

**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, 2013 and  
Independent Auditors' Reports*



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**Year Ended December 31, 2013**

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Rensselaer, New York (the "County") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Supplemental Information, as listed in the table of contents; 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 the accompanying Schedule of Expenditures of New York State Department of Transportation Assistance, as required by the New York State Department of Transportation and Part 4.3 of the New York State Codification of Rules and Regulations, and are presented for purposes of additional analysis and are 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 16, 2014 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 16, 2014

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**COUNTY OF RENSSELAER, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2013**

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As management of the County of Rensselaer (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2013. Certain data from the prior year has been reclassified to conform with the current year presentation. This document should be read in conjunction with additional information that we have furnished in the County's financial statements which follow this narrative.

**Financial Highlights**

- ◆ The primary government's total net position decreased by \$4,592,244 during the current fiscal year. The decrease is primarily due to a decrease of \$3,989,529 within the County's governmental activities as a result of increases in program expenses exceeding increases in revenues.
- ◆ The assets of the County, excluding discretely presented component units (the Rensselaer County Industrial Development Agency and the Hudson Valley Community College), exceeded total liabilities at the close of the most recent fiscal year by \$11,181,609 (*net position*).
- ◆ As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$38,574,276, a decrease of \$3,353,829 in comparison with the prior year.
- ◆ The General Fund reported a net increase in fund balance this year of \$782,733. At December 31, 2013, unassigned fund balance for the General Fund was \$11,922,944 or 5.2 percent of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise of three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 financial information on all of the County's assets, liabilities and deferred inflows/outflows of resources, with the differences reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

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

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

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

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Capital Projects Funds, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor funds is provided in the form of the combining statements in the Supplemental Information section of this report.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-57 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparison schedule for the General Fund and post-employment benefits obligation. Required supplementary information can be found on pages 58-59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pages 60-61.

### **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's primary government, assets exceeded liabilities by \$11,181,609 at the close of the most recent fiscal year.

**Table 1—Condensed Statements of Net Position—Primary Government**

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 166,200,725	\$ 184,833,737	\$ 24,856,173	\$ 24,834,713	\$ 191,056,898	\$ 209,668,450
Capital assets	148,006,237	127,679,152	10,962,680	11,894,111	158,968,917	139,573,263
Total assets	<u>314,206,962</u>	<u>312,512,889</u>	<u>35,818,853</u>	<u>36,728,824</u>	<u>350,025,815</u>	<u>349,241,713</u>
Current liabilities	66,072,771	87,877,802	4,378,727	4,041,558	70,451,498	91,919,360
Non-current liabilities	228,964,687	202,339,018	37,602,989	38,247,414	266,567,676	240,586,432
Total liabilities	<u>295,037,458</u>	<u>290,216,820</u>	<u>41,981,716</u>	<u>42,288,972</u>	<u>337,019,174</u>	<u>332,505,792</u>
Deferred inflows of resources	<u>1,825,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,825,032</u>	<u>-</u>
Net position:						
Net investment in capital assets	30,259,369	29,521,871	(10,004,295)	(10,482,862)	20,255,074	19,039,009
Restricted	2,822,322	2,769,874	-	-	2,822,322	2,769,874
Unrestricted	<u>(15,737,219)</u>	<u>(10,957,744)</u>	<u>3,841,432</u>	<u>4,922,714</u>	<u>(11,895,787)</u>	<u>(6,035,030)</u>
Total net position	<u>\$ 17,344,472</u>	<u>\$ 21,334,001</u>	<u>\$ (6,162,863)</u>	<u>\$ (5,560,148)</u>	<u>\$ 11,181,609</u>	<u>\$ 15,773,853</u>

The largest portion of the County's net position reflects its net investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The deficit in the County's business-type activities of the Van Rensselaer Manor is net investment in capital assets indicates that it has borrowed to finance the acquisition of a substantial portion of its assets and that the assets are depreciating more quickly than the debt to acquire such assets is being paid.

An additional portion of net position, \$2,822,322 represents resources that are subject to external restrictions on how they must be used.

The remaining deficit of the County's net position represents resources that are unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Total net position decreased \$4,592,244 as a result of current year activities. The decrease in net position can be primarily attributable to both governmental and business-type activities of the primary government.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2013 and December 31, 2012.

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues	\$ 102,854,694	\$ 100,743,862	\$ 38,597,198	\$ 37,041,039	141,451,892	137,784,901
General revenues	148,967,157	146,679,185	-	-	148,967,157	146,679,185
Total revenues	<u>251,821,851</u>	<u>247,423,047</u>	<u>38,597,198</u>	<u>37,041,039</u>	<u>290,419,049</u>	<u>284,464,086</u>
Total expenses	<u>253,002,210</u>	<u>239,318,353</u>	<u>42,009,083</u>	<u>42,180,192</u>	<u>295,000,191</u>	<u>281,498,545</u>
Transfers	<u>(2,809,170)</u>	<u>(5,307,970)</u>	<u>2,809,170</u>	<u>5,216,988</u>	<u>-</u>	<u>(90,982)</u>
Change in net position	(3,989,529)	2,796,724	(602,715)	77,835	(4,581,142)	2,874,559
Net position—beginning, as previously stated	21,334,001	16,601,125	(5,560,148)	(5,637,983)	15,773,853	10,963,142
Restatement	<u>-</u>	<u>1,936,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,936,152</u>
Net position—beginning, as restated	<u>21,334,001</u>	<u>18,537,277</u>	<u>(5,560,148)</u>	<u>(5,637,983)</u>	<u>15,773,853</u>	<u>12,899,294</u>
Net position—ending	<u>\$ 17,344,472</u>	<u>\$ 21,334,001</u>	<u>\$ (6,162,863)</u>	<u>\$ (5,560,148)</u>	<u>\$ 11,192,711</u>	<u>\$ 15,773,853</u>

**Governmental activities.** Governmental activities decreased the County’s net position by \$3,989,529. A summary of revenues for governmental activities for the years ended December 31, 2013 and 2012 is presented below.

