

**COUNTY OF RENSSELAER,  
NEW YORK**

*Basic Financial Statements, Required  
Supplementary Information, Supplemental  
Schedules, and Federal and New York  
State Department of Transportation  
Financial Assistance Schedules for the  
Year Ended December 31, 2012 and  
Independent Auditors' Reports*



**COUNTY OF RENSSELAER, NEW YORK**  
**Table of Contents**  
**Year Ended December 31, 2012**

---

	<b>Page</b>
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements:	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	15
Statement of Activities.....	16
<b>Fund Financial Statements:</b>	
Balance Sheet—Governmental Funds .....	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—General Fund .....	21
Statement of Net Position—Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Fund Net Position—Proprietary Funds .....	23
Statement of Cash Flows—Proprietary Funds.....	24
Statement of Net Position—Fiduciary Fund.....	26
Notes to the Financial Statements .....	27
<b>Supplemental Schedules:</b>	
Combining Balance Sheet—Non-Major Governmental Funds .....	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances—Non-Major Governmental Funds .....	59

(continued)

**COUNTY OF RENSSELAER, NEW YORK**  
**Table of Contents**  
**Year Ended December 31, 2012**

---

(concluded)

**Page**

**Federal Awards:**

Schedule of Expenditures of Federal Awards .....	60
Notes to the Schedule of Expenditures of Federal Awards .....	63
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64
Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 .....	66
Schedule of Findings and Questioned Costs .....	68
Schedule of Prior Year Audit Findings .....	70

**New York State Department of Transportation  
Part 43 OF NYCRR Schedules and Reports:**

Schedule of Expenditures of New York State Department of Transportation Assistance .....	72
Note to Schedule of Expenditures of New York State Department of Transportation Assistance .....	73
Independent Auditors' Report on Compliance and Internal Control Over State Transportation Assistance Expended Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	74
Schedule of Findings and Questioned Costs of New York State Department of Transportation Assistance .....	76

---

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rensselaer, New York, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

As discussed in Note 1 to the basic financial statements, the Enterprise Fund of the County has deficit net position.

As discussed in Note 2 to the basic financial statements, total governmental activities net position has been restated as of December 31, 2011.

Our opinion is not modified with respect to these matters.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4-14 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, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

May 2, 2013

**\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\***

**COUNTY OF RENSSELAER, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2012**

---

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, 2012. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$15,773,853 (*net position*). The County has a net deficit in its *unrestricted net position* category of \$6,035,030.
- ◆ The primary government's total net position increased by \$2,874,559 during the current fiscal year. The increase mainly represents an increase in governmental activities net position of \$ 2,796,724 due to increasing revenues from real property and sales taxes that outpaced expenses.
- ◆ As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$41,928,105, an increase of \$18,883,006 in comparison with the prior year. This increase mainly attributed to the proceeds from issuance of debt in the Capital Projects fund for jail expansion, highway equipment, and energy performance contracts.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,456,745 or 4.8 percent of total General Fund expenditures.
- ◆ Net position for the discretely presented component units, the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, were \$5,552,206 at December 31, 2012 and \$97,361,306 at August 31, 2012, 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 position* presents information on all of the County's assets, liabilities and deferred inflows/outflows of resources of the County's primary government, with the difference between the three reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

The government-wide financial statements can be found on pages 15-16 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and the fiduciary fund.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains eight 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 six 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 27-57 of this report.

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$15,773,853 at the close of the most recent fiscal year.

**THE COUNTY OF RENSSELAER'S NET POSITION**

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 145,352,121	\$ 142,865,750	\$ 24,834,713	\$ 22,798,254	\$ 170,186,834	\$ 165,664,004
Capital assets	<u>127,679,152</u>	<u>120,588,075</u>	<u>11,894,111</u>	<u>12,799,950</u>	<u>139,573,263</u>	<u>133,388,025</u>
Total assets	<u>273,031,273</u>	<u>263,453,825</u>	<u>36,728,824</u>	<u>35,598,204</u>	<u>309,760,097</u>	<u>299,052,029</u>
Current liabilities	87,877,802	107,612,729	4,041,558	4,171,573	91,919,360	111,784,302
Non-current liabilities	<u>162,857,402</u>	<u>139,528,488</u>	<u>38,247,414</u>	<u>37,064,614</u>	<u>201,104,816</u>	<u>176,593,102</u>
Total liabilities	<u>250,735,204</u>	<u>247,141,217</u>	<u>42,288,972</u>	<u>41,236,187</u>	<u>293,024,176</u>	<u>288,377,404</u>
Deferred inflows of resources	<u>962,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>962,068</u>	<u>-</u>
Net position:						
Net investment in capital assets	29,521,871	26,354,466	(10,482,862)	(10,500,780)	19,039,009	15,853,686
Restricted	2,769,874	2,782,946	-	-	2,769,874	2,782,946
Unrestricted	<u>(10,957,744)</u>	<u>(12,536,287)</u>	<u>4,922,714</u>	<u>4,862,797</u>	<u>(6,035,030)</u>	<u>(7,673,490)</u>
Total net position	<u>\$ 21,334,001</u>	<u>\$ 16,601,125</u>	<u>\$ (5,560,148)</u>	<u>\$ (5,637,983)</u>	<u>\$ 15,773,853</u>	<u>\$ 10,963,142</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 position, both net investment in capital assets and restricted net position report positive balances. Unrestricted net position show a deficit balance, which indicates its long term outlook relies on future revenue streams.

The business-type activity reports a positive unrestricted net position and a deficit in net investment in capital assets.

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

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

The County's total net position increased \$2,874,559 during the current fiscal year. Key elements of this increase are as follows:

**THE COUNTY OF RENSSELAER'S CHANGES IN NET POSITION**

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 36,393,361	\$ 34,188,110	\$ 31,020,599	\$ 36,237,000	\$ 67,413,960	\$ 70,425,110
Operating grants and contributions	62,858,841	63,730,757	6,020,440	6,912,482	68,879,281	70,643,239
Capital grants and contributions	1,491,660	508,894	-	-	1,491,660	508,894
General revenues:						
Real property taxes and tax items	64,158,507	61,845,104	-	-	64,158,507	61,845,104
Non-property taxes	78,949,671	77,970,086	-	-	78,949,671	77,970,086
Use of money and property	2,110,000	2,311,131	-	-	2,110,000	2,311,131
Other	1,461,007	1,433,111	-	-	1,461,007	1,433,111
Total revenues	<u>247,423,047</u>	<u>241,987,193</u>	<u>37,041,039</u>	<u>43,149,482</u>	<u>284,464,086</u>	<u>285,136,675</u>
Expenses:						
General government support	46,045,142	44,156,293	-	-	46,045,142	44,156,293
Education	18,586,666	18,573,259	-	-	18,586,666	18,573,259
Public safety	38,592,827	35,483,639	-	-	38,592,827	35,483,639
Health	19,594,859	19,216,486	-	-	19,594,859	19,216,486
Transportation	11,564,338	12,395,332	-	-	11,564,338	12,395,332
Economic opportunity and development	96,798,558	99,950,899	-	-	96,798,558	99,950,899
Culture and recreation	446,547	511,928	-	-	446,547	511,928
Home and community services	2,905,954	4,537,854	-	-	2,905,954	4,537,854
Interest and fiscal charges	4,783,462	5,793,319	-	-	4,783,462	5,793,319
Van Rensselaer Manor	-	-	42,180,192	41,203,287	42,180,192	41,203,287
Total expenses	<u>239,318,353</u>	<u>240,619,009</u>	<u>42,180,192</u>	<u>41,203,287</u>	<u>281,498,545</u>	<u>281,822,296</u>
Transfers	(5,307,970)	(802,903)	5,216,988	802,903	(90,982)	-
Premium on debt issuance	-	47,670	-	-	-	47,670
Change in net position	2,796,724	612,951	77,835	2,749,098	2,874,559	3,362,049
Net position—beginning, as previously stated	16,601,125	15,988,174	(5,637,983)	(8,387,081)	10,963,142	7,601,093
Restatement (see note 2)	1,936,152	-	-	-	1,936,152	-
Net position—beginning, as restated	<u>18,537,277</u>	<u>15,988,174</u>	<u>(5,637,983)</u>	<u>(8,387,081)</u>	<u>12,899,294</u>	<u>7,601,093</u>
Net position—ending	<u>\$ 21,334,001</u>	<u>\$ 16,601,125</u>	<u>\$ (5,560,148)</u>	<u>\$ (5,637,983)</u>	<u>\$ 15,773,853</u>	<u>\$ 10,963,142</u>

**Governmental activities.** Governmental activities increased the County's net position by \$2,796,724. A summary of revenues for governmental activities for the years ended December 31, 2012 and 2011 is presented on the following page.

**SUMMARY OF REVENUES — GOVERNMENTAL ACTIVITIES**

	Year Ended December 31,		Increase/(Decrease)	
	2012	2011	\$	%
Charges for services	\$ 36,393,361	\$ 34,188,110	\$ 2,205,251	6.5
Operating and capital grants	64,350,501	64,239,651	110,850	0.2
Property taxes and tax items	64,158,507	61,845,104	2,313,403	3.7
Non-property taxes	78,949,671	77,970,086	979,585	1.3
Use of money and property	2,110,000	2,311,131	(201,131)	(8.7)
Other	1,461,007	1,433,111	27,896	1.9
Total revenues	<u>\$ 247,423,047</u>	<u>\$ 241,987,193</u>	<u>\$ 5,435,854</u>	2.2

- ◆ Property taxes and tax items increased by \$2,313,403, or 3.7 percent from the prior year, which is the result of a property tax increase from the prior year.
- ◆ Charges for services increased \$2,205,251, or 6.5 percent from 2011. This increase is primarily due to revenues realized as a result of the jail expansion and increased inmate capacity.
- ◆ Non-property taxes (primarily sales tax) increased by \$979,585, or 1.3 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 31.9 percent of total revenue; operating and capital grants, which account for 26.0 percent of total revenues; and property taxes and tax items, which account for 25.9 percent of total revenues for the year ended December 31, 2012.

A summary of program expenses of governmental activities for the years ended December 31, 2012 and 2011 is presented below.

**SUMMARY OF PROGRAM EXPENSES — GOVERNMENTAL ACTIVITIES**

	Year Ended December 31,		Increase/(Decrease)	
	2012	2011	Dollars	Percent
General government support	\$ 46,045,142	\$ 44,156,293	\$ 1,888,849	4.3
Education	18,586,666	18,573,259	13,407	0.1
Public safety	38,592,827	35,483,639	3,109,188	8.8
Health	19,594,859	19,216,486	378,373	2.0
Transportation	11,564,338	12,395,332	(830,994)	(6.7)
Economic assistance and opportunity	96,798,558	99,950,899	(3,152,341)	(3.2)
Culture and recreation	446,547	511,928	(65,381)	(12.8)
Home and community services	2,905,954	4,537,854	(1,631,900)	(36.0)
Interest and fiscal charges	4,783,462	5,793,319	(1,009,857)	(17.4)
Total program expenses	<u>\$ 239,318,353</u>	<u>\$ 240,619,009</u>	<u>\$ (1,300,656)</u>	(0.5)

The County saw a decrease in the economic assistance and opportunity category, which decreased \$3,152,341 or 3.1 percent, from the prior year due to fewer funds received in the form of State and Federal aid. The County also saw an increase of \$3,109,188, or 8.8 percent, in the public safety category, mainly due to increased employee benefits expenses and the jail expansion.

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 40.4 percent of program expenses; general government support expenses, which accounts for approximately 19.2 percent of program expenses; and public safety expenses which are approximately 16.1 percent of program expenses.

