures	<u>1,391,188</u>	<u>791,904</u>	<u>13,111,256</u>	<u>5,594,391</u>	<u>2,369,913</u>	<u>23,258,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,176</u>	<u>(29,661)</u>	<u>(129,242)</u>	<u>(519,675)</u>	<u>(58,003)</u>	<u>(734,405)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	123,274	-	-	123,274
Transfers out	-	-	(118,173)	-	-	(118,173)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,101</u>	<u>-</u>	<u>-</u>	<u>5,101</u>
Net change in fund balances	2,176	(29,661)	(124,141)	(519,675)	(58,003)	(729,304)
Fund balances—beginning	31,423	327,141	2,414,159	2,809,216	2,803,432	8,385,371
Fund balances—ending	<u>\$ 33,599</u>	<u>\$ 297,480</u>	<u>\$ 2,290,018</u>	<u>\$ 2,289,541</u>	<u>\$ 2,745,429</u>	<u>\$ 7,656,067</u>

**FEDERAL AWARDS  
SCHEDULES AND REPORTS**



**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2011**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture:</b>			
Direct Program:			
Summer Food Service Program for Children	10.559	N/A	\$ 152,094
Passed through New York State:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	728,786
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>167,463</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,048,343</u>
 <b>U.S. Department of Housing and Urban Development:</b>			
Direct Program:			
Community Development Block Grants - Small Cities Program	14.219	N/A	150,313
Community Development Block Grants - State's Program	14.228	N/A	613,780
ARRA - Accessibility Project	14.255	N/A	<u>86,541</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>850,634</u>
 <b>U.S. Department of Justice:</b>			
Passed through New York State:			
Crime Victim Assistance	16.575	C-501127	119,809
Community Capacity Development Office	16.595	WSQX0076	8,435
State Criminal Alien Assistance Program	16.606	N/A	17,079
Enforcing Underage Drinking Laws Program	16.727	N/A	<u>16,985</u>
<b>Total U.S. Department of Justice</b>			<u>162,308</u>
 <b>U.S. Department of Labor:</b>			
Passed through New York State:			
Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	27,902
Senior Community Service Employment Program	17.235	N/A	46,065
Trade Adjustment Assistance	17.245	N/A	16,496
WIA Adult Program	17.258	N/A	331,904
ARRA - WIA Adult Program	17.258	N/A	21,129
WIA Youth Activities	17.259	N/A	410,110
ARRA - WIA Youth Activities	17.259	N/A	45,968
WIA Dislocated Workers	17.278	N/A	344,403
ARRA - WIA Dislocated Workers	17.278	N/A	<u>64,226</u>
<b>Total U.S. Department of Labor</b>			<u>1,308,203</u>

(continued)

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2011**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Transportation:</b>			
Passed through New York State:			
Highway Planning and Construction Projects	20.205	N/A	209,546
Formula Grants for Other Than Urbanized Areas	20.509	N/A	175,915
State and Community Highway Safety	20.600	N/A	15,145
Passed through Federal Highway Administration:			
Federal Transit Capital Investment Grants	20.500	N/A	5,086
<b>Total U.S. Department of Transportation</b>			<u>405,692</u>
<b>U.S. Department of Education:</b>			
Passed through New York State:			
Special Education Grants for Infants and Families Rehabilitation Services - Vocational	84.181	C013305	90,613
Rehabilitation Grants to States	84.126	N/A	18,417
Early Intervention Services - Help Me Grow Grant	84.393	N/A	54,706
<b>Total U.S. Department of Education</b>			<u>163,736</u>
<b>U.S. Department of Health and Human Services:</b>			
Passed through New York State:			
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	N/A	18,765
Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	93.043	N/A	9,022
Special Programs for the Aging - Title III, Part B - Grants for Supportive Service and Senior Centers	93.044	N/A	144,932
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	270,453
National Family Caregiver Support, Title III, Part E	93.052	N/A	57,617
Nutrition Services Incentive Program	93.053	N/A	101,676
Public Health Emergency Preparedness	93.069	HRI #1595-08	141,825
Immunization Grants	93.268	C-023265	22,050
Drug-Free Communities Support Program Grants	93.276	N/A	110,278
Temporary Assistance for Needy Families	93.558	N/A	13,850,065
ARRA - Child Support Enforcement	93.563	N/A	54,648
Child Support Enforcement	93.563	N/A	422,151

(continued)