**Table 3—Summary of Sources of Revenues—Governmental Activities**

	Year Ended December 31,		Increase/(Decrease)	
	2013	2012	Dollars	Percent (%)
Charges for services	\$ 39,544,663	\$ 36,393,361	\$ 3,151,302	8.7
Operating and capital grants	63,310,031	64,350,501	(1,040,470)	(1.6)
Property taxes and tax items	65,234,235	64,158,507	1,075,728	1.7
Non-property taxes	80,269,150	78,949,671	1,319,479	1.7
Use of money and property	2,288,025	2,110,000	178,025	8.4
Other	1,175,747	1,461,007	(285,260)	(19.5)
Total revenues	<u>\$ 251,821,851</u>	<u>\$ 247,423,047</u>	<u>\$ 4,398,804</u>	1.8

The most significant source of revenues for governmental activities are non-property taxes, which account for \$80,269,150, or 31.9 percent of total revenues. The other significant sources of revenue include property taxes and tax items, which comprise \$65,234,235, or 25.9 percent of total revenues, and operating and capital grants, which comprise \$63,298,929, or 25.1 percent of total revenues. For the year ended December 31, 2012, the most significant source of revenues for governmental activities was non-property taxes, which accounted for \$78,949,671, or 31.9 percent of total revenues. The other significant sources of revenue included operating and capital grants, which comprised of \$64,350,501, or 26.0 percent of total revenues, and property taxes and tax items, which comprised of \$64,158,507, or 25.9 percent of total revenues.

During the year ended December 31, 2013, charges for services increased \$3,151,302. This was a result of an increase of \$1,687,043 in health related fees collected by the County. Additionally, the education related charges for service increased \$1,233,698 due to the County’s collection of a larger portion of College related fees.

A summary of program expenses of governmental activities for the years ended December 31, 2013 and 2012 is presented below.

**Table 4—Summary of Program Expenses—Governmental Activities**

	Year Ended December 31,		Increase/(Decrease)	
	2013	2012	Dollars	Percent (%)
General government support	\$ 45,865,620	\$ 46,045,142	\$ (179,522)	(0.4)
Education	18,469,062	18,586,666	(117,604)	(0.6)
Public safety	39,349,620	38,592,827	756,793	2.0
Health	19,475,275	19,594,859	(119,584)	(0.6)
Transportation	10,698,176	11,564,338	(866,162)	(7.5)
Economic assistance and opportunity	106,797,818	96,798,558	9,999,260	10.3
Culture and recreation	490,964	446,547	44,417	9.9
Home and community services	6,199,238	2,905,954	3,293,284	113.3
Interest and fiscal charges	5,656,437	4,783,462	872,975	18.2
Total program expenses	<u>\$ 253,002,210</u>	<u>\$ 239,318,353</u>	<u>\$ 13,683,857</u>	5.7

The County’s most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$106,797,818, or 42.2 percent of program expenses. The other significant expenses include general government support of \$45,865,620, or 18.1 percent of total expenses, and public safety expenses of \$39,349,620, or 15.6 percent of total expenses. For the year ended December 31, 2012, the most significant expense was economic assistance and opportunity of \$96,798,558, or 40.4 percent of program expenses. The other significant expenses included general government support of \$46,045,142, or 19.2 percent of expenses, and public safety expenses of \$38,592,827, or 16.1 percent of expenses.

During the year ended December 31, 2013, economic assistance and opportunity expenses increased \$9,999,260 due to increased program expenditures related to Medicaid obligations, as well as an unanticipated increase in the intergovernmental transfers offset, which represents the portion of the Van Rensselaer Manor’s “Upper Payment Limit” for which the County is responsible for under State Law. Additionally, home and community services expenditures increased \$3,293,284, due to an increase in depreciation expense related to sewer improvements, combined with additional expenditures related to farmland protection.

**Business-type activities.** Business-type activities (Van Rensselaer Manor) decreased the County’s net position by \$602,715. Operating revenues and expenses for the year ended December 31, 2013 increased 4.7 percent and 0.1 percent, respectively, from the year ended December 31, 2012.

A summary of operating revenues and operating expenses for the County’s business-type activities for the years ended December 31, 2013 and 2012 is presented on the following page.

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

	Year Ended December 31,		Increase/(Decrease)	
	2013	2012	Dollar	Percent (%)
Operating revenues:				
Charges for services	\$ 31,253,833	\$ 31,020,599	\$ 233,234	0.8
Operating grants and contributions	7,531,368	6,020,440	1,510,928	25.1
Total operating revenues	<u>\$ 38,785,201</u>	<u>\$ 37,041,039</u>	<u>\$ 1,744,162</u>	4.7
Operating expenses:				
Nursing and medical	\$ 17,083,707	\$ 16,987,628	\$ 96,079	0.6
Ancillary	7,425,975	7,319,384	106,591	1.5
Administrative and general	4,265,920	3,994,214	271,706	6.8
Fringe benefits	8,916,056	8,919,984	(3,928)	(0.0)
Other post-employment benefits	976,896	1,280,777	(303,881)	(23.7)
Interest expense	1,096,303	1,534,780	(438,477)	(28.6)
Depreciation	1,561,037	1,519,776	41,261	2.7
Bad debt expense	683,189	429,314	253,875	59.1
Total operating expenses	<u>\$ 42,009,083</u>	<u>\$ 41,985,857</u>	<u>\$ 23,226</u>	0.1

As detailed above, the Manor's total operating expenses for the year ended December 31, 2013, increased 0.1 percent from the previous year.

The Manor's most significant expense items for the year ended December 31, 2013 are nursing and medical care, which accounts for \$17,083,707, or 40.7% of total expenses, fringe benefits which accounts for \$8,916,056, or 21.2% of total expenses, and ancillary expenses which accounts for \$7,425,975 or 17.7% of total expenses. Similarly, for the year ended December 31, 2012, most significant expense items are nursing and medical care, which accounts for \$16,987,628, or 40.5% of total expenses, fringe benefits which accounts for \$8,919,984, or 21.2% of total expenses, and ancillary expenses which accounts for \$7,319,384 or 17.4% of total expenses.

### 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* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the County Legislature

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$38,574,276, a decrease of \$3,353,829 in comparison with the prior year. *Unassigned fund balance* is \$11,922,944 or approximately 4.3 percent of total governmental expenditures. Additionally, the County's *assigned fund balances* total \$10,913,795 or 3.9 percent of total governmental expenditures. Together, *unassigned* and *assigned fund balance* represents \$22,836,739, or 8.3 percent of total

governmental expenditures. *Nonspendable* amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. *Nonspendable* fund balance consists of \$55,516 of prepaid items and \$347,425 of inventory.