**Business-type activities.** Business-type activities (Van Rensselaer Manor) decreased the County's net position by \$5,637,983. Operating revenues and expenses for the year ended December 31, 2012 decreased 14.2 percent and 2.4 percent, respectively, from the year ended December 31, 2011.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2012 and 2011 is presented as follows:

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

	Year Ended December 31,		Increase/(Decrease)	
	2012	2011	\$	%
Operating revenues:				
Charges for services	\$ 31,020,599	\$ 36,237,000	\$ (5,216,401)	(14.4)
Operating grants and contributions	6,020,440	6,912,482	(892,042)	(12.9)
Total operating revenues	<u>\$ 37,041,039</u>	<u>\$ 43,149,482</u>	<u>\$ (6,108,443)</u>	(14.2)
Operating expenses:				
Nursing and medical	\$ 16,987,628	\$ 17,029,992	\$ (42,364)	(0.2)
Ancillary	7,319,384	7,404,126	(84,742)	(1.1)
Administrative and general	3,994,214	4,269,515	(275,301)	(6.4)
Fringe benefits	8,919,984	8,094,100	825,884	10.2
Other post-employment benefits	1,280,777	1,220,828	59,949	4.9
Interest expense	1,534,780	1,219,014	315,766	25.9
Depreciation	1,519,776	1,522,428	(2,652)	(0.2)
Bad debt expense	429,314	241,860	187,454	77.5
Total operating expenses	<u>\$ 41,985,857</u>	<u>\$ 41,001,863</u>	<u>\$ 983,994</u>	2.4

The most significant source of revenues relating to the County's business-type activities is charges for services, which decreased by 14.4 percent during 2012. This was primarily due to nonrecurring net patient revenue in 2011 related to a retroactive payment for rebased Medicaid rates.

Overall expenses increased by \$983,994 or 2.4%. The increase is primarily the result of increasing personnel costs (salaries and fringe benefits) incurred by the Manor.

**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 and fund balance assigned to the special revenue funds* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's Legislature.

As of the end of the current fiscal year, the County governmental funds reported combined ending fund balances of \$41,928,105, an increase of \$18,883,006 in comparison with the prior year. This is mainly the result of the issuance of long-term debt in the Capital Projects Fund of \$26,544,664. The County's Capital Projects Fund had a net change of fund balance of \$16,140,978, while the County's remaining funds combined for a \$2,742,028 increase in fund balance.

The total unassigned fund balance of the County is \$10,456,745. The County also reports certain nonspendables, restrictions, and assignments to indicate that fund balance is not available for new spending because it has already been committed for 1) prepaid items and inventory, 2) payment of debt, 3) tax stabilization, 4) handicapped parking, 5) capital projects, 6) retirement contributions, 7) liquidation of contracts and purchase orders of the prior period, 8) subsequent year's expenditures, or 9) specific purpose.

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

	General	Capital Projects	Other Governmental Funds
Net change in fund balances	\$ 3,316,099	\$ 16,140,978	\$ (574,071)
Unassigned or assigned to specific use	10,456,745	-	3,305,523
Restricted	150,220	16,350,748	2,619,654
Total fund balances	18,495,361	16,350,748	7,081,996
Percentage unassigned or assigned to specific use	56.5%	n/a	46.7%

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 \$10,456,745, while total fund balance was \$41,928,105. 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 fund expenditures. Unassigned fund balance represents approximately 4.8 percent of total General Fund expenditures, while total fund balance represents approximately 8.5 percent of that same amount. The fund balance of the General Fund increased by \$3,316,099 during the current fiscal year due to favorable revenues from real property and sales taxes, as well as, charges for services that outpaced expenditures during the fiscal year ended December 31, 2012.

The fund balance in the Capital Projects Fund increased from \$209,770 at December 31, 2011 to \$16,350,748 at December 31, 2012. The increase is the result of the issuance of long-term debt of \$5,578,947 for jail expansion and highway equipment, and energy performance contract of \$20,965,717 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 position of Van Rensselaer Manor (the County's only enterprise fund) at December 31, 2012, amounted to \$4,922,714 and the total net position deficit was \$5,560,148. During 2012, this total net deficit improved by \$77,835. The operating activities of the Manor for 2012 showed an operating loss of \$4,944,818 and the nonoperating revenues and expenses (primarily a contribution from the County's General Fund) netted to a total nonoperating revenue of \$5,022,653, which resulted in the reduction of 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 \$262,225 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 3.1 percent during the year.

For the General Fund, actual revenues were less than budgeted by \$2,186,389. 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 final budgetary appropriations of \$12,687,196. The primary positive variances were realized in economic assistance and opportunity, health, and general government support. The County achieved savings in several other budgeted areas, with the most significant being public safety.

**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, 2012 amounts to \$139,573,263 (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:

<b>THE COUNTY OF RENSSELAER’S CAPITAL ASSETS</b>						
<b>(Net of Depreciation)</b>						
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 672,880	\$ 672,880	\$ 550,000	\$ 550,000	\$ 1,222,880	\$ 1,222,880
Construction in progress	9,906,971	11,552,393	-	-	9,906,971	11,552,393
Land improvements	2,500	1,419,999	-	-	2,500	1,419,999
Buildings and building improvements	79,578,804	67,307,499	7,705,357	8,425,698	87,284,161	75,733,197
Equipment	5,659,858	7,244,747	3,638,754	3,824,252	9,298,612	11,068,999
Infrastructure	31,858,139	32,390,557	-	-	31,858,139	32,390,557
<b>Total</b>	<b>\$ 127,679,152</b>	<b>\$ 110,932,622</b>	<b>\$ 11,894,111</b>	<b>\$ 13,891,002</b>	<b>\$ 139,573,263</b>	<b>\$ 133,388,025</b>

Total government activities capital asset additions for 2012 were \$16,945,890, with major additions being in buildings and building improvements, mainly represented by energy performance contracts for sewer improvements, and County jail renovations and expansions placed into service during the year ended December 31, 2012. Governmental activities depreciation for 2012 was \$8,438,314.

Business-type activities had capital asset acquisitions of \$613,937 for 2012, which represents new equipment purchases. Business-type activities depreciation for 2012 was \$1,519,776.

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 \$905,839.

The County's infrastructure assets are recorded at historical cost in the government-wide financials statements. The County has elected to depreciate its infrastructure assets. Additional information on County's capital assets can be found in Note 5 of this report.

**Long-term debt.** The County currently has approximately \$90 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 at December 31, 2012 is \$46,401,597. RTASC was created by the County in 2001 for the purpose of issuing bonds backed by the County's interests in the national tobacco Master Settlement Agreement ("MSA") in exchange for the County's future rights to a portion of this revenue stream. The County was entitled to the proceeds of this sale as compensation. In turn, the County set aside the majority of the proceeds in an irrevocable trust to legally defease over \$26,000,000 in outstanding long-term bonds; the additional proceeds were set aside for capital projects.

The County's business-type activity, Van Rensselaer Manor, also has long-term debt issued and recorded as a liability. The amount outstanding primarily consists of leasehold revenue bonds originally issued in 1994 and refunded in 2009, for the purpose of constructing a new nursing home. The outstanding principal totals \$25,275,000 as of December 31, 2012.

The County also has recorded 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 Note 13 of this report.

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

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

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.
- ◆ Increasing home and community expenses, due to an aging sewer system and other capital assets requiring significant future investments in infrastructure.
- ◆ The ability of the County to continue to control costs at the Van Rensselaer Manor Nursing Home, 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 2013 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.

**\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\***

# BASIC FINANCIAL STATEMENTS



**\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\***

# COUNTY OF RENSSELAER, NEW YORK

## Statement of Net Position

December 31, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Industrial Development Agency	Hudson Valley Community College August 31, 2012
<b>ASSETS</b>					
Cash and cash equivalents	\$ 25,802,673	\$ 2,431	\$ 25,805,104	\$ 4,991,632	\$ 51,221,619
Restricted cash	33,680,001	153,804	33,833,805	13,600	-
Investments	-	-	-	-	6,803,991
Property taxes receivable (net of allowance)	29,364,503	-	29,364,503	-	-
Other receivables (net of allowance)	22,721,142	15,579,102	38,300,244	56,941	6,042,199
State and federal receivables	24,980,429	-	24,980,429	-	-
Internal balances	395,178	6,040,233	6,435,411	-	-
Due from other governments	7,285,796	-	7,285,796	-	-
Inventories	356,819	159,451	516,270	-	464,682
Prepays	765,580	1,665	767,245	-	1,220,499
Other assets	-	-	-	873,993	1,782,594
Assets held by trustee	-	2,898,027	2,898,027	-	18,337,972
Capital assets not being depreciated	10,579,851	550,000	11,129,851	-	-
Capital assets, net of accumulated depreciation	<u>117,099,301</u>	<u>11,344,111</u>	<u>128,443,412</u>	<u>7,955</u>	<u>147,322,402</u>
Total assets	<u>273,031,273</u>	<u>36,728,824</u>	<u>309,760,097</u>	<u>5,944,121</u>	<u>233,195,958</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	14,549,487	1,103,119	15,652,606	57,304	12,650,214
Accrued liabilities	15,137,968	1,345,236	16,483,204	-	9,082,837
Pension contributions payable	7,880,844	1,593,092	9,473,936	-	-
Internal balances	8,727,421	-	8,727,421	-	-
Due to other governments	22,601,845	111	22,601,956	334,611	-
Unearned revenues	5,094,079	-	5,094,079	-	19,750,210
Amounts held on behalf of HVCC	13,886,158	-	13,886,158	-	-
Noncurrent liabilities:					
Due within one year	8,749,580	4,049,304	12,798,884	-	6,846,743
Due within more than one year	<u>154,107,822</u>	<u>34,198,110</u>	<u>188,305,932</u>	<u>-</u>	<u>87,504,648</u>
Total liabilities	<u>250,735,204</u>	<u>42,288,972</u>	<u>293,024,176</u>	<u>391,915</u>	<u>135,834,652</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred gain on bond refunding	<u>962,068</u>	<u>-</u>	<u>962,068</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>962,068</u>	<u>-</u>	<u>962,068</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	29,521,871	(10,482,862)	19,039,009	7,955	99,061,662
Restricted for:					
Tax stabilization	115,730	-	115,730	-	-
Handicapped parking	34,490	-	34,490	-	-
Debt service	2,619,654	-	2,619,654	-	-
Scholarships and fellowships	-	-	-	-	5,242,292
Capital projects and debt service	-	-	-	-	3,170,042
South Troy Industrial Park Project	-	-	-	13,600	-
Unrestricted	<u>(10,957,744)</u>	<u>4,922,714</u>	<u>(6,035,030)</u>	<u>5,530,651</u>	<u>(10,112,690)</u>
Total net position	<u>\$ 21,334,001</u>	<u>\$ (5,560,148)</u>	<u>\$ 15,773,853</u>	<u>\$ 5,552,206</u>	<u>\$ 97,361,306</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, 2012

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	Industrial Development Agency	Hudson Valley Community College August 31, 2012
Primary government:									
Governmental activities:									
General government support	\$ 46,045,142	\$ 7,394,251	\$ 1,143,986	\$ -	\$ (37,506,905)	\$ -	\$ (37,506,905)		
Education	18,586,666	2,874,844	8,252,581	-	(7,459,241)	-	(7,459,241)		
Public safety	38,592,827	7,250,340	1,901,735	-	(29,440,752)	-	(29,440,752)		
Health	19,594,859	9,088,566	8,776,927	-	(1,729,366)	-	(1,729,366)		
Transportation	11,564,338	-	3,084,397	1,491,660	(6,988,281)	-	(6,988,281)		
Economic assistance and opportunity	96,798,558	4,014,100	37,826,446	-	(54,958,012)	-	(54,958,012)		
Culture and recreation	446,547	-	1,711,525	-	1,264,978	-	1,264,978		
Home and community services	2,905,954	5,771,260	161,244	-	3,026,550	-	3,026,550		
Interest and fiscal charges	4,783,462	-	-	-	(4,783,462)	-	(4,783,462)		
Total governmental activities	<u>239,318,353</u>	<u>36,393,361</u>	<u>62,858,841</u>	<u>1,491,660</u>	<u>(138,574,491)</u>	<u>-</u>	<u>(138,574,491)</u>		
Business-type activities:									
Van Rensselaer Manor	42,180,192	31,020,599	6,020,440	-	-	(5,139,153)	(5,139,153)		
Total primary government	<u>\$ 281,498,545</u>	<u>\$ 67,413,960</u>	<u>\$ 68,879,281</u>	<u>\$ 1,491,660</u>	<u>(138,574,491)</u>	<u>(5,139,153)</u>	<u>(143,713,644)</u>		
Component units:									
Industrial Development Agency	\$ 2,126,730	\$ 805,586	\$ 117,988	\$ -			\$ (1,203,156)	\$ -	
Hudson Valley Community College	127,711,162	64,469,192	67,412,998	1,643,895			-	5,814,923	
Total component units	<u>\$ 129,837,892</u>	<u>\$ 65,274,778</u>	<u>\$ 67,530,986</u>	<u>\$ 1,643,895</u>			<u>(1,203,156)</u>	<u>5,814,923</u>	
General revenues:									
Real property taxes and tax items					64,158,507	-	64,158,507	-	-
Non-property taxes					78,949,671	-	78,949,671	-	-
Use of money and property					2,110,000	-	2,110,000	73,389	488,708
Fines and forfeitures					369,491	-	369,491	-	-
Sale of property and compensation for loss					82,199	-	82,199	-	-
Miscellaneous					1,009,317	-	1,009,317	11,958	3,327,226
Total general revenues					<u>146,679,185</u>	<u>-</u>	<u>146,679,185</u>	<u>85,347</u>	<u>3,815,934</u>
Transfers					(5,307,970)	5,216,988	(90,982)	-	-
Change in net position					2,796,724	77,835	2,874,559	(1,117,809)	9,630,857
Net position—beginning, as previously stated					16,601,125	(5,637,983)	10,963,142	6,670,015	46,040,541
Restatement and cumulative effect of change in application of accounting principle (see note 2)					1,936,152	-	1,936,152	-	41,689,908
Net position—beginning, as restated					<u>18,537,277</u>	<u>-</u>	<u>12,899,294</u>	<u>6,670,015</u>	<u>87,730,449</u>
Net position—ending					<u>\$ 21,334,001</u>	<u>\$ (5,560,148)</u>	<u>\$ 15,773,853</u>	<u>\$ 5,552,206</u>	<u>\$ 97,361,306</u>