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2011**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
			(concluded)
Low-Income Home Energy Assistance Program (HEAP)	93.568	N/A	5,330,616
Child Care and Development Block Grant	93.575	N/A	130,828
Child Welfare Services - State Grants	93.645	N/A	105,762
Foster Care - Title IV-E	93.658	N/A	1,936,814
ARRA - Foster Care - Title IV-E	93.658	N/A	80,562
Adoption Assistance	93.659	N/A	538,204
ARRA - Adoption Assistance	93.659	N/A	44,281
Social Services Block Grant	93.667	N/A	645,127
Chafee Foster Care Independence Program	93.674	N/A	56,896
ARRA Immunization	93.712	T-025297	6,680
Medical Assistance Program	93.778	N/A	4,221,978
Centers for Medicare and Medicaid Services (CMS)			
Research, Demonstrations and Evaluations	93.779	N/A	13,397
Community Mental Health Services Block Grant	93.958	N/A	591,072
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	557,310
Maternal and Child Health Services Block Grant to the States	93.994	C-024636	47,886
<b>Total U.S. Department of Health and Human Services</b>			<u>29,510,895</u>
<b>U.S. Department of Homeland Security:</b>			
Passed through New York State:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	1,606,385
Emergency Management Performance Grants	97.042	N/A	60,892
Homeland Security Grant Program	97.067	C-835494	404,131
<b>Total U.S. Department of Homeland Security</b>			<u>2,071,408</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 35,521,219</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, 2011**

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**1. BASIS OF PRESENTATION**

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

**2. SUBRECIPIENTS**

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

	<u>CFDA</u>	<u>Amount</u>
ARRA – State Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 167,463
Community Development Block Grant – State’s Program	14.228	\$ 159,968
WIA Youth Activities	17.259	\$ 87,747
Child Care and Development Block Grant	93.575	\$ 130,828
Community Mental Health Services Block Grant	93.958	\$ 104,969
Substance Abuse Prevention and Treatment	93.959	\$ 557,310

**3. NON-MONETARY FEDERAL PROGRAM**

The County is the administrator of a federal financial assistance program that does not result in cash receipts or disbursements, termed as a non-monetary program. During the year ended December 31, 2011, the County provided certain administrative services which subsequently allowed eligible participants to receive \$30,014,667 of nutrition assistance to persons participating in the Supplemental Nutrition Assistance Program, CFDA No. 10.551.

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Certified Public Accountants

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

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

We have audited the financial statements of County of Rensselaer, New York (the “County”), as of and for the year ended December 31, 2011, and have issued our report thereon dated May 9, 2012 (which report refers to other auditors and contains an explanatory paragraph regarding deficit net assets at Van Rensselaer Manor). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated May 9, 2012.

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

*Drescher & Malecki LLP*

May 9, 2012

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

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

**Compliance**

We have audited the County of Rensselaer, New York's, (the "County") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of County management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Hudson Valley Community College and the Rensselaer County Industrial Development Agency, which expended \$19,555,194 and \$-0- of federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2011. Our audit, described below, did not include the operation of the Hudson Valley Community College and the Rensselaer County Industrial Development Agency, because other auditors were engaged to perform such audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. The financial statements of the Rensselaer County Industrial Development Agency were not audited in accordance with *Governmental Auditing Standards*. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our audit procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as items 2011-1.

### **Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contract and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-2 that we consider to be a significant deficiency in internal control over compliance. *A significant deficiency* 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.

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

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



May 9, 2012

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2011**

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**Part I. Summary of auditors' results**

**Financial Statements**

Type of auditors' report issued: Unqualified\*

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

Internal control over financial reporting:

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

**Federal Awards:**

Internal control over major programs:

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

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

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

<u><b>Name of Federal Program</b></u>	<u><b>CFDA Number</b></u>
SNAP Cluster:	
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561
ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561
ARRA – Highway Planning and Construction Projects	20.500
Temporary Assistance for Needy Families	93.558
Child Support Enforcement Program	93.563
ARRA – Child Support Enforcement Program	93.563
Low-Income Home Energy Assistance Program	93.568
Medical Assistance Program	93.778
Disaster Grant – Public Assistance (FEMA)	97.036

(continued)

**COUNTY OF RENNELAER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2011**

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(concluded)

8. Dollar threshold used to distinguish between Type A and Type B programs? \$ 1,065,637
9. Auditee qualified as low-risk auditee? ✓ Yes        No

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2011**

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**Part II. Financial statement findings section**

No findings were noted as reportable.

**Part III. Federal award findings and questioned costs section**

**Finding 2011-1—Federal Reporting Requirements**

Criteria—Upon receipt of federal money the entity should become familiar with the federal compliance requirements for the applicable program.