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 \$11,922,944, while total fund balance was \$19,278,094. The General Fund fund balance increased \$782,733 from the prior year. The increase in fund balance was lesser than that in prior years as the County did not sell tax sale certificates in the current year. 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 expenditures. *Unassigned fund balance* represents 5.3 percent of General Fund expenditures and transfers out, while total fund balance represents 8.5 percent of that same amount.

The fund balance in the Capital Projects Fund decreased \$3,838,474 from December 31, 2012. The decrease is the result of increases in capital outlay related to significant sewer energy performance improvements.

**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, 2013, amounted to \$3,841,432 and the total net position deficit was \$6,162,863. During 2013, this total net deficit worsened by \$602,715. The operating activities of the Manor for 2013 showed an operating loss of \$3,223,882 and the nonoperating revenues and expenses (primarily a contribution from the County’s General Fund) netted to a total nonoperating revenue of \$2,621,167.

**General Fund Budgetary Highlights**

The County adopts an annual appropriated budget for all governmental funds, except the Capital Projects Fund and the Rensselaer Tobacco Asset Securitization Corporation, which adopts its own budget. A budgetary comparison schedule for the General Fund has been provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended December 31, 2013 is presented in Table 6 below:

**Table 6—Summary of General Fund Results of Operations**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 232,733,328	\$ 234,766,876	\$ 231,740,488	\$ (3,026,388)
Expenditures and other financing uses	<u>233,097,739</u>	<u>239,793,736</u>	<u>230,957,755</u>	<u>8,835,981</u>
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (364,411)	\$ (5,026,860)	\$ 782,733	\$ 5,809,593

**Original budget compared to final budget.** During the year, the budget is modified, primarily to reflect the acceptance of new state grants. These grants explain the majority of increases in appropriations and revenue from the original adopted budget final budget. Significant grants for which the budget was modified were for public safety, homeland security and farmland protection grants. Additionally, the County increased the budgeted amount of transfers out to the Van Rensselaer Manor to assist in operations by \$2,525,000. A majority of the remaining increases in budgeted appropriations were a result of higher than anticipated public safety expenditures related to employee benefits and equipment purchases.

**Final budget compared to actual results.** The General Fund had a favorable variance from final budgetary appropriations of \$8,835,981. The primary positive variances were realized in public safety, economic assistance and opportunity, and general government support. These positive variances were primarily a result of lower than anticipated personnel services and fringe benefits, as well as professional services. These cost saving measures were partially offset by the County’s decision to not sell tax sale certificates during 2013.

**Capital Assets and Debt Administration**

**Capital assets.** The County’s investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounts to \$158,968,917 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, infrastructure, and machinery and equipment.

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

Capital assets net of depreciation for the governmental activities and business-type activities at the years ended December 31, 2013 and December 31, 2012 are presented in Table 7 below:

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 672,880	\$ 672,880	\$ 550,000	\$ 550,000	\$ 1,222,880	\$ 1,222,880
Construction in progress	12,991,246	9,906,971	-	-	12,991,246	9,906,971
Land improvements	1,500	2,500	-	-	1,500	2,500
Buildings and building improvements	75,960,776	79,578,804	6,987,942	7,705,357	82,948,718	87,284,161
Equipment	5,562,166	5,659,858	3,424,738	3,638,754	8,986,904	9,298,612
Infrastructure	52,817,669	31,858,139	-	-	52,817,669	31,858,139
Total	<u>\$ 148,006,237</u>	<u>\$ 127,679,152</u>	<u>\$ 10,962,680</u>	<u>\$ 11,894,111</u>	<u>\$ 158,968,917</u>	<u>\$ 139,573,263</u>

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

**Long-term debt.** The County currently has approximately \$84 million in total bonded debt for functions considered governmental activities. This includes serial bonds and bonds issued by the Rensselaer Tobacco Asset Securitization Corporation (the “RTASC”).

As previously discussed, the RTASC is considered a component unit of the County and its long-term debt is included within the non-current liabilities of the County. The long-term debt of RTASC at December 31, 2013 is \$46,992,850. 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 \$23,865,000 as of December 31, 2013.

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

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

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

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

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

In particular, the required contribution to the state run Medicaid program continues to place budgetary pressure upon the County.

Other significant risks include:

- ◆ High employee benefit costs in the form of contributions to the New York State and Local Retirement System, and for rising health insurance premiums for both active employees and retirees.
- ◆ The sluggish economic recovery with sales tax revenue increases averaging just over one percent over the last two fiscal years.
- ◆ Increasing public safety costs, including new debt service and personnel costs related to improvements necessary to operate the County emergency communications systems.
- ◆ Increasing home and community expenses, due to an aging sewer system and other capital assets requiring significant future investments in infrastructure.
- ◆ The ability of the County to continue to control costs at the Van Rensselaer Manor Nursing Home and the reliance on the federal Intergovernmental Transfer (IGT) program to offset County subsidies.
- ◆ Limitations on property tax increases due to the New York State Tax Cap legislation.

Despite these factors, Rensselaer County was able to develop a General Fund budget for 2014 which did not rely 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. The County has generated general fund surpluses over each of the last six fiscal years, continuing to strengthen its fund balance.