**\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\***

# COUNTY OF RENSSELAER, NEW YORK

## Balance Sheet Governmental Funds December 31, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,763,541	\$ -	\$ 2,836,346	\$ 21,599,887
Restricted cash and cash equivalents	3,414,088	27,656,529	2,609,384	33,680,001
Property taxes receivable (net of allowance)	23,829,677	-	-	23,829,677
Other receivables	16,091,042	975,427	3,958,512	21,024,981
State and federal receivables	17,768,064	4,264,046	729,145	22,761,255
Due from other funds	1,221,775	12,000	277,348	1,511,123
Due from other governments	7,285,796	-	-	7,285,796
Inventories	-	-	356,819	356,819
Prepaid items	656,508	-	-	656,508
Total assets	\$ 89,030,491	\$ 32,908,002	\$ 10,767,554	\$ 132,706,047
<b>LIABILITIES</b>				
Accounts payable	\$ 8,054,028	\$ 5,699,047	\$ 502,898	\$ 14,255,973
Accrued liabilities	2,502,465	-	77,725	2,580,190
Due to other funds	10,243,124	-	490,750	10,733,874
Due to other governments	22,327,447	235,917	38,481	22,601,845
Unearned revenues	3,192,267	-	1,901,812	5,094,079
Pension contributions payable	6,964,037	-	673,892	7,637,929
Amounts held on behalf of HVCC	3,263,868	10,622,290	-	13,886,158
Total liabilities	56,547,236	16,557,254	3,685,558	76,790,048
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue—property taxes	13,987,894	-	-	13,987,894
Total deferred inflows of resources	13,987,894	-	-	13,987,894
<b>FUND BALANCES</b>				
Nonspendable	656,508	-	356,819	1,013,327
Restricted	150,220	16,350,748	2,619,654	19,120,622
Assigned	7,231,888	-	4,105,523	11,337,411
Unassigned	10,456,745	-	-	10,456,745
Total fund balances	18,495,361	16,350,748	7,081,996	41,928,105
Total liabilities, deferred inflows of resources and fund balances	\$ 89,030,491	\$ 32,908,002	\$ 10,767,554	\$ 132,706,047

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 Position**  
**December 31, 2012**

---

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

Total fund balances—governmental funds (page 17)		\$ 41,928,105
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$262,341,448 and the accumulated depreciation is \$134,662,296.		127,679,152
To recognize interest accrual on long term debt. Accrued interest for general obligation bonds is \$1,158,528 and accrued interest on RTASC bonds is \$128,388 at year end.		(1,286,916)
Uncollected property taxes are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		13,987,894
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 position.		626,062
To recognize tobacco settlement revenue that is not available for recognition within the governmental fund financial statements.		2,219,174
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	\$ (43,970,375)	
RTASC bonds and accreted interest	(46,401,597)	
Installment purchase debt	(33,855,528)	
Compensated absences	(11,003,032)	
Retirement liabilities	(2,354,966)	
Judgements and claims	(1,683,448)	
Other post employment benefits	<u>(23,588,456)</u>	(162,857,402)
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements. The balance of these deferred inflows, net of amortization, is \$962,068.		<u>(962,068)</u>
Total net position—governmental activities		<u>\$ 21,334,001</u>

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

**COUNTY OF RENSSELAER, NEW YORK**

**Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds  
For the Year Ended December 31, 2012**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 47,031,607	\$ -	\$ 6,384,926	\$ 53,416,533
Real property tax items	6,375,266	-	-	6,375,266
Non-property tax items	78,080,612	-	869,059	78,949,671
Departmental income	15,788,943	-	5,729,539	21,518,482
Intergovernmental charges	15,490,492	-	-	15,490,492
Use of money and property	143,823	10,859	1,955,318	2,110,000
Fines and forfeitures	367,079	-	2,412	369,491
Sale of property and compensation for loss	39,681	-	42,518	82,199
Miscellaneous	496,457	261,942	250,918	1,009,317
Interfund revenues	1,013,681	-	5,450	1,019,131
State aid	36,231,605	334,438	2,661,475	39,227,518
Federal aid	22,109,161	1,157,222	1,856,600	25,122,983
Tobacco settlement revenue	-	-	2,224,669	2,224,669
Total revenues	<u>223,168,407</u>	<u>1,764,461</u>	<u>21,982,884</u>	<u>246,915,752</u>
<b>EXPENDITURES</b>				
Current:				
General government support	42,191,753	-	799,265	42,991,018
Education	18,092,379	-	-	18,092,379
Public safety	34,603,465	-	223,173	34,826,638
Health	19,076,148	-	-	19,076,148
Transportation	542,135	-	8,772,927	9,315,062
Economic assistance and opportunity	92,410,570	-	1,788,389	94,198,959
Culture and recreation	422,947	-	-	422,947
Home and community services	810,040	-	3,192,796	4,002,836
Employee benefits	-	-	2,122,060	2,122,060
Debt service:				
Principal	4,930,887	-	3,030,961	7,961,848
Interest	4,134,370	-	2,750,040	6,884,410
Refunding bond issuance costs	-	-	100,740	100,740
Capital outlay	-	11,786,045	-	11,786,045
Total expenditures	<u>217,214,694</u>	<u>11,786,045</u>	<u>22,780,351</u>	<u>251,781,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,953,713</u>	<u>(10,021,584)</u>	<u>(797,467)</u>	<u>(4,865,338)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	606,811	192,553	132,156	931,520
Transfers out	(5,623,180)	(605,721)	(10,589)	(6,239,490)
Premium on debt issuance	-	31,066	-	31,066
Proceeds from issuance of debt	-	26,544,664	-	26,544,664
Premium on advanced refunding bond issuance	-	-	2,412,904	2,412,904
Proceeds of advanced refunding bond issuance	-	-	17,110,000	17,110,000
Payments to escrow for advanced refunding	-	-	(19,421,075)	(19,421,075)
Tax sale certificates proceeds	2,945,736	-	-	2,945,736
Tax sale certificates reserve and issuance costs	(566,981)	-	-	(566,981)
Total other financing sources (uses)	<u>(2,637,614)</u>	<u>26,162,562</u>	<u>223,396</u>	<u>23,748,344</u>
Net change in fund balances	3,316,099	16,140,978	(574,071)	18,883,006
Fund balances—beginning	<u>15,179,262</u>	<u>209,770</u>	<u>7,656,067</u>	<u>23,045,099</u>
Fund balances—ending	<u>\$ 18,495,361</u>	<u>\$ 16,350,748</u>	<u>\$ 7,081,996</u>	<u>\$ 41,928,105</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**  
**For the Year Ended December 31, 2012**

---

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

Net change in fund balances—total governmental funds (page 19) \$ 18,883,006

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

Capital asset additions	(26,395,387)	
Capital asset disposals	11,219,485	
Depreciation expense	8,084,825	7,091,077

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of serial bonds	(5,578,947)	
Issuance of refunding bonds	(7,784,132)	
Principal payments on serial bonds	4,390,933	
Payments to escrow on refunding bonds	7,212,402	
Issuance of installment purchase debt	(20,196,124)	
Payments on capital appreciation bonds	2,095,930	
Increase in RTASC bonds	(465,835)	(20,325,773)

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.

(42,168)

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	\$ (594,749)	
Retirement liability	567,020	
Other post-employment benefits	(3,174,182)	
Workers' compensation judgments and claims	(763,298)	(3,965,209)

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

1,982,458

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.

(826,667)

Change in net position of governmental activities

\$ 2,796,724

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**  
**For the Year Ended December 31, 2012**

	<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	\$ 47,469,565	\$ 47,469,565	\$ 47,031,607	\$ (437,958)
Real property tax items	6,228,394	6,228,394	6,375,266	146,872
Nonproperty tax items	75,714,306	77,214,306	78,080,612	866,306
Departmental income	16,077,276	16,087,276	15,788,943	(298,333)
Intergovernmental charges	13,761,144	14,761,144	15,490,492	729,348
Use of money and property	172,930	172,930	143,823	(29,107)
Fines and forfeitures	406,650	420,317	367,079	(53,238)
Sale of property and compensation for loss	3,000	3,000	39,681	36,681
Miscellaneous	490,800	554,715	496,457	(58,258)
Interfund revenues	984,146	984,146	1,013,681	29,535
State aid	36,297,076	37,847,233	36,231,605	(1,615,628)
Federal aid	23,440,917	23,611,770	22,109,161	(1,502,609)
Total revenues	<u>221,046,204</u>	<u>225,354,796</u>	<u>223,168,407</u>	<u>(2,186,389)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	40,949,739	43,994,650	42,191,753	1,802,897
Education	18,093,530	18,135,619	18,092,379	43,240
Public safety	33,913,470	35,759,252	34,603,465	1,155,787
Health	20,571,607	21,573,658	19,076,148	2,497,510
Transportation	543,961	543,961	542,135	1,826
Economic assistance and opportunity	98,153,265	99,053,557	92,410,570	6,642,987
Culture and recreation	592,416	563,747	422,947	140,800
Home and community services	788,578	844,807	810,040	34,767
Debt service:				
Principal	4,930,888	5,223,080	4,930,887	292,193
Interest	4,501,750	4,209,559	4,134,370	75,189
Total expenditures	<u>223,039,204</u>	<u>229,901,890</u>	<u>217,214,694</u>	<u>12,687,196</u>
Excess (deficiency) of revenues over expenditures	<u>(1,993,000)</u>	<u>(4,547,094)</u>	<u>5,953,713</u>	<u>10,500,807</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,300,000	1,300,000	606,811	(693,189)
Transfers out	(1,794,000)	(5,452,127)	(5,623,180)	(171,053)
Tax sale certificates proceeds	4,010,000	4,010,000	2,945,736	(1,064,264)
Tax sale certificates reserve and issuance costs	(1,523,000)	(1,523,000)	(566,981)	956,019
Total other financing sources	<u>1,993,000</u>	<u>(1,665,127)</u>	<u>(2,637,614)</u>	<u>(972,487)</u>
Net change in fund balances	-	(6,212,221)	3,316,099	9,528,320
Fund balances—beginning	<u>15,179,262</u>	<u>15,179,262</u>	<u>15,179,262</u>	<u>-</u>
Fund balances—ending	<u>\$ 15,179,262</u>	<u>\$ 8,967,041</u>	<u>\$ 18,495,361</u>	<u>\$ 9,528,320</u>