Condition—For federal monies received by the Highway Department, we noted instances where federal reports had untimely, missing or incomplete reports.

Context—We tested compliance with OMB Circular A-133 reporting requirements applicable to the County's major federal programs.

Effect—Non-compliance could result in the termination of funding by the awarding agency.

Cause—There is no system of checks and balances to ensure that the individual departments are abiding by the compliance requirements of their respective grant programs.

Recommendation—We recommend that the County develops and adequate system to ensure that each department is in compliance with the requirements of OMB Circular A-133.

Management's Corrective Action Plan—Management will evaluate the controls surrounding compliance of federal programs and improve its system to ensure that the each department within the County is compliant with federal award requirements.

## **Finding 2011-2—SEFA Reconciliation**

Criteria—The Schedule of Expenditures of Federal Awards should be properly reconciled to the general ledger to ensure accuracy and completeness.

Condition—We noted that there were only limited procedures to ensure that the Schedule of Expenditures of Federal Awards was properly reconciled. There were amounts that were not included or inaccurate on the initial schedule.

Context—We compared the County’s Schedule of Expenditures of Federal Awards to amounts recorded in the general ledger.

Effect—Misstatement of Federal Award amounts reported in the schedule. Noncompliance with OMB Circular A-133.

Cause—The current schedule is obtained based on departmental assertions. However, a comprehensive reconciliation is not performed to ensure that amounts reported by the individual departments agree to the general ledger.

Recommendation—We recommend that the County develops a set of formal policies and procedures to ensure the accurate reporting of Federal Awards on the Schedule of Expenditures of Federal Awards.

Management’s Corrective Action Plan—Management reconciled the schedule upon identification of the error. Appropriate procedures will be implemented to ensure that the schedule can be reconciled to the general ledger in the future.

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Prior Year Audit Findings**  
**Year Ended December 31, 2011**  
**(Follow Up on December 31, 2010 Findings)**

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No findings were noted as reportable.

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**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of New York State Department of Transportation Assistance**  
**Year Ended December 31, 2011**

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<u>Program Title / Description</u>	<u>NYS Reference Number</u>	<u>Expenditures</u>
Consolidated Highway Improvement Program (CHIPS)	140000	\$ <u>1,396,875</u>
<b>Total New York State Department of Transportation Expenditures</b>		<b>\$ <u>1,396,875</u></b>

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

**COUNTY OF RENSSELAER, NEW YORK**  
**Note to Schedule of Expenditures of New York State Department of Transportation Assistance**  
**Year Ended December 31, 2011**

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**1. BASIS OF PRESENTATION**

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

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

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

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

**Compliance**

We have audited the compliance of County of Rensselaer, New York, (the "County") with the types of compliance requirements described in Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2011. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of County's management. Our responsibility is to express an opinion on County's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 of NYCRR require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state transportation assistance programs tested has occurred. An audit includes examining, on a test basis, evidence about County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its state transportation assistance programs for the year ended December 31, 2011.

**Internal Control Over Compliance**

The management of County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Draft 43 of NYCRR.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation assistance program will not be prevented, or detected and corrected, on a timely basis.

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

### **Schedule of State Transportation Assistance Expended**

We have audited the financial statements of the County as of and for the year ended December 31, 2011, and have issued our report thereon dated May 9, 2012 (which report refers to other auditors and contains an explanatory paragraph regarding deficit net assets at Van Rensselaer Manor). Our audit was performed for the purpose of forming an opinion on the County's financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft 43 of NYCRR, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

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

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

*Dresscher & Malecki LLP*

May 9, 2012

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**New York State Department of Transportation Assistance**  
**For the Year Ended December 31, 2011**

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**Part I. SUMMARY OF AUDITORS' RESULTS**

**New York State Department of Transportation Assistance:**

Internal control over major programs:

- |   |           |   |               |
|---|-----------|---|---------------|
| 1. Material weakness(es) identified?        | _____ Yes | _____ <input checked="" type="checkbox"/> | No            |
| 2. Significant deficiency (ies) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> | None Reported |

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

Unqualified

- |   |           |   |    |
|---|-----------|---|----|
| 3. Any audit findings disclosed that are required to be reported in accordance with Draft Part 43 of NYCRR? | _____ Yes | _____ <input checked="" type="checkbox"/> | No |
|---|-----------|---|----|

4. The County's programs tested were:

**Name of Program**

Consolidated Highway Improvement Program (CHIPS)

**Part II. COMPLIANCE FINDINGS AND QUESTIONED COSTS**

No findings noted at December 31, 2011.