**Requests for Information**

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



# BASIC FINANCIAL STATEMENTS



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**COUNTY OF RENSSELAER, NEW YORK**  
**Statement of Net Position**  
**December 31, 2013**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Industrial Development Agency</u>	<u>Hudson Valley Community College August 31, 2013</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,448,754	\$ 2,320	\$ 27,451,074	\$ 4,999,970	\$ 58,641,793
Restricted cash	13,793,370	208,413	14,001,783	13,600	-
Cash with fiscal agent	15,336,883	-	15,336,883	-	-
Investments	-	-	-	-	6,918,507
Property taxes receivable (net of allowance)	28,894,137	-	28,894,137	-	-
Other receivables (net of allowance)	16,454,556	17,496,385	33,950,941	5,058	5,326,657
State and federal receivables	23,949,812	-	23,949,812	-	-
Internal balances	(4,106,814)	4,106,814	-	-	-
Due from other governments	7,157,016	-	7,157,016	-	-
Due from component units/primary government	36,870,070	-	36,870,070	-	-
Inventories	347,425	142,549	489,974	-	496,077
Prepays	55,516	1,667	57,183	-	1,563,316
Other assets	-	-	-	873,993	1,397,773
Assets held by trustee	-	2,898,025	2,898,025	-	6,321,707
Capital assets not being depreciated	13,664,126	550,000	14,214,126	-	4,906,611
Capital assets, net of accumulated depreciation	134,342,111	10,412,680	144,754,791	9,872	158,512,073
Total assets	<u>314,206,962</u>	<u>35,818,853</u>	<u>350,025,815</u>	<u>5,902,493</u>	<u>244,084,514</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	12,548,437	1,184,436	13,732,873	13,162	10,840,394
Accrued liabilities	6,674,339	1,502,449	8,176,788	-	8,775,377
Due to Agency Fund	2,562,815	-	2,562,815	-	-
Due to other governments	31,557,908	1,691,842	33,249,750	-	-
Due to component units/primary government	-	-	-	-	36,870,070
Unearned revenues	1,585,408	-	1,585,408	-	20,023,230
Bond anticipation notes payable	3,310,088	-	3,310,088	-	-
Amounts held on behalf of HVCC	7,833,776	-	7,833,776	-	-
Noncurrent liabilities:					
Due within one year	17,588,010	4,209,681	21,797,691	-	4,125,685
Due within more than one year	211,376,677	33,393,308	244,769,985	-	46,760,039
Total liabilities	<u>295,037,458</u>	<u>41,981,716</u>	<u>337,019,174</u>	<u>13,162</u>	<u>127,394,795</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Grant funding and loans receivable	1,825,032	-	1,825,032	-	-
Total deferred inflows of resources	<u>1,825,032</u>	<u>-</u>	<u>1,825,032</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	30,259,369	(10,004,295)	20,255,074	9,872	108,108,944
Restricted for:					
City of Troy	16,500	-	16,500	-	-
Tax stabilization	152,590	-	152,590	-	-
Handicapped parking	35,615	-	35,615	-	-
Debt service	2,617,617	-	2,617,617	-	-
Scholarships and fellowships	-	-	-	-	5,498,152
Capital projects and debt service	-	-	-	-	3,781,298
South Troy Industrial Park Project	-	-	-	13,600	-
Unrestricted	(15,737,219)	3,841,432	(11,895,787)	5,865,859	(698,675)
Total net position	<u>\$ 17,344,472</u>	<u>\$ (6,162,863)</u>	<u>\$ 11,181,609</u>	<u>\$ 5,889,331</u>	<u>\$ 116,689,719</u>

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

**COUNTY OF RENNELLAER, NEW YORK**  
**Statement of Activities**  
**Year Ended December 31, 2013**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Industrial Development Agency	Hudson Valley Community College August 31, 2013
						Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government support	\$ 45,865,620	\$ 7,345,591	\$ 1,275,493	\$ -	\$ (37,244,536)	\$ -	\$ (37,244,536)		
Education	18,469,062	4,108,542	7,628,221	-	(6,732,299)	-	(6,732,299)		
Public safety	39,349,620	5,848,416	2,186,726	-	(31,314,478)	-	(31,314,478)		
Health	19,475,275	10,775,609	9,485,487	-	785,821	-	785,821		
Transportation	10,698,176	-	1,821,113	219,437	(8,657,626)	-	(8,657,626)		
Economic assistance and opportunity	106,797,818	4,636,026	38,247,642	-	(63,914,150)	-	(63,914,150)		
Culture and recreation	490,964	-	2,237,218	-	1,746,254	-	1,746,254		
Home and community services	6,199,238	6,830,479	208,694	-	839,935	-	839,935		
Interest and fiscal charges	5,656,437	-	-	-	(5,656,437)	-	(5,656,437)		
Total governmental activities	253,002,210	39,544,663	63,090,594	219,437	(150,147,516)	-	(150,147,516)		
Business-type activities:									
Van Rensselaer Manor	42,197,086	31,253,833	7,531,368	-	-	(3,411,885)	(3,411,885)		
Total primary government	\$ 295,199,296	\$ 70,798,496	\$ 70,621,962	\$ 219,437	(150,147,516)	(3,411,885)	(153,559,401)		
Component units:									
Industrial Development Agency	\$ 1,758,923	\$ 1,662,601	\$ 266,240	\$ -				\$ 169,918	\$ -
Hudson Valley Community College	124,002,068	66,831,940	71,476,870	1,358,794				-	15,665,536
Total component units	\$ 125,760,991	\$ 68,494,541	\$ 71,743,110	\$ 1,358,794				169,918	15,665,536
General revenues:									
Real property taxes and tax items					65,234,235	-	65,234,235	-	-
Non-property taxes					80,269,150	-	80,269,150	-	-
Use of money and property					2,288,025	-	2,288,025	7,101	463,168
Fines and forfeitures					299,184	-	299,184	-	-
Sale of property and compensation for loss					318,232	-	318,232	-	-
Miscellaneous					558,331	-	558,331	160,106	3,199,709
Transfers					(2,809,170)	2,809,170	-	-	-
Total general revenues and transfers					146,157,987	2,809,170	148,967,157	167,207	3,662,877
Change in net position					(3,989,529)	(602,715)	(4,592,244)	337,125	19,328,413
Net position—beginning					21,334,001	(5,560,148)	15,773,853	5,552,206	97,361,306
Net position—ending					\$ 17,344,472	\$ (6,162,863)	\$ 11,181,609	\$ 5,889,331	\$ 116,689,719