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

# COUNTY OF RENNELAER, NEW YORK

## Statement of Net Position

### Proprietary Funds

December 31, 2012

	<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	\$ 2,431	\$ 4,202,786
Restricted cash and cash equivalents	153,804	-
Accounts receivable (net of allowance for uncollectibles)	15,579,102	1,696,161
Due from other funds	6,040,233	1,459,515
Inventories	159,451	-
Prepaid items	1,665	109,072
Total current assets	21,936,686	7,467,534
Noncurrent assets:		
Assets held by trustee	2,898,027	-
Capital assets not being depreciated	550,000	-
Capital assets, net of accumulated depreciation	11,344,111	-
Total noncurrent assets	14,792,138	-
Total assets	36,728,824	7,467,534
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,103,119	293,514
Accrued liabilities	1,345,236	5,736,036
Pension contributions payable	1,593,092	242,915
Due to other funds	-	569,007
Due to other governments	111	-
Retirement costs—current	2,639,304	-
Long-term debt—current	1,410,000	-
Total current liabilities	8,090,862	6,841,472
Noncurrent liabilities:		
Accrued workers' compensation liability	1,084,189	-
Accrued retirement costs—excluding current portion	199,162	-
Accrued other post employment benefits	9,049,759	-
Long-term debt—excluding current portion	23,865,000	-
Total noncurrent liabilities	34,198,110	-
Total liabilities	42,288,972	6,841,472
<b>NET POSITION</b>		
Net investment in capital assets	(10,482,862)	-
Unrestricted	4,922,714	626,062
Total net position	\$ (5,560,148)	\$ 626,062

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

**COUNTY OF RENSSELAER, NEW YORK**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	<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	\$ 31,020,599	\$ -
Charges for services—interfund	-	21,700,769
Charges for services—intergovernmental	5,900,000	778,544
Other operating revenues	<u>120,440</u>	<u>6,148</u>
Total operating revenues	<u>37,041,039</u>	<u>22,485,461</u>
Operating expenses:		
Nursing and medical services	16,987,628	-
Dietary	3,257,740	-
Household and plant operation	4,061,644	-
Administrative and general services	3,994,214	-
Fringe benefits	8,919,984	2,942,999
Other post employment benefits	1,280,777	-
Interest expense	1,534,780	-
Depreciation	1,519,776	-
Personal service	-	1,756,426
Contractual expenses	-	18,479,707
Equipment	-	228,879
Bad debt expense	<u>429,314</u>	<u>-</u>
Total operating expenses	<u>41,985,857</u>	<u>23,408,011</u>
Operating loss	<u>(4,944,818)</u>	<u>(922,550)</u>
Nonoperating revenues (expenses):		
Contribution from County	5,216,988	-
Other non-operating expenses	(194,335)	-
Transfers in	-	90,982
Interest income	<u>-</u>	<u>4,901</u>
Total non-operating revenues (expenses)	<u>5,022,653</u>	<u>95,883</u>
Change in net position	77,835	(826,667)
Total net position—beginning	<u>(5,637,983)</u>	<u>1,452,729</u>
Total net position—ending	<u>\$ (5,560,148)</u>	<u>\$ 626,062</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

For the Year Ended December 31, 2012

	<b>Business-type Activities — Enterprise Fund</b>	<b>Governmental Activities — Internal Service Funds</b>
	<b>Van Rensselaer Manor</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts for patient care or services provided	\$ 29,106,372	\$ 21,959,829
Payments to suppliers for goods and services	(7,615,719)	(18,980,854)
Payments to employees for services	(28,593,848)	(4,191,978)
Payments for interest	(1,143,539)	-
Internal activity—payment made from County	5,032,576	1,214,930
Other operating revenue	120,440	6,148
Net cash (used for) provided by operating activities	(3,093,718)	8,075
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Contributions and advances from County	5,216,988	90,982
Other non-operating expenses	(194,335)	-
Interest earned (fees incurred) on bank accounts	(240)	4,901
Net cash provided by non-capital financing activities	5,022,413	95,883
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures, net	(613,937)	-
Net increase in assets held by trustee	2	-
Principal payments on long-term debt	(1,315,000)	-
Net cash used for capital and related financing activities	(1,928,935)	-
Net (decrease) increase in cash and cash equivalents	(240)	103,958
Cash and cash equivalents—beginning	2,671	4,098,828
Cash and cash equivalents—ending	\$ 2,431	\$ 4,202,786

(continued)

**COUNTY OF RENSSELAER, NEW YORK**

**Statement of Cash Flows**

**Proprietary Funds**

**For the Year Ended December 31, 2012**

	<b>Business-type Activities — Enterprise Fund</b>	<b>Governmental Activities — Internal Service Funds</b>
	<b>Van Rensselaer Manor</b>	
	<u>                    </u>	<u>                    </u>
<b>Reconciliation of operating (loss) income to net cash provided by (used for) operating activities:</b>		
Operating loss	\$ (4,944,818)	\$ (922,550)
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:		
Depreciation expense	1,519,776	-
Amortization of issuance costs	391,241	-
(Increase) in accounts receivable	(7,077,542)	(519,484)
Decrease in due from other governments	5,032,576	-
(Increase) in inventory	(1,145)	-
Decrease in prepaid expenses	2	20,000
Decrease in due from other funds	-	734,423
Increase (decrease) in accounts payable	43,639	(292,268)
(Decrease) increase in due to other governments	(307,371)	480,507
Increase in compensation and related costs	155,194	-
Increase in retirement and workers' compensation	825,782	70,326
Increase in other post employment benefits	1,280,777	-
(Decrease) increase in other accrued expenses	<u>(11,829)</u>	<u>437,121</u>
Total adjustments	<u>1,851,100</u>	<u>930,625</u>
Net cash (used for) provided by operating activities	<u>\$ (3,093,718)</u>	<u>\$ 8,075</u>

(concluded)

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

**COUNTY OF RENSSELAER, NEW YORK**

**Statement of Net Position**

**Fiduciary Fund**

**December 31, 2012**

---

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,965,189
Accounts receivable	8,880
Due from other funds	<u>2,687,188</u>
Total assets	<u>\$ 7,661,257</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 138,024
Agency liabilities	7,128,055
Due to other funds	<u>395,178</u>
Total liabilities	<u>\$ 7,661,257</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, 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Government-Wide Financial Statements***

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

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.

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

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

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

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

**Hudson Valley Community College**—The Hudson Valley Community College (“HVCC”) was established under Article 126 of the Education Act of the State of New York under the sponsorship of Rensselaer County. A Board of Trustees operates the College under paragraph (C) of the Subdivision 6 of Section 6304 of the Education Act of the State of New York. There are ten board members, five are appointed by the County Legislature, the Governor appoints four, and one is an elected student. HVCC is included based on its August 31, 2012 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.

### ***Basis of Presentation—Government-wide Financial Statements***

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

### ***Basis of Presentation—Fund Financial Statements***

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

The County 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 for the Van Rensselaer Manor, which is a New York State licensed 362-bed skilled nursing and health related facility.

Additionally, the County reports the following fund types:

- ◆ *Internal Service Funds*—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.

The County reports the following fiduciary fund type that is used to account for assets held by the County in a custodial capacity:

*Fiduciary Fund*—The Agency Fund is used to account for assets held by the County as an agent for other governments or other funds, such as payroll withholdings.

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

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

***Measurement Focus and Basis of Accounting***

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

***Budgets and Budgetary Accounting***—Annual budgets for all governmental funds, except the Capital Projects Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that encumbrances are treated as budgeted expenditures in the year of incurrence and the commitment to purchase. All unencumbered appropriations lapse at the end of the fiscal year. On January 1, encumbrance assignments outstanding at year-end are reappropriated to the ensuing year's original budget. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified.

The Capital Projects Fund appropriations are not included in the County's annual budget. Instead, appropriations are approved through a County Legislature resolution at the grant/project's inception and lapse upon completion/termination of the grant/project.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to set aside that portion of the applicable appropriation, is employed as an extension of budgetary control in all governmental funds.

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

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents include 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 and/or College incurs eligible project costs and deposits held in custody for patients of the Van Rensselaer Manor.

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

***Prepaid items***—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**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

**Deferred Outflows of Resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

**Deferred Inflows of Resources**—In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has two types of items, which arise only under a modified accrual basis of accounting, which qualify for reporting in this category. Accordingly, the first item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

considered to be applied. It is the County's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

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

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

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

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

### ***Revenues and Expenditures***

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

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

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable \$8,863,081 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, \$13,987,894, that is not considered available under the modified accrual basis of accounting, i.e. not collected within sixty days, is recorded as a deferred inflow of resources.

Tax rates are calculated using assessments prepared by individual town and city assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessed value of real property included in the tax levy of 2012 is approximately \$5.3 billion. The total County levy, including all charge backs, for 2012 was \$76.2 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 2012 levy represents approximately 35.92% 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 2012, 2011, and 2010, the County sold TSCs totaling \$2,945,736, \$2,975,229, and \$4,105,782, respectively, which represented liens on certain outstanding property taxes for 2011, 2010 and 2009. Of these amounts, \$1,333,842 and \$1,284,130 were collected related to the 2011 and 2010 TSC sales and subsequently transferred to the trustee during 2012. As of December 31, 2012, \$2,945,736, \$1,540,592 and \$1,049,803 remained outstanding on the 2012, 2011 and 2010 sales, respectively.

The primary non-property tax item is sales tax totaling \$9,234,298, 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 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.

**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 \$3,951,958 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 \$685,104.

An additional accrued liability of \$7,051,074 is reported within long-term debt in the government-wide financial statements for the value of sick leave, which will eventually be used to pay the retired employee's share of postemployment health insurance premiums. A similar liability is included in accrued liabilities of the enterprise fund in the amount of \$321,986.

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.

### ***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Van Rensselaer Manor and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Van Rensselaer Manor 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 2011. The Medicaid cost reports for years 2011 and prior have been submitted to the regulators.

***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 2012, the County has reported interfund revenues in the General Fund of \$1,013,681 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.

***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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Debt issuance costs are expensed in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

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 deferred inflows of resources and discounts on debt issuances are reported as deferred outflows of resources.

## **Other**

**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 reasonably 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.

**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.

**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.

**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.

**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, deferred inflows/outflows of resources, 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.

**Adoption of New Accounting Pronouncements**—During the year ended December 31, 2012, the County implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The County also elected to early implement the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities. GASB No. 63 did not have a material impact on the County's financial position or results from operations. As a result of the implementation of GASB Statement No. 65, net position of governmental activities at December 31, 2011 has been restated for unamortized bond issuance costs of \$288,517 associated with the issuance of the Subordinate Turbo CABs within RTASC. Additionally, as a result of implementing GASB Statement No. 65, Van Rensselaer Manor, which is reported as a business-type activity, recognized the remaining unamortized

bond issuance costs of \$391,241 associated with the issuance of 2009 Refunding Bonds, during the year ended December 31, 2012.

Additionally, during the year ended December 31, 2012, the County completed the process of evaluating the impact that will result from adopting GASB Statements No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and No. 64, *Derivative Employer Plans; Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. GASB Statements No. 57, 60, 62 and 64 did not have a material impact on the County's financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 15 and No. 34*; and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, effective for the year ending December 31, 2013; No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; and No. 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the year ending December 31, 2015. The County is therefore unable to disclose the impact that adopting GASB Statements No. 61, 66, 67, 68 and 69 will have on its financial position and results of operations.

#### ***Stewardship, Compliance and Accountability***

***Budgets and Budgetary Accounting***—The County's annual procedures in establishing the budgetary data reflected in the basic financial statements are as follows:

- ◆ Prior to October 20th, the Budget Director, on behalf of the County Executive, submits to the County Legislature a tentative budget for the following fiscal year to commence on January 1.
- ◆ The tentative budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments, prior to November 28th.
- ◆ The Legislature acts on the tentative budget prior to December 10th.
- ◆ The Budget Director is authorized to approve all budget transfer requests within departmental budgets except for personal service transfers and interdepartmental and interfund transfers, which must be approved by the Legislature.
- ◆ Formal annual budgetary accounts are adopted and employed for control of all governmental funds except the Capital Projects Fund. Budgetary control over individual capital projects is provided by Legislative approval or bond authorizations and provision of bond indebtedness.
- ◆ 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, 2012, supplemental appropriations in the amount of \$10,520,813 were approved in the General Fund. These additional appropriations were partially funded by increases to estimated revenues.

### ***Deficit Net Position***

The Enterprise Fund of the County, Van Rensselaer Manor, had a net asset deficit of \$5,560,148 at December 31, 2012. The major factors contributing to the deficit are the increasing costs of operations, combined with uncertainty in Medicaid reimbursement rates and other state/federal funding sources. The County has provided annual contributions to the Manor to support operations in the past. There is currently no formal plan to fund the net position deficit.

## **2. RESTATEMENTS AND CHANGES TO NET POSITION**

Tobacco settlement payments to be received by the County during the year ending December 31, 2013 are based on tobacco sales made during the year ended December 31, 2012. While they are not considered receivable under the modified basis of accounting as discussed in Note 1, they are considered receivable within the governmental activities during the current year. Previously, RTASC recognized tobacco settlement revenues within the governmental activities in the period in which the payment was received. Net position at December 31, 2011 has been restated to report \$2,224,669 of tobacco settlement revenues as receivable within the governmental activities.

As discussed in Note 1, during the year ended December 31, 2012, the County implemented GASB Statement No. 65. As a result of this implementation, existing RTASC bond issuance costs are expensed. Net position at December 31, 2011 has been restated to remove unamortized bond issuance costs of \$288,517.

Additionally, in fiscal year 2012, Hudson Valley Community College changed its method of revenue recognition for capital assets contributed by New York State.

Effective September 1, 2011, contributions of capital assets are recognized as state appropriation revenue when the project is approved, the appropriation is made available, and the expenditure is incurred, rather than when the State makes debt service payments on related borrowings. The College believes that this is a preferable method of revenue recognition and is in accordance with applicable guidance from the SUNY system.

The change in accounting principle resulted in an increase in net investment in capital assets of \$41,689,900 at September 1, 2011 and an increase in the change in net investment in capital assets of \$4,361,400 for the year ended August 31, 2012.

The effect of these changes to beginning net position is summarized below:

	Net Position	
	Primary Government Governmental Activities	Component Unit Business-type Activities HVCC
Beginning net position, as previously reported	\$ 10,963,142	\$ 46,040,541
Change in recognition of TSR Revenues	2,224,669	-
Recognition of unamortized bond issuance costs	(288,517)	-
Cumulative effect of change in application of HVCC	-	41,689,908
Beginning net position, as restated	<u>\$ 12,899,294</u>	<u>\$ 87,730,449</u>

### 3. CASH AND CASH EQUIVALENTS

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

Total cash and cash equivalents (including restricted cash) reported by the County at December 31, 2012 is as follows:

Governmental Funds	\$ 55,279,888
Enterprise Fund	156,235
Internal Service Fund	4,202,786
Agency Fund	<u>4,965,189</u>
Total	<u>\$ 64,604,098</u>

The County's cash and cash equivalents were comprised of the following at December 31, 2012:

	Maturity Date	Fair Value at December 31, 2012
Petty cash (uncollateralized)	n/a	\$ 4,620
Deposits with financial institutions	n/a	47,238,583
Cash held by fiscal agent	n/a	14,751,511
Money market funds	n/a	81,491
Discount note	1/2/2013	<u>2,527,893</u>
Total		<u>\$ 64,604,098</u>

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

	December 31, 2012	
Credit risk category:	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 10,671,678	\$ 11,548,691
Uninsured:		
Collateral held by bank's agent in County's name	<u>36,566,905</u>	<u>37,676,338</u>
Total deposits	<u>\$ 47,238,583</u>	<u>\$ 49,225,029</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, 2012. These cash equivalents are carried at fair value as displayed on the follow page.

	Carrying Amount	Bank Balance
Money market funds	\$ 81,491	\$ 81,491
Discount note	<u>2,527,893</u>	<u>2,527,893</u>
Total	<u>\$ 2,609,384</u>	<u>\$ 2,609,384</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, 2012, all of the County’s deposits were insured or collateralized.

**Restricted cash**—Total governmental activities restricted cash of \$33,680,001, represents \$14,445,930 of debt proceeds and deposits held on behalf of HVCC, \$16,474,467 restricted for County capital projects, and \$2,769,874 to support restricted fund balance. Business-type activities restricted cash represents deposits totaling \$153,804, 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 \$4,991,632 (includes restricted cash of \$13,600) and were fully collateralized at December 31, 2012.

**HVCC Component Unit**—Deposits and investments totaled \$76,363,582 and were fully collateralized or insured at August 31, 2012.

#### 4. RECEIVABLES

Revenues accrued by the County consist of the following:

**A. Other receivables**—Represent amounts due from various sources. Amounts accrued at December 31, 2012 are:

Fund	
General Fund	\$ 16,091,042
Capital Projects Fund	975,427
Other governmental funds	3,958,512
Enterprise Fund	15,579,102
Internal Service Fund	<u>1,696,161</u>
Total	<u>\$ 38,300,244</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, 2012 are:

Fund	
General Fund	\$ 17,768,064
Capital Projects Fund	4,264,046
Other governmental funds	<u>729,145</u>
Total	<u>\$ 22,761,255</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, 2012 are:

<u>Fund</u>	
General Fund	<u>\$ 7,285,796</u>
Total	<u>\$ 7,285,796</u>

## 5. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for the primary government’s governmental activities, for fiscal year ending December 31, 2012, was as follows:

	Primary Government—Governmental Activities			
	Balance 1/1/2012	Increases/ Reclassifications	Decreases/ Reclassifications	Balance 12/31/2012
Capital assets, not being depreciated:				
Land	\$ 672,880	\$ -	\$ -	\$ 672,880
Construction in progress	<u>11,552,393</u>	<u>9,220,574</u>	<u>(10,865,996)</u>	<u>9,906,971</u>
Total capital assets not being depreciated	<u>12,225,273</u>	<u>9,220,574</u>	<u>(10,865,996)</u>	<u>10,579,851</u>
Capital assets, being depreciated:				
Land improvements	8,291,749	-	(1,416,499)	6,875,250
Buildings and building improvements	105,715,766	14,876,536	-	120,592,302
Infrastructure	90,380,551	2,562,629	-	92,943,180
Equipment	<u>30,552,207</u>	<u>1,152,147</u>	<u>(353,489)</u>	<u>31,350,865</u>
Total capital assets being depreciated	<u>234,940,273</u>	<u>18,591,312</u>	<u>(1,769,988)</u>	<u>251,761,597</u>
Less accumulated depreciation for:				
Land improvements	(6,871,750)	(1,000)	-	(6,872,750)
Buildings and building improvements	(37,723,561)	(3,289,937)	-	(41,013,498)
Infrastructure	(57,892,946)	(3,192,095)	-	(61,085,041)
Equipment	<u>(24,089,214)</u>	<u>(1,955,282)</u>	<u>353,489</u>	<u>(25,691,007)</u>
Total accumulated depreciation	<u>(126,577,471)</u>	<u>(8,438,314)</u>	<u>353,489</u>	<u>(134,662,296)</u>
Total capital assets, being depreciated, net	<u>108,362,802</u>	<u>10,152,998</u>	<u>(1,416,499)</u>	<u>117,099,301</u>
Governmental activities capital assets, net	<u>\$ 120,588,075</u>	<u>\$ 19,373,572</u>	<u>\$ (12,282,495)</u>	<u>\$ 127,679,152</u>

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

Governmental activities:	
General government support	\$ 1,267,074
Public safety	3,004,797
Health	11,217
Transportation	3,306,453
Economic assistance and opportunity	33,545
Culture and recreation	12,035
Home and community service	<u>803,193</u>
Total depreciation expense—governmental activities	<u>\$ 8,438,314</u>

**Business-type activities**—Capital asset activity for the primary government’s business-type activities (Enterprise Fund), for fiscal year ending December 31, 2012, 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>5,469,206</u>	<u>613,937</u>	<u>(624,384)</u>	<u>5,458,759</u>
Total capital assets being depreciated	<u>36,781,727</u>	<u>613,937</u>	<u>(624,384)</u>	<u>36,771,280</u>
Less accumulated depreciation for:				
Buildings	(12,013,332)	(720,341)	-	(12,733,673)
Fixed equipment	(8,256,430)	(541,105)	-	(8,797,535)
Major moveable equipment	<u>(4,262,015)</u>	<u>(258,330)</u>	<u>624,384</u>	<u>(3,895,961)</u>
Total accumulated depreciation	<u>(24,531,777)</u>	<u>(1,519,776)</u>	<u>624,384</u>	<u>(25,427,169)</u>
Total capital assets, being depreciated, net	<u>12,249,950</u>	<u>(905,839)</u>	<u>-</u>	<u>11,344,111</u>
Business-type activities capital assets, net	<u>\$ 12,799,950</u>	<u>\$ (905,839)</u>	<u>\$ -</u>	<u>\$ 11,894,111</u>

**Discretely presented component units**

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

**i) Rensselaer County Industrial Development Agency**

	Balance 12/31/2012
Equipment	\$ 130,369
Total capital assets	130,369
Less: accumulated depreciation	(122,414)
Total capital assets, net	<u>\$ 7,955</u>

**ii) Hudson Valley Community College**

	Balance 8/31/2012
Land, land improvements and infrastructure	\$ 23,015,515
Buildings and building improvements	161,650,149
Furniture and equipment	23,837,684
Construction in progress	<u>24,763,998</u>
Total capital assets	233,267,346
Less: accumulated depreciation	<u>(98,841,395)</u>
Total primary institution, capital assets, net	134,425,951
Add: component unit capital assets, net	<u>12,896,451</u>
Total Hudson Valley Community College	<u>\$ 147,322,402</u>

**6. ACCRUED LIABILITIES**

Accrued liabilities reported by the governmental funds at December 31, 2012, were as follows:

	General Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 1,493,321	\$ -	\$ 1,493,321
Litigation payable	1,007,154	-	1,007,154
Other liabilities	1,990	77,725	79,715
Total	<u>\$ 2,502,465</u>	<u>\$ 77,725</u>	<u>\$ 2,580,190</u>

**7. PENSION OBLIGATIONS**

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

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

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

Year	Contribution
2012	\$ 13,425,305
2011	10,965,203
2010	8,015,268

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.

## 8. OTHER POSTEMPLOYMENT 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 \$1,125,457 and \$191,924, respectively for the fiscal year ended December 31, 2012.

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

	Governmental Activities	Business-type Activities
Annual required contribution	\$ 4,663,629	\$ 1,611,223
Interest on net OPEB obligation	816,571	310,759
Adjustment to annual required contribution	<u>(1,180,561)</u>	<u>(449,281)</u>
Annual OPEB costs (expense)	4,299,639	1,472,701
Contributions made	<u>(1,125,457)</u>	<u>(191,924)</u>
Increase in net OPEB obligation	3,174,182	1,280,777
Net OPEB obligation—beginning of year	<u>20,414,274</u>	<u>7,768,982</u>
Net OPEB obligation—end of year	<u>\$ 23,588,456</u>	<u>\$ 9,049,759</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, 2012, 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%	N/A	N/A
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		N/A	N/A
<b>Business-type Activities:</b>						
As of 1/1/2007	\$ -	\$ 15,383,081	\$ 15,383,081	0.0%	N/A	N/A
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%	N/A	N/A

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

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2012	\$ 4,663,629	\$ 1,125,457	18.0%
2011	4,351,642	1,435,000	33.0%
2010	5,224,837	940,430	18.0%

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

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2012	\$ 1,611,223	\$ 191,924	11.9%
2011	1,494,468	273,640	18.3%
2010	1,833,045	224,340	12.2%

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, 2012, was twenty-four years.

**9. RISK MANAGEMENT**

**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.

**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.

**Other**—The County 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, 2012.

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

All funds of the County and the Manor participate in the self-insurance programs and make payments to the internal service funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for unforeseen losses. Claims and judgments are recognized consistent with the requirements of GASB 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 unemployment at December 31, 2012 were \$91,047.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2012	\$ 447,205	\$ 16,924,749	\$ 17,280,907	\$ 91,047
2011	650,682	17,724,943	17,928,420	447,205

Workers' compensation liability, reported in the Internal Service Fund, for the County and 20 other plan members at December 31, 2012 was \$5,603,362. Other plan members participate in the program and make payments on the same basis as County funds and departments. The liability for workers' compensation is also established based on the requirements of GASB Statement No. 10.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2012	\$ 4,817,047	\$ 949,797	\$ 163,482	\$ 5,603,362
2011	4,017,937	2,524,593	1,725,483	4,817,047

## 10. LEASE OBLIGATIONS

**Leases payable**—The County leases certain property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligation, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, is also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable in the fund financial statements. Total expenditures on operating leases for the fiscal year ended December 31, 2012 were approximately \$1,573,260.