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

**COUNTY OF RENSSELAER, NEW YORK**

**Balance Sheet  
Governmental Funds  
December 31, 2013**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,576,158	\$ -	\$ 2,626,792	\$ 24,202,950
Restricted cash and cash equivalents	6,795,099	4,380,654	2,617,617	13,793,370
Cash with fiscal agent	-	15,336,883	-	15,336,883
Property taxes receivable (net of allowance)	26,765,838	-	-	26,765,838
Other receivables	11,051,722	371,982	3,679,108	15,102,812
State and federal receivables	18,784,347	1,691,944	1,295,829	21,772,120
Due from other funds	295,770	-	1,219,301	1,515,071
Due from other governments	7,157,016	-	-	7,157,016
Inventories	-	-	347,425	347,425
Prepaid items	55,516	-	-	55,516
Total assets	<u>\$ 92,481,466</u>	<u>\$ 21,781,463</u>	<u>\$ 11,786,072</u>	<u>\$ 126,049,001</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,875,362	\$ 4,479,802	\$ 994,177	\$ 12,349,341
Accrued liabilities	2,514,364	-	56,762	2,571,126
Due to other funds	8,945,809	-	1,382,631	10,328,440
Due to other governments	30,312,808	235,917	721,387	31,270,112
Unearned revenues	1,563,233	-	22,175	1,585,408
Bond anticipation notes payable	-	3,310,088	-	3,310,088
Amounts held on behalf of HVCC	6,590,394	1,243,382	-	7,833,776
Total liabilities	<u>56,801,970</u>	<u>9,269,189</u>	<u>3,177,132</u>	<u>69,248,291</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Grant funding and loans receivable	-	-	1,825,032	1,825,032
Unavailable revenue—property taxes	16,401,402	-	-	16,401,402
Total deferred inflows of resources	<u>16,401,402</u>	<u>-</u>	<u>1,825,032</u>	<u>18,226,434</u>
<b>FUND BALANCES</b>				
Nonspendable	55,516	-	347,425	402,941
Restricted	204,705	12,512,274	2,617,617	15,334,596
Assigned	7,094,929	-	3,818,866	10,913,795
Unassigned	11,922,944	-	-	11,922,944
Total fund balances	<u>19,278,094</u>	<u>12,512,274</u>	<u>6,783,908</u>	<u>38,574,276</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 92,481,466</u>	<u>\$ 21,781,463</u>	<u>\$ 11,786,072</u>	<u>\$ 126,049,001</u>

**COUNTY OF RENSSELAER, NEW YORK**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2013**

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

Total fund balances—governmental funds (page 17)		\$ 38,574,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$291,036,823 and the accumulated depreciation is \$143,030,586.		148,006,237
To recognize interest accrual on long term debt. Accrued interest for general obligation bonds is \$1,705,059 and accrued interest on RTASC bonds is \$127,840 at year end.		(1,832,899)
Uncollected property taxes are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		16,401,402
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.		451,736
To recognize tobacco settlement revenue that is not available for recognition within the governmental fund financial statements.		2,177,692
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds, as follows:		
Serial bonds/CAB principal	\$ (36,846,930)	
Unamortized premiums	(897,930)	
RTASC bonds and accreted interest	(46,992,850)	
Installment purchase debt	(55,785,355)	
Compensated absences	(11,445,260)	
Retirement obligations	(1,840,974)	
Due to other governments - IGT	(5,200,000)	
Net OPEB obligation	(25,988,054)	
Workers' compensation	(1,436,619)	(186,433,972)
Total net position of governmental activities		\$ 17,344,472

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, 2013**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 50,667,379	\$ -	\$ 6,384,929	\$ 57,052,308
Real property tax items	6,530,070	-	-	6,530,070
Non-property tax items	79,360,812	-	908,338	80,269,150
Departmental income	17,589,359	-	6,770,673	24,360,032
Intergovernmental charges	15,789,738	-	-	15,789,738
Use of money and property	104,421	10,894	2,172,710	2,288,025
Fines and forfeitures	292,374	-	6,810	299,184
Sale of property and compensation for loss	269,228	-	49,004	318,232
Miscellaneous	297,770	-	260,561	558,331
Interfund revenues	1,148,263	-	6,642	1,154,905
State aid	37,175,098	31,321	1,730,210	38,936,629
Federal aid	22,515,976	188,116	1,669,310	24,373,402
Tobacco settlement revenue	-	-	2,223,287	2,223,287
Total revenues	<u>231,740,488</u>	<u>230,331</u>	<u>22,182,474</u>	<u>254,153,293</u>
<b>EXPENDITURES</b>				
Current:				
General government support	42,825,287	-	805,881	43,631,168
Education	18,125,319	-	-	18,125,319
Public safety	36,077,959	-	237,296	36,315,255
Health	19,119,538	-	-	19,119,538
Transportation	545,792	-	8,415,482	8,961,274
Economic assistance and opportunity	97,909,967	-	1,788,549	99,698,516
Culture and recreation	476,464	-	-	476,464
Home and community services	1,370,891	-	3,385,613	4,756,504
Employee benefits	-	-	2,303,466	2,303,466
Debt service:				
Principal	5,588,648	-	3,319,503	8,908,151
Interest	4,822,069	-	2,713,793	7,535,862
Refunding bond issuance costs	-	-	-	-
Capital outlay	-	26,830,023	-	26,830,023
Total expenditures	<u>226,861,934</u>	<u>26,830,023</u>	<u>22,969,583</u>	<u>276,661,540</u>
Excess (deficiency) of revenues over expenditures	<u>4,878,554</u>	<u>(26,599,692)</u>	<u>(787,109)</u>	<u>(22,508,247)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	35,979	600,000	635,979
Transfers out	(3,334,170)	-	(110,979)	(3,445,149)
Proceeds from issuance of debt	-	22,725,239	-	22,725,239
Tax sale certificates reserve	(761,651)	-	-	(761,651)
Total other financing sources (uses)	<u>(4,095,821)</u>	<u>22,761,218</u>	<u>489,021</u>	<u>19,154,418</u>
Net change in fund balances	782,733	(3,838,474)	(298,088)	(3,353,829)
Fund balances—beginning	18,495,361	16,350,748	7,081,996	41,928,105
Fund balances—ending	<u>\$ 19,278,094</u>	<u>\$ 12,512,274</u>	<u>\$ 6,783,908</u>	<u>\$ 38,574,276</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, 2013**

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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) \$ (3,353,829)

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	\$ (29,054,694)	
Depreciation expense	<u>8,727,609</u>	20,327,085

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.

Principal payments on serial bonds	\$ 4,756,190	
Premium amortization	64,138	
Issuance of installment purchase debt	(22,725,239)	
Payment of installment purchase debt	795,412	
Payments on capital appreciation bonds	2,424,073	
Accreted interest of capital appreciation bonds	(56,818)	
Payment on RTASC bond	745,000	
Accreted interest of RTASC bond	<u>(1,336,253)</u>	(15,333,497)

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. (545,983)

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	\$ (442,228)	
Retirement obligation	513,992	
Due to other governments - IGT	(5,200,000)	
Net OPEB obligation	(2,399,598)	
Workers' compensation	<u>246,829</u>	(7,281,005)

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. 2,372,026

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. (174,326)

Change in net position of governmental activities \$ (3,989,529)

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, 2013**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Van Rensselaer Manor</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,320	\$ 3,245,804
Restricted cash and cash equivalents	208,413	-
Accounts receivable (net of allowance for uncollectibles)	17,496,385	1,351,744
Due from other governments	-	-
Due from other funds	4,106,814	2,179,394
Inventories	142,549	-
Prepaid items	1,667	-
Total current assets	<u>21,958,148</u>	<u>6,776,942</u>
Noncurrent assets:		
Assets held by trustee	2,898,025	-
Capital assets not being depreciated	550,000	-
Capital assets, net of accumulated depreciation	10,412,680	-
Total noncurrent assets	<u>13,860,705</u>	<u>-</u>
Total assets	<u>35,818,853</u>	<u>6,776,942</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,184,436	199,096
Accrued liabilities	1,502,449	142,015
Pension contributions payable	1,691,842	287,796
Due to other funds	-	35,654
Retirement costs—current	2,704,681	-
Long-term debt—current	1,505,000	-
Total current liabilities	<u>8,588,408</u>	<u>664,561</u>
Noncurrent liabilities:		
Accrued workers' compensation liability	895,988	5,660,645
Accrued retirement costs—excluding current portion	110,665	-
Accrued other post employment benefits	10,026,655	-
Long-term debt—excluding current portion	22,360,000	-
Total noncurrent liabilities	<u>33,393,308</u>	<u>5,660,645</u>
Total liabilities	<u>41,981,716</u>	<u>6,325,206</u>
<b>NET POSITION</b>		
Net investment in capital assets	(10,004,295)	-
Unrestricted	3,841,432	451,736
Total net position	<u>\$ (6,162,863)</u>	<u>\$ 451,736</u>

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, 2013**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Van Rensselaer Manor</b>	<b>Internal Service Funds</b>
Operating revenues:		
Net patient service revenue	\$ 31,253,833	\$ -
Charges for services—interfund	-	23,764,125
Charges for services—intergovernmental	7,415,406	836,956
Other operating revenues	115,962	7,434
Total operating revenues	38,785,201	24,608,515
Operating expenses:		
Nursing and medical services	17,083,707	-
Dietary	3,280,794	-
Household and plant operation	4,145,181	-
Administrative and general services	4,265,920	-
Fringe benefits	8,916,056	3,203,993
Other post employment benefits	976,896	-
Interest expense	1,096,303	-
Depreciation	1,561,037	-
Personal service	-	2,048,797
Contractual expenses	-	19,434,638
Equipment	-	100,101
Bad debt expense	683,189	-
Total operating expenses	42,009,083	24,787,529
Operating loss	(3,223,882)	(179,014)
Nonoperating revenues (expenses):		
Contribution from County	2,809,170	-
Other non-operating expenses	(188,003)	-
Interest income	-	4,688
Total non-operating revenues (expenses)	2,621,167	4,688
Change in net position	(602,715)	(174,326)
Total net position—beginning	(5,560,148)	626,062
Total net position—ending	\$ (6,162,863)	\$ 451,736

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, 2013**

	<b>Business-type Activities</b>	<b>Governmental Activities</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	\$ 36,163,241	\$ 24,945,498
Payments to suppliers for goods and services	(9,591,706)	(19,520,085)
Payments to employees for services	(28,106,177)	(5,141,285)
Payments for interest	(1,096,303)	-
Internal activity—payment made from or to County	1,933,419	(1,253,232)
Other operating revenue	115,963	7,434
Net cash used for operating activities	(581,563)	(961,670)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Contributions and advances from County	2,809,170	-
Other non-operating expenses	(188,003)	-
Interest earned (fees incurred) on bank accounts	(111)	4,688
Net cash provided by non-capital financing activities	2,621,056	4,688
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures, net	(629,606)	-
Net increase in assets held by trustee	2	-
Principal payments on long-term debt	(1,410,000)	-
Net cash used for capital and related financing activities	(2,039,604)	-
Net decrease in cash and cash equivalents	(111)	(956,982)
Cash and cash equivalents—beginning	2,431	4,202,786
Cash and cash equivalents—ending	\$ 2,320	\$ 3,245,804

(continued)

**COUNTY OF RENSSELAER, NEW YORK**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2013**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Van Rensselaer Manor</b>	<b>Internal Service Funds</b>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss	\$ (3,223,882)	\$ (179,014)
Adjustments to reconcile operating income to net cash used for operating activities:		
Depreciation expense	1,561,037	-
(Increase) decrease in accounts receivable	(1,917,283)	344,417
Decrease in due from other governments	1,933,419	-
Decrease in inventory	16,902	-
(Increase) decrease in prepaid expenses	(2)	109,072
(Increase) in due from other funds	-	(719,879)
Increase (decrease) in accounts payable	81,317	(94,418)
Increase (decrease) in due to other governments	94,474	(533,353)
Increase in compensation and related costs	98,750	-
(Decrease) increase in retirement and workers' compensation	(211,321)	44,881
Increase in other post employment benefits	976,896	-
Increase in other accrued expenses	8,130	66,624
Total adjustments	2,642,319	(782,656)
Net cash used for operating activities	\$ (581,563)	\$ (961,670)

(concluded)

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

**COUNTY OF RENNELAER, NEW YORK**  
**Statement of Net Position**  
**Fiduciary Fund**  
**December 31, 2013**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,896,586
Due from other funds	<u>2,562,815</u>
Total assets	<u>\$ 5,459,401</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 597,246
Agency liabilities	<u>4,862,155</u>
Total liabilities	<u>\$ 5,459,401</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, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

**Hudson Valley Community College**—The Hudson Valley Community College (“HVCC”) was established under Article 126 of the Education Act of the State of New York under the sponsorship of Rensselaer County. A Board of Trustees operates the College under paragraph (C) of the Subdivision 6 of Section 6304 of the Education Act of the State of New York. There are ten board members, five are appointed by the County Legislature, the Governor appoints four, and one is an elected student. HVCC is included based on its August 31, 2013 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 enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the County’s water and transit functions and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

The County 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 enterprise fund as follows:

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

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

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

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

### ***Budgetary Information***

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

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

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

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, 2013, supplemental appropriations in the amount of \$6,695,997 were approved in the General Fund. These additional appropriations were partially funded by increases to estimated revenues.