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

December 31,	Operating Leases
2013	\$ 1,555,919
2014	1,034,010
2015	998,889
2016	992,734
2017	995,948
2018-2022	599,457
2023-2025	<u>302,028</u>
Future minimum payments	<u>\$ 6,478,985</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%.

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

The following summarizes requirements of the Installment Purchase Debt:

Year ended December 31,	Governmental Activities		Total
	Sewer District	County Building	
2013	\$ 1,125,567	\$ 78,748	\$ 1,204,315
2014	2,846,541	78,748	2,925,289
2015	2,855,042	78,748	2,933,790
2016	2,855,043	78,748	2,933,791
2017	2,855,044	78,748	2,933,792
2018-2022	14,275,211	78,755	14,353,966
2023-2027	12,868,248	-	12,868,248
2028-beyond	1,729,474	-	-
Total minimum lease payments	41,410,170	472,495	41,882,665
Less: Amount representing imputed interest costs	(7,964,398)	(62,738)	(8,027,136)
Present value of minimum lease payment	<u>\$ 33,445,772</u>	<u>\$ 409,757</u>	<u>\$ 33,855,529</u>

## 11. SHORT-TERM DEBT

The County had two bond anticipation notes (“BANs”) that were paid during the current fiscal year. There were no BANs outstanding at December 31, 2012.

The following is an analysis of the County’s short-term debt as of, and for the year ending, December 31, 2012:

Description	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<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: 8/18/2011					
Maturity: 8/17/2012	1.5%	<u>5,250,000</u>	<u>-</u>	<u>5,250,000</u>	<u>-</u>
Total		<u>\$ 9,000,000</u>	<u>\$ -</u>	<u>\$ 9,000,000</u>	<u>\$ -</u>

## 12. LONG-TERM LIABILITIES

**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, 2012 is presented on the following pages.

Description	Year Issue/ Maturity	Interest Rate	Original		Increases	Decreases	Ending Balance
			Issue Amount	Beginning Balance			
<b>Governmental funds:</b>							
General:							
Public Safety Bldg	1991/2021	6.70	\$ 19,245,000	\$ 7,497,900	\$ -	\$ 750,100	\$ 6,747,800
Jail (CAB)	1995/2013	4.6/5.85	942,000	51,749	-	26,696	25,053
Industrial Pk (CAB)	1995/2013	4.6/5.85	821,000	87,272	-	45,023	42,249
E-911 (CAB)	1995/2013	4.6/5.85	1,500,000	82,419	-	42,519	39,900
Radios (CAB)	1995/2013	4.6/5.85	250,000	13,720	-	7,078	6,642
Courts (CAB)	1995/2013	4.6/5.85	500,000	27,465	-	14,170	13,295
Courts (G/208/90)	1998/2013	4.00/5.25	290,000	26,821	-	13,839	12,982
Courts (G168/94)	1998/2013	4.00/5.25	1,223,000	113,107	-	58,361	54,746
Courts (G/405/96)	1998/2013	4.00/5.25	5,000,000	462,415	-	238,599	223,816
Courts (G/521/97)	1998/2013	4.00/5.25	10,000,000	924,830	-	477,198	447,632
800 Mhz Radio	1998/2013	4.00/5.25	3,750,000	346,810	-	178,949	167,861
Senior Center	1998/2013	4.00/5.25	101,419	9,379	-	4,840	4,539
Fac Master Plan	2005/2025	4.0/4.2	1,500,000	1,178,570	-	1,045,672	132,898
Jail Expansion	2005/2025	4.0/4.2	5,000,000	3,928,562	-	3,485,572	442,990
Jail Expansion	2008/2028	3.25/4.375	20,300,000	18,245,000	-	725,000	17,520,000
Facilities Master Plan	2012/2025	3.0/5.0	930,287	-	930,287	-	930,287
Jail Expansion	2012/2025	3.0/5.0	3,100,932	-	3,100,932	-	3,100,932
Jail	2012/2038	3.0/3.25	4,078,947	-	4,078,947	-	4,078,947
Highway:							
1995 Roads (CAB)	1995/2013	3.0/5.0	2,899,459	325,083	-	167,709	157,374
1996 Improvements	1998/2013	4.00/5.25	2,288,000	211,601	-	109,183	102,418
1997 Improvements	1998/2013	4.00/5.25	1,000,000	92,484	-	47,720	44,764
2001 Improvements	2001/2014	4.00/4.25	3,547,403	2,808,724	-	900,125	1,908,599
2005 Improvements	2005/2025	4.0/4.2	2,000,000	1,571,422	-	1,394,226	177,196
2005 Machinery	2005/2025	4.0/4.2	2,500,000	1,964,281	-	1,742,784	221,497
2005 Improvements	2012/2025	3.0/5.0	1,240,377	-	1,240,377	-	1,240,377
2005 Machinery	2012/2025	3.0/5.0	1,550,468	-	1,550,468	-	1,550,468
2012 Highway Equipment	2012/2017	3.0	1,500,000	-	1,500,000	-	1,500,000
Sewer:							
Odor Control	1998/2013	4.00/5.25	480,000	44,392	-	22,905	21,487
Monofill	1998/2013	4.00/5.25	592,000	54,750	-	28,250	26,500
Clarifier	2001/2014	4.00/4.25	575,579	161,688	-	51,817	109,871
Monofill Phase II	2008/2028	3.25/4.375	635,000	575,000	-	25,000	550,000
<b>Total serial bonds and capital appreciation bond principal</b>				<u>40,805,444</u>	<u>12,401,011</u>	<u>11,603,335</u>	<u>41,603,120</u>
Capital appreciation bonds (interest accretions):							
Accum appreciation	1995/2013	4.60/5.85	N/A	2,093,597	83,745	1,076,806	1,100,536
Accum appreciation	1998/2013	4.00/5.25	N/A	<u>2,369,588</u>	<u>123,070</u>	<u>1,225,939</u>	<u>1,266,719</u>
Total capital appreciation bond interest accretions				<u>4,463,185</u>	<u>206,815</u>	<u>2,302,745</u>	<u>2,367,255</u>
Total governmental activities bonded debt				<u>\$ 45,268,629</u>	<u>\$ 12,607,826</u>	<u>\$ 13,906,080</u>	<u>\$ 43,970,375</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	\$ 26,590,000	\$ -	\$ 1,315,000	\$ 25,275,000
Total business-type activities				<u>\$ 26,590,000</u>	<u>\$ -</u>	<u>\$ 1,315,000</u>	<u>\$ 25,275,000</u>
<b>Component Unit—</b>							
<b>Hudson Valley Community College ("HVCC"):</b>							
HPER Center	1989/2019	6.90/7.00	\$ 2,000,000	\$ 495,000	\$ -	\$ 65,000	\$ 430,000
HPER Center	1991/2020	6.70	5,500,000	1,889,100	-	209,900	1,679,200
COMP/COMM (CAB)	1995/2013	4.6/5.85	7,000,000	497,823	-	256,826	240,997
Building Renovations (CAI)	1995/2013	4.6/5.85	2,040,000	145,080	-	74,846	70,234
Roads/Parking (CAB)	1995/2013	4.6/5.85	663,000	47,151	-	24,325	22,826
HVAC System	1998/2013	4.00/5.25	905,000	83,697	-	43,186	40,511
Roofs	1998/2013	4.00/5.25	269,000	24,877	-	12,837	12,040
Gas system	1998/2013	4.00/5.25	46,000	4,253	-	2,195	2,058
Reconstruction	2001/2014	4.00/4.25	2,460,890	691,290	-	221,542	469,748
HVAC	2001/2014	4.00/4.25	967,290	271,724	-	87,080	184,644
Electrical System	2001/2014	4.00/4.25	479,650	134,738	-	43,180	91,558
Tennis Courts	2001/2014	4.00/4.25	24,941	7,007	-	2,245	4,762
Parking Lot	2001/2014	4.00/4.25	213,638	60,014	-	19,233	40,781
Guenther Hall	2001/2014	4.00/4.25	251,817	70,739	-	22,670	48,069
Renovations/Improve.	2001/2014	4.00/4.25	3,022,581	849,078	-	272,108	576,970
Campus Center	2005/2025	4.0/4.2	4,057,687	3,188,175	-	2,828,673	359,502
Various Projects	2005/2025	4.0/4.2	1,236,000	971,141	-	861,634	109,507
Admin Building	2005/2025	4.0/4.2	4,700,000	3,692,848	-	3,276,437	416,411
Various Projects	2006/2026	4.4/4.5	6,200,000	5,095,000	-	4,280,000	815,000
Admin/Campus/Various	2012/2026	3.0/5.0	10,287,936	-	10,287,936	-	10,287,936
HVCC Project	2012/2038	3.0/3.25	23,578,862	-	23,578,862	-	23,578,862
Total serial bonds - component unit				<u>\$ 18,218,735</u>	<u>\$ 33,866,798</u>	<u>\$ 12,603,917</u>	<u>\$ 39,481,616</u>
Bond anticipation notes:							
Bond anticipation note	2011	1.5	20,699,258	20,699,258	-	20,699,258	-
Total bond anticipation notes				<u>\$ 20,699,258</u>	<u>\$ -</u>	<u>\$ 20,699,258</u>	<u>\$ -</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit</u>	
	<u>Serial Bond / CAB</u>		<u>Enterprise Fund</u>		<u>HVCC</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,756,190	\$ 3,514,170	\$ 1,410,000	\$ 1,276,956	\$ 2,611,546	\$ 2,078,020
2014	3,467,263	1,602,372	1,505,000	1,218,656	2,292,736	1,319,021
2015	2,503,011	1,446,187	1,610,000	1,148,306	1,586,989	1,224,943
2016	2,574,350	1,333,393	1,720,000	1,065,056	1,640,651	1,158,427
2017	2,646,688	1,215,376	1,840,000	976,056	1,693,312	1,094,599
2018-2022	12,127,416	4,251,778	11,285,000	3,222,900	8,989,585	4,372,877
2023-2027	9,797,202	1,774,876	5,905,000	313,266	8,062,797	2,595,993
2028-2032	2,429,000	355,978	-	-	5,171,000	1,655,585
2033-2037	1,069,000	141,906	-	-	6,096,000	813,225
2038-beyond	233,000	7,573	-	-	1,337,000	43,453
Total	<u>\$ 41,603,120</u>	<u>\$ 15,643,607</u>	<u>\$ 25,275,000</u>	<u>\$ 9,221,196</u>	<u>\$ 39,481,616</u>	<u>\$ 16,356,143</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 \$2,021,322 in principal and \$1,362,695 in interest.

**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, 2012, accreted interest less interest paid for both issuances amounts to \$2,367,255 and is included as a long-term liability in the governmental activities.

**Rensselaer Tobacco Asset Securitization Corporation**—Changes in RTASC’s long-term debt for the year ended December 31, 2012 are as follows:

	Balance 1/1/2012	Increases	Decreases	Balance 12/31/2012	Within One Year
Tobacco Settlement Bonds:					
Series 2001A	\$ 28,300,000	\$ -	\$ 780,000	\$ 27,520,000	\$ 1,725,000
Subordinate Turbo CABs:					
Series 2005 - Original Principal	11,653,100	-	-	11,653,100	-
Accreted Interest	5,982,662	1,245,835	-	7,228,497	-
Total Subordinated Turbo CABs	16,472,739	1,245,835	-	18,881,597	-
 Total RTASC	 \$ 45,158,421	 \$ 1,245,835	 \$ 780,000	 \$ 46,401,597	 \$ 1,725,000

**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
2013	\$ 1,725,000	\$ 1,492,908	\$ 3,217,908
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	1,325,000	1,229,584	2,554,584
2018-2022	9,445,000	4,692,390	14,137,390
2023-2027	11,455,000	1,611,279	13,066,279
	<u>\$ 27,520,000</u>	<u>\$ 13,132,114</u>	<u>\$ 40,652,114</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, 2012, funds were not available to make redemption payments. Any debt service amounts not paid in accordance with the Subordinated Turbo CAB’s redemption payments schedule will be due and payable on the maturity dates s follows:

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

**Current Year’s Advance Refunding**—In the current year, the County issued \$17,110,000 in Refunding Serial Bonds, \$6,822,064 for governmental activities and \$10,287,936 for HVCC activities, to refund the previously issued 2005 and 2006 (partial refunding) bonds, originally issued for various purposes. The interest on the bonds ranges from 3.0% to 5.0%. The net proceeds of \$19,421,075 (after deductions for net issuance costs, including underwriter’s discount) were used to purchase non-callable, direct obligations of the United States of America and placed in an irrevocable trust fund to pay for all future debt service payments of the original bonds. As a result, the original bonds are considered partially refunded and the liability for those bonds, \$17,975,000, has been removed from the financial statements. The refund resulted in a net present value benefit to the County of \$726,913.

**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.

**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.

The following is a summary of changes in the County's long-term liabilities for the year ended December 31, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Serial bonds/CAB principal	\$ 40,805,444	\$ 12,401,011	\$ 11,603,335	\$ 41,603,120	\$ 4,756,190
CAB interest accretions	4,463,185	-	2,095,930	2,367,255	-
RTASC bonds and interest	45,935,762	1,245,835	780,000	46,401,597	1,725,000
RTASC bond issuance costs	(288,517)	-	288,517	-	-
Installment purchase debt	13,659,404	20,965,718	769,593	33,855,529	1,204,315
Compensated absences	10,408,283	594,749	-	11,003,032	550,152
Retirement obligations	2,921,986	-	567,020	2,354,966	513,922
Other post-employment benefits	20,414,274	4,299,639	1,125,457	23,588,456	-
Other long-term liabilities	920,150	763,298	-	1,683,448	-
Total governmental activities	<u>\$ 141,043,267</u>	<u>\$ 40,270,250</u>	<u>\$ 17,229,852</u>	<u>\$ 162,857,403</u>	<u>\$ 8,749,579</u>
<b>Business type activities:</b>					
Bond and mortgage	\$ 26,590,000	\$ -	\$ 1,315,000	\$ 25,275,000	\$ 1,410,000
Bond issuance costs	(391,241)	-	(391,241)	-	-
Retirement obligations	2,204,907	717,647	84,088	2,838,466	2,639,304
Other post-employment benefits	7,768,982	1,472,701	191,924	9,049,759	-
Other long-term liabilities	891,966	192,223	-	1,084,189	-
Total business-type activities	<u>\$ 36,585,783</u>	<u>\$ 2,382,571</u>	<u>\$ 1,199,771</u>	<u>\$ 38,247,414</u>	<u>\$ 4,049,304</u>

Discretely Presented Component Units

	Balance			Balance	
	January 1, 2012	Increases	Decreases	December 31, 2012	Due Within One Year
<b>IDA:</b>					
Mortgage payable	\$ 870,855	\$ -	\$ 870,855	\$ -	\$ -
Total IDA	<u>\$ 870,855</u>	<u>\$ -</u>	<u>\$ 870,855</u>	<u>\$ -</u>	<u>\$ -</u>
	Balance			Balance	
	September 1, 2011	Increases	Decreases	August 31, 2012	Due Within One Year
<b>HVCC:</b>					
Serial bonds	\$ 18,218,735	\$ 33,866,798	\$ 12,603,917	\$ 39,481,616	\$ 2,611,546
Bond anticipation notes	20,699,258	-	20,699,258	-	-
DASNY bonds *	44,860,344	-	44,860,344	-	-
Termination benefits	17,991,749	198,252	-	18,190,001	-
Other post-employment benefits	10,918,762	3,371,988	550,882	13,739,868	550,862
Association financing agreement	3,913,750	4,160,120	-	8,073,870	438,776
Capital leases	11,606,397	2,600,000	3,237,928	10,968,469	3,245,559
Other long-term liabilities	4,187,490	584,459	874,382	3,897,567	-
Total HVCC	<u>\$132,396,485</u>	<u>\$ 44,781,617</u>	<u>\$ 82,826,711</u>	<u>\$ 94,351,391</u>	<u>\$ 6,846,743</u>

- In fiscal year 2012, the College changed its method of revenue recognition for capital assets contributed by the State (See Note 2). The change in accounting principle resulted in the elimination of debt and other related balance sheet items for DASNY obligations that are supported and paid by the State.

### 13. NET POSITION AND FUND BALANCE

- A. Net Position**—The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.
- ◆ **Net investment in capital assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
  - ◆ **Restricted amounts**—This category represents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
  - ◆ **Unrestricted amounts**—This category represents net investment in assets of the County not restricted for any project or other purpose.
- B. GASB No. 54**—The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires fund balance to be properly reported within one of the fund balance categories listed on the following page.

**Nonspendable**—Amount of assets that cannot be spent in the current period because of their form or because they must be maintained intact. As of December 31, 2012, the County had \$656,508 of prepaid items and \$356,819 of inventories that were classified as nonspendable funds.

**Restricted**—Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. As of December 31, 2012, the County had the following restricted funds, as presented below.

	General Fund	Capital Projects Fund	RTASC	Total
Tax stabilization	\$ 115,730	\$ -	\$ -	\$ 115,730
Handicapped parking	34,490	-	-	34,490
Capital Projects	-	16,350,748	-	16,350,748
Debt service	-	-	2,619,654	2,619,654
Total restricted fund balance	<u>\$ 150,220</u>	<u>\$ 16,350,748</u>	<u>\$ 2,619,654</u>	<u>\$ 19,120,622</u>

**Committed**—Amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority, or by its designated body or official. As of December 31, 2012, the County Legislature had not committed any fund balance to a specific purpose.

**Assigned**—Amounts that are subject to a purpose constraint that represents an intended use established by the County’s Legislature, or by its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

As of December 31, 2012, the following balances were considered to be assigned.

	General Fund	Special Grant	Community Development	Highway	Sewer	RTASC	Total
Encumbrances	\$ 235,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,191
Retirement Contribution	6,325,000	-	-	-	-	-	6,325,000
Subsequent year's expenditures	129,220	-	-	800,000	-	-	929,220
HRBRRD	542,477	-	-	-	-	-	542,477
Specific use	-	33,600	167,130	815,821	2,240,123	48,849	3,305,523
Total assigned fund balance	<u>\$ 7,231,888</u>	<u>\$ 33,600</u>	<u>\$ 167,130</u>	<u>\$ 1,615,821</u>	<u>\$ 2,240,123</u>	<u>\$ 48,849</u>	<u>\$ 11,337,411</u>

Significant encumbrances are amounts encumbered in excess of \$100,000. As of December 31, 2012, the County did not have any encumbrances that were considered to be significant.

**Unassigned**—Represents the residual classification of the government’s General Fund, and could report surplus or deficit. As of December 31, 2012, the unassigned fund balance was \$10,456,745.

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

#### 14. INTERFUND LOANS 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, 2012 are presented below.

Fund	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
General Fund	\$ 1,221,775	\$ 10,243,124	\$ 606,811	\$ 5,623,180
Capital Projects Fund	12,000	-	192,553	605,721
Other governmental funds	277,348	490,750	132,156	10,589
Enterprise Fund	6,040,233	-	5,216,988	-
Internal Service Fund	1,459,515	569,007	90,982	-
Agency Fund	2,687,188	395,178	-	-
Total	<u>\$ 11,698,059</u>	<u>\$ 11,698,059</u>	<u>\$ 6,239,490</u>	<u>\$ 6,239,490</u>

#### 15. 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, 2012.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>ASSETS</b>				
Cash	\$ 3,740,718	\$ 68,038,149	\$ (66,813,678)	\$ 4,965,189
Accounts receivable	307,929.00	314,111	(613,160)	8,880
Due from other funds	2,844,708	73,107,375	(73,264,895)	2,687,188
Total assets	<u>\$ 6,893,355</u>	<u>\$ 141,459,635</u>	<u>\$ (140,691,733)</u>	<u>\$ 7,661,257</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 121,052	\$ 40,079,616	\$ (40,062,644)	\$ 138,024
Agency liabilities	6,480,883	97,774,325	(97,127,153)	7,128,055
Due to other funds	291,420	398,155	(294,397)	395,178
Total liabilities	<u>\$ 6,893,355</u>	<u>\$ 138,252,096</u>	<u>\$ (137,484,194)</u>	<u>\$ 7,661,257</u>

## 16. SEGMENT INFORMATION FOR ENTERPRISE FUND

Segment information for the Manor as of, and for the year ended, December 31, 2012 follows:

	Van Rensselaer Manor
Operating revenues	\$ 37,041,039
Operating expenses:	
Services provided	40,466,081
Depreciation and amortization	<u>1,519,776</u>
Operating loss	(4,944,818)
Non-operating revenue (expense), net	<u>5,022,653</u>
Net gain	<u>\$ 77,835</u>
Current assets	\$ 21,936,686
Current liabilities	<u>8,090,862</u>
Net working capital	<u>\$ 13,845,824</u>
Total assets	\$ 36,728,824
Total liabilities	<u>42,288,972</u>
Net position	<u>\$ (5,560,148)</u>
Fixed asset additions	<u>\$ 613,937</u>
Long-term liabilities—excluding current portions	<u>\$ 34,198,110</u>

## 17. LABOR CONTRACTS

**Labor Relations**—Four bargaining units represent the unionized county employees. The County’s largest bargaining units (UPSEU and PBA) have contracts settled through December 31, 2013; one other bargaining unit (SEARCO) has a contract settled through December 31, 2012. The fourth contract, CSEA, expired December 31, 2011 and is in negotiations.

## 18. SUBSEQUENT EVENTS

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. Per the agreement between the five counties and the Hudson River-Black River Regulating District, fully executed on March 8, 2013, approved by the NYS Department of Environmental Conservation, \$634,102 is apportioned to Rensselaer County for the fiscal years ending June 30, 2010 through June 30, 2012. Consequently, the County has recorded this liability within the fund statements for the fiscal year ended December 31, 2012.

Management has evaluated subsequent events through May 2, 2013, 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.

\*\*\*\*\*

**\*\*THIS PAGE INTENTIONALLY LEFT BLANK\*\***

# SUPPLEMENTAL SCHEDULES



**COUNTY OF RENNELAER, NEW YORK**

**Combining Balance Sheet  
Non-Major Governmental Funds  
December 31, 2012**

	Special Revenue						Total Non-Major Governmental Funds
	Special Grant	Community Development	Highway	Sewer	Debt Service	RTASC	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 37,385	\$ 176,777	\$ 1,579,925	\$ 993,410	\$ -	\$ 48,849	\$ 2,836,346
Restricted cash and cash equivalents	-	-	-	-	-	2,609,384	2,609,384
Other receivables	109,000	1,878,407	53,793	1,907,042	-	10,270	3,958,512
State and federal receivables	30,501	-	698,644	-	-	-	729,145
Due from other funds	36,410	297	240,382	259	-	-	277,348
Inventories	-	-	356,819	-	-	-	356,819
Total assets	<u>\$ 213,296</u>	<u>\$ 2,055,481</u>	<u>\$ 2,929,563</u>	<u>\$ 2,900,711</u>	<u>\$ -</u>	<u>\$ 2,668,503</u>	<u>\$ 10,767,554</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 45,679	\$ -	\$ 295,277	\$ 161,942	\$ -	\$ -	\$ 502,898
Accrued liabilities	15,967	-	61,758	-	-	-	77,725
Due to other funds	14,193	9,186	233,168	234,203	-	-	490,750
Due to other governments	-	758	-	37,723	-	-	38,481
Unearned revenues	21,730	1,878,407	-	1,675	-	-	1,901,812
Pension contributions payable	82,127	-	366,720	225,045	-	-	673,892
Total liabilities	<u>179,696</u>	<u>1,888,351</u>	<u>956,923</u>	<u>660,588</u>	<u>-</u>	<u>-</u>	<u>3,685,558</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	356,819	-	-	-	356,819
Restricted	-	-	-	-	-	2,619,654	2,619,654
Assigned	33,600	167,130	1,615,821	2,240,123	-	48,849	4,105,523
Total fund balances	<u>33,600</u>	<u>167,130</u>	<u>1,972,640</u>	<u>2,240,123</u>	<u>-</u>	<u>2,668,503</u>	<u>7,081,996</u>
Total liabilities and fund balances	<u>\$ 213,296</u>	<u>\$ 2,055,481</u>	<u>\$ 2,929,563</u>	<u>\$ 2,900,711</u>	<u>\$ -</u>	<u>\$ 2,668,503</u>	<u>\$ 10,767,554</u>