***Encumbrances***—Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. The County considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. As of December 31, 2013, the County did not have any encumbrances that were considered to be significant.

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

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days or less from the date of acquisition. State statutes and various resolutions of the County Legislature govern the County's investment policies. Permissible investments include obligations of the U.S. Treasury and U.S. Government agencies, repurchase agreements and obligations of New York State or its localities. Investments are stated at fair value based on quoted market prices.

Restricted cash represents debt proceeds and amounts to support restricted fund balance held by the County and trustee banks to be drawn down as the County and/or College incurs eligible project costs and deposits held in custody for patients of the Van Rensselaer Manor.

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

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

**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.

**Unearned Revenue**—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2013, the County reported unearned revenues within the General Fund of \$1,563,233 and within other governmental funds of \$22,175.

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

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

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

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

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

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

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. At December 31, 2013, the County does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category. The first arises under a modified accrual basis of accounting. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the County reports deferred inflows of resources for items which represent resources that have been received before timing requirements have been met.

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

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

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

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

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The County Legislature (Legislature) has by resolution authorized the Chief Financial Officer to assign fund balance. The Legislature may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments

generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenditures/Expenses***

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

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

Van Rensselaer Manor 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 2012. The Medicaid cost reports for years 2012 and prior have been submitted to the regulators.

***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 \$8,862,353 that represents taxes re-levied for schools and villages is recognized as a liability and is included in due to other governments. Another portion of the receivable, \$14,645,586, 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 2013 is approximately \$5.3 billion. The total County levy, including all charge backs, for 2013 was \$65,138,159. 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 2013 levy represents approximately 36.23% of the maximum statutory levy.

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

During the years ended December 31, 2012 and 2011 the County sold TSCs totaling \$2,945,736, and \$2,975,229 respectively, which represented liens on certain outstanding property taxes for 2011 and 2010. Of these amounts, \$1,355,906 and \$2,172,129 were collected related to the 2012 and 2011 TSC sales and subsequently transferred to the trustee during 2013. As of December 31, 2013, \$1,488,657 and \$639,642 remained outstanding on the 2012 and 2011 sales, respectively. The County did not sell any TSCs during the year ended December 31, 2013.

The primary non-property tax item is sales tax totaling \$8,720,667, 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. During the fiscal year ended December 31, 2013 the County received authorization to continue a 1% extension on its local share of sales tax for the period commencing December 1, 2013 and ending on November 30, 2015. The County allocates a percentage of the sales tax to the cities, towns and villages within the County. The agreements with cities relating to calculation and distribution of their proportional share of sales tax are negotiated through November 30, 2015.

***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 \$3,920,715 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 \$702,709.

An additional accrued liability of \$7,524,545 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 \$335,524.

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

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

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

The County records the required local match in the government wide financial statements consistent with the full accrual basis of accounting. The County does not record a liability within the governmental funds, as it will not be liquidated with current availability financial resources.

**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 2013, the County has reported interfund revenues in the General Fund of \$1,148,263 representing an allocation of costs to various special revenue funds and Van Rensselaer Manor. The amounts are reported as general government support expenditures in the General Fund as well as in the benefiting funds.

#### **Other**

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

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

**Medicaid Services**—The New York State Department of Health processes payments for Medicaid services through a third-party contractor. The County is subsequently billed for its share of expenditures as established by State laws and regulations. Chapter 58 of Laws of 2006 capped County Medicaid costs at calendar 2006 levels and an annual growth rate of 3.0 percent, based on each County's local share of

expenditures in 2005. In 2012, the state legislature amended the law (Part F) to reduce the counties increase to 2.0 percent in 2013, 1.0 percent in 2014 and 0 percent thereafter.

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

**Reclassifications**—Certain amounts were classified from HVCC’s financial statements to conform to the County’s reporting presentation. In the HVCC’s statement of net position, \$36,870,070 previously classified as long term liabilities was reclassified as due to component units. This amount has been included in the County’s statement of net position as due from component units and included in long term liabilities. This amount represents serial bonds that are funded by the College, but are issued by the County on behalf of the College.

**Adoption of New Accounting Pronouncement**—During the year ended December 31, 2013, the County implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and 66 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 No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; No. 69, *Government Combinations and Disposals of Government Operations*; and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68* effective for the year ended December 31, 2015. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are adopted.

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

**Deficit Net Position**—The Enterprise Fund of the County, Van Rensselaer Manor, had a net position deficit of \$6,162,863 at December 31, 2013. 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. 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, 2013 is presented on the following page.

Governmental Funds	\$ 53,333,202
Enterprise Fund	210,733
Internal Service Fund	3,245,804
Agency Fund	<u>2,896,586</u>
Total	<u>\$ 59,686,325</u>

The County's cash and cash equivalents were comprised of the following at December 31, 2013:

	Maturity Date	Fair Value at December 31, 2013
Petty cash (uncollateralized)	n/a	\$ 5,945
Deposits with financial institutions	n/a	41,736,543
Cash held by fiscal agent	n/a	15,336,883
Money market funds	n/a	78,024
Discount note	1/2/2014	<u>2,528,930</u>
Total		<u>\$ 59,686,325</u>

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

	December 31, 2013	
Credit risk category:	Carrying Amount	Bank Balance
FDIC insured	\$ 2,885,516	\$ 2,885,670
Uninsured:		
Collateral held by bank's agent in County's name	<u>38,851,027</u>	<u>41,045,821</u>
Total deposits	<u>\$ 41,736,543</u>	<u>\$ 43,931,491</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, 2013. These cash equivalents are carried at fair value as displayed below.