**COUNTY OF RENNELLAER, NEW YORK**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended December 31, 2012**

	Special Revenue					RTASC	Total Non-major Governmental Funds
	Special Grant	Community Development	Highway	Sewer	Debt Service		
<b>REVENUES</b>							
Real property taxes	\$ -	\$ -	\$ 6,384,926	\$ -	\$ -	\$ -	\$ 6,384,926
Non-property tax items	-	-	869,059	-	-	-	869,059
Departmental income	-	117,283	-	5,612,256	-	-	5,729,539
Use of money and property	-	-	1,953,467	1,851	-	-	1,955,318
Licenses and permits	-	-	2,412	-	-	-	2,412
Sale of property and compensation for loss	-	-	42,518	-	-	-	42,518
Miscellaneous	26,992	-	90,046	4,639	-	129,241	250,918
Interfund revenues	-	-	5,450	-	-	-	5,450
Tobacco settlement revenue	-	-	-	-	-	2,224,669	2,224,669
State aid	-	-	2,661,475	-	-	-	2,661,475
Federal aid	1,361,513	173,249	321,838	-	-	-	1,856,600
Total revenues	<u>1,388,505</u>	<u>290,532</u>	<u>12,331,191</u>	<u>5,618,746</u>	<u>-</u>	<u>2,353,910</u>	<u>21,982,884</u>
<b>EXPENDITURES</b>							
Current:							
General government support	20,997	-	382,301	319,875	-	76,092	799,265
Public safety	-	-	223,173	-	-	-	223,173
Transportation	-	-	8,772,927	-	-	-	8,772,927
Economic assistance and opportunity	1,367,507	420,882	-	-	-	-	1,788,389
Home and community services	-	-	-	3,192,796	-	-	3,192,796
Employee benefits	-	-	1,311,160	810,900	-	-	2,122,060
Debt service:							
Principal	-	-	1,411,222	839,739	-	780,000	3,030,961
Interest	-	-	679,942	495,354	-	1,574,744	2,750,040
Refunding bond issuance costs	-	-	-	-	100,740	-	100,740
Total expenditures	<u>1,388,504</u>	<u>420,882</u>	<u>12,780,725</u>	<u>5,658,664</u>	<u>100,740</u>	<u>2,430,836</u>	<u>22,780,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1</u>	<u>(130,350)</u>	<u>(449,534)</u>	<u>(39,918)</u>	<u>(100,740)</u>	<u>(76,926)</u>	<u>(797,467)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	132,156	-	-	-	132,156
Transfers out	-	-	-	(9,500)	(1,089)	-	(10,589)
Premium on advanced refunding bond issuance	-	-	-	-	2,412,904	-	2,412,904
Proceeds of advanced refunding bond issuance	-	-	-	-	17,110,000	-	17,110,000
Payments to escrow for advanced refunding	-	-	-	-	(19,421,075)	-	(19,421,075)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>132,156</u>	<u>(9,500)</u>	<u>100,740</u>	<u>-</u>	<u>223,396</u>
Net change in fund balances	1	(130,350)	(317,378)	(49,418)	-	(76,926)	(574,071)
Fund balances—beginning	33,599	297,480	2,290,018	2,289,541	-	2,745,429	7,656,067
Fund balances—ending	<u>\$ 33,600</u>	<u>\$ 167,130</u>	<u>\$ 1,972,640</u>	<u>\$ 2,240,123</u>	<u>\$ -</u>	<u>\$ 2,668,503</u>	<u>\$ 7,081,996</u>

**FEDERAL AWARDS  
SCHEDULES AND REPORTS**



**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2012**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>			
Passed through New York State:			
Summer Food Service Program for Children	10.559	N/A	\$ 161,244
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>1,364,365</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,525,609</u>
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through New York State:			
Community Development Block Grants—Small Cities Program	14.219	N/A	247,505
Community Development Block Grants—State's Program	14.228	N/A	<u>173,503</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>421,008</u>
<b>U.S. Department of Justice:</b>			
Passed through New York State:			
Crime Victim Assistance	16.575	N/A	155,097
State Criminal Alien Assistance Program	16.606	N/A	8,959
Passed through City of Troy:			
Encourage Arrest Policies and Enforcement of Orders	16.590	N/A	<u>34,665</u>
<b>Total U.S. Department of Justice</b>			<u>198,721</u>
<b>U.S. Department of Labor:</b>			
Passed through New York State:			
Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	50,175
Senior Community Service Employment Program	17.235	N/A	23,788
Trade Adjustment Assistance	17.245	N/A	22,839
WIA Adult Program	17.258	N/A	324,802
WIA Youth Activities	17.259	N/A	380,334
WIA Dislocated Workers	17.278	N/A	394,394
Workforce Innovation Fund Program	17.283	N/A	<u>12,459</u>
<b>Total U.S. Department of Labor</b>			<u>1,208,791</u>

(continued)

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2012**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Transportation:</b>			
Direct Programs:			
Highway Planning and Construction Projects	20.205	N/A	1,062,051
Federal Transit Capital Investment Grants—ARRA	20.500	N/A	83,914
Passed through New York State:			
Formula Grants for Other Than Urbanized Areas	20.509	N/A	40,800
Passed through Federal Highway Administration:			
Highway Planning and Construction Projects	20.205	N/A	<u>65,916</u>
<b>Total U.S. Department of Transportation</b>			<u>1,252,681</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	C-021815	90,235
Rehabilitation Grants to States	84.126	N/A	<u>20,198</u>
<b>Total U.S. Department of Education</b>			<u>110,433</u>
<b>U.S. Department of Health and Human Services:</b>			
Passed through New York State:			
Medical Reserve Corp Small Grant Program	93.008	N/A	450
Special Programs for the Aging—Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	N/A	14,016
Special Programs for the Aging—Title III, Part F - Disease Prevention and Health Promotion Services	93.043	N/A	9,027
Special Programs for the Aging—Title III, Part B - Grants for Supportive Service and Senior Centers	93.044	N/A	149,441
Part C - Nutrition Services	93.045	N/A	279,723
Nutrition Services Incentive Program	93.053	N/A	95,885
Public Health Emergency Preparedness	93.069	HRI #1595-09	164,549
Immunization Grants	93.268	C-023265	21,676
Drug-Free Communities Support Program Grants	93.276	N/A	208,640
Temporary Assistance for Needy Families	93.558	N/A	16,124,853
ARRA—Child Support Enforcement	93.563	N/A	214,430
Child Support Enforcement	93.563	N/A	435,675

(continued)

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2012**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>  (concluded)
Low-Income Home Energy Assistance Program (HEAP)	93.568	N/A	5,149,467
Child Care and Development Block Grant	93.575	N/A	130,829
Foster Care—Title IV-E	93.658	N/A	2,047,534
ARRA—Foster Care—Title IV-E	93.658	N/A	19,318
Adoption Assistance	93.659	N/A	576,899
ARRA—Adoption Assistance	93.659	N/A	11,143
Social Services Block Grant	93.667	N/A	967,899
Chafee Foster Care Independence Program	93.674	N/A	55,840
Medical Assistance Program	93.778	N/A	1,522,434
Centers for Medicare and Medicaid Services (CMS)			
Research, Demonstrations and Evaluations	93.779	N/A	20,745
Community Mental Health Services Block Grant	93.958	N/A	374,273
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	1,332,727
Maternal and Child Health Services Block Grant to the States	93.994	C-026530	56,678
<b>Total U.S. Department of Health and Human Services</b>			<u>30,054,263</u>
<b>U.S. Department of Homeland Security:</b>			
Passed through Federal Emergency Management Agency:			
Disaster Grants—Public Assistance (Presidentially Declared Disasters)	97.036	N/A	241,078
Hazardous Mitigation Grant	97.039	N/A	11,910
Emergency Management Performance Grants	97.042	N/A	60,892
Homeland Security Grant Program	97.067	N/A	555,837
<b>Total U.S. Department of Homeland Security</b>			<u>869,717</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 35,641,223</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, 2012**

---

**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>
State Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 222,751
Community Development Block Grant – State’s Program	14.228	\$ 4,784
WIA Youth Activities	17.259	\$ 88,793
Formula Grants for Other Than Urbanized Areas	20.509	\$ 40,800
Child Care and Development Block Grant	93.575	\$ 130,829
Community Mental Health Services Block Grant	93.958	\$ 104,969
Substance Abuse Prevention and Treatment	93.959	\$ 557,310

---

Certified Public Accountants

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rensselaer, New York (the "County"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 2, 2013. Our report includes emphasis of matter paragraphs regarding deficit net position at Van Rensselaer Manor and restatement of beginning net position within governmental activities; and, a reference to other auditors who audited the financial statements of the Rensselaer County Industrial Development Agency and Hudson Valley Community College, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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

control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Drescher & Malecki LLP*  
May 2, 2013

---

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the County of Rensselaer, New York's, (the "County") compliance with the types of compliance requirements described in the 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, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, which received \$-0- and \$42,808,450 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2012. Our audit, described below, did not include the operations of the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, because other auditors were engaged to perform such audits in accordance with OMB Circular A-133, as applicable.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

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

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

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

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

  
May 2, 2013

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

---

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

**Financial Statements**

Type of auditors' report issued: Unmodified\*

\* (which report refers to other auditors and contains emphasis of matter paragraphs regarding deficit net position at Van Rensselaer Manor and restatement of net position)

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: Unmodified

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

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Highway Planning and Construction Projects	20.205
Child Support Enforcement Program	93.563
ARRA – Child Support Enforcement Program	93.563
Low-Income Home Energy Assistance Program	93.568
Adoption Assistance	93.659
ARRA – Adoption Assistance	93.659
Medical Assistance Program	93.778
Block Grant for Prevention and Treatment of Substance Abuse	93.959

8. Dollar threshold used to distinguish between Type A and Type B programs?        \$ 1,069,237
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, 2012**

---

**Part II. Financial statement findings section**

No findings were noted as reportable.

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

No findings were noted as reportable.

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Prior Year Audit Findings**  
**Year Ended December 31, 2012**  
**(Follow Up on December 31, 2011 Findings)**

---

**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 Response**—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.

**Current Year Follow-Up**—Management implemented controls surrounding compliance with federal program 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 Response**—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.

**Current Year Follow-Up**—Management performed a comprehensive reconciliation of the Schedule of Expenditures of Federal Awards to the general ledger for the current year.

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of New York State Department of Transportation Assistance**  
**Year Ended December 31, 2012**

---

<b><u>Program Title / Description</u></b>	<b>NYS Reference Number</b>	<b><u>Expenditures</u></b>
Consolidated Highway Improvement Program (CHIPS)	140000	\$ <u>2,562,629</u>
<b>Total New York State Department of Transportation Expenditures</b>		<b>\$ <u>2,562,629</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, 2012**

---

**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.

---

*Certified Public Accountants*

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

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

**Report on Compliance for New York State Transportation Assistance Programs**

We have audited the County of Rensselaer, New York's, (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, 2012. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the laws, regulations, contracts and grants applicable to each program tested.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 of NYCRR require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state transportation assistance 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 on compliance for each state transportation assistance program. However, our audit does not provide a legal determination on County's compliance.

***Opinion on Each State Transportation Assistance Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs for the year ended December 31, 2012.

**Report on Internal Control Over Compliance**

Management of County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state transportation assistance program and to test and report on internal control over compliance in accordance with

Draft 43 of NYCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

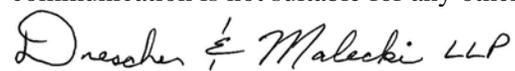
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-1 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

This report is intended solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over compliance. This report is for the information and use of the County Legislature, management, the New York State Department of Transportation, and the Office of the State Comptroller of the State of New York. Accordingly, this communication is not suitable for any other purpose.



May 2, 2013

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**New York State Department of Transportation Assistance**  
**For the Year Ended December 31, 2012**

---

**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?   | _____ <input checked="" type="checkbox"/> Yes | _____ None Reported                          |  |
| Type of auditors' report issued on compliance for programs tested:  |   | Unmodified                                   |  |
| 3. Any audit findings disclosed that are required to be reported in accordance with Draft Part 43 of NYCRR? | _____ <input checked="" type="checkbox"/> Yes | _____ No                                     |  |

4. The County's programs tested were:

**Name of Program**

Consolidated Highway Improvement Program (CHIPS)

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

**Finding 2012-1—Reimbursement Procedures**

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

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

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

**Effect**—Overstatement of State Aid. A liability may result due to overpayments made by the State.

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

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