	Carrying Amount	Bank Balance
Money market funds	\$ 78,024	\$ 78,024
Discount note	<u>2,528,930</u>	<u>2,528,930</u>
Total	<u>\$ 2,606,954</u>	<u>\$ 2,606,954</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, 2013, all of the County's deposits were insured or collateralized.

**Restricted cash**—Total governmental activities restricted cash of \$13,793,370 of which \$7,833,776 represents cash held on behalf of HVCC, \$3,137,272 restricted for County capital projects, and \$2,822,322 to support restricted fund balance. Additionally, the County report cash with fiscal agent of \$15,336,883 for capital projects at December 31, 2013. Business-type activities restricted cash represents deposits totaling \$208,413, 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 \$5,013,570 (includes restricted cash of \$13,600) and were fully collateralized at December 31, 2013.

**HVCC Component Unit**—Deposits and investments totaled \$71,882,007 and were fully collateralized or insured at August 31, 2013.

### 3. RECEIVABLES

Revenues accrued by the County consist of the following:

**A. Other receivables**—Represent amounts due from various sources. Amounts accrued at December 31, 2013 are:

Governmental Funds:	
General Fund	\$ 11,051,722
Capital Projects Fund	371,982
Other governmental funds	3,679,108
Enterprise Fund	17,496,385
Internal Service Fund	<u>1,351,744</u>
Total	<u>\$ 33,950,941</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, 2013 are:

Governmental Funds:	
General Fund	\$ 18,784,347
Capital Projects Fund	1,691,944
Other governmental funds	<u>1,295,829</u>
Total	<u>\$ 21,772,120</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, 2013 are:

Governmental Fund:	
General Fund	<u>\$ 7,157,016</u>
Total	<u>\$ 7,157,016</u>

#### 4. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for the primary government’s governmental activities, for fiscal year ending December 31, 2013, was as follows:

	Primary Government—Governmental Activities			
	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013
Capital assets, not being depreciated:				
Land	\$ 672,880	\$ -	\$ -	\$ 672,880
Construction in progress	9,906,971	12,610,959	(9,526,684)	12,991,246
Total capital assets not being depreciated	<u>10,579,851</u>	<u>12,610,959</u>	<u>(9,526,684)</u>	<u>13,664,126</u>
Capital assets, being depreciated:				
Land improvements	6,875,250	-	-	6,875,250
Buildings and building improvements	120,592,302	8,625	-	120,600,927
Infrastructure	92,943,180	24,391,154	-	117,334,334
Machinery and equipment	31,350,865	1,570,640	(359,319)	32,562,186
Total capital assets being depreciated	<u>251,761,597</u>	<u>25,970,419</u>	<u>(359,319)</u>	<u>277,372,697</u>
Less accumulated depreciation for:				
Land improvements	(6,872,750)	(1,000)	-	(6,873,750)
Buildings and building improvements	(41,013,498)	(3,626,653)	-	(44,640,151)
Infrastructure	(61,085,041)	(3,431,624)	-	(64,516,665)
Machinery and equipment	(25,691,007)	(1,668,332)	359,319	(27,000,020)
Total accumulated depreciation	<u>(134,662,296)</u>	<u>(8,727,609)</u>	<u>359,319</u>	<u>(143,030,586)</u>
Total capital assets, being depreciated, net	<u>117,099,301</u>	<u>17,242,810</u>	<u>-</u>	<u>134,342,111</u>
Governmental activities capital assets, net	<u>\$ 127,679,152</u>	<u>\$ 29,853,769</u>	<u>\$ (9,526,684)</u>	<u>\$ 148,006,237</u>

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

Governmental activities:	
General government support	\$ 1,312,411
Public safety	2,681,952
Health	14,670
Transportation	3,294,104
Economic assistance and opportunity	66,765
Culture and recreation	5,292
Home and community services	1,352,415
Total depreciation expense—governmental activities	<u>\$ 8,727,609</u>

**Business-type activities**—Capital asset activity for the primary government’s business-type activities (Enterprise Fund), for fiscal year ending December 31, 2013, 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
Building improvements	10,873,491	-	-	10,873,491
Machinery and equipment	<u>5,458,759</u>	<u>629,606</u>	<u>(1,053,412)</u>	<u>5,034,953</u>
Total capital assets being depreciated	<u>36,771,280</u>	<u>629,606</u>	<u>(1,053,412)</u>	<u>36,347,474</u>
Less accumulated depreciation for:				
Buildings	(12,733,673)	(717,415)	-	(13,451,088)
Building improvements	(8,797,535)	(540,650)	-	(9,338,185)
Machinery and equipment	<u>(3,895,961)</u>	<u>(302,972)</u>	<u>1,053,412</u>	<u>(3,145,521)</u>
Total accumulated depreciation	<u>(25,427,169)</u>	<u>(1,561,037)</u>	<u>1,053,412</u>	<u>(25,934,794)</u>
Total capital assets, being depreciated, net	<u>11,344,111</u>	<u>(931,431)</u>	<u>-</u>	<u>10,412,680</u>
Business-type activities capital assets, net	<u>\$ 11,894,111</u>	<u>\$ (931,431)</u>	<u>\$ -</u>	<u>\$ 10,962,680</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 12/31/13
Machinery and equipment	\$ 136,929
Total capital assets	136,929
Less: accumulated depreciation	<u>(127,057)</u>
Total capital assets, net	<u>\$ 9,872</u>

**ii) Hudson Valley Community College**

	Balance 8/31/2013
Land, land improvements and infrastructure	\$ 23,441,716
Buildings and building improvements	203,240,307
Machinery and equipment	26,405,361
Construction in progress	<u>4,906,611</u>
Total capital assets	257,993,995
Less: accumulated depreciation	<u>(106,910,680)</u>
Total Hudson Valley Community College	<u>\$ 151,083,315</u>

**5. ACCRUED LIABILITIES**

Accrued liabilities reported by the governmental funds at December 31, 2013, were as follows:

	General Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 1,655,114	\$ -	\$ 1,655,114
Litigation payable	857,260	-	857,260
Other liabilities	1,990	56,762	58,752
Total	<u>\$ 2,514,364</u>	<u>\$ 56,762</u>	<u>\$ 2,571,126</u>

**6. 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
2013	\$ 14,930,644
2012	13,425,305
2011	10,965,203

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

## 7. OTHER POSTEMPLOYMENT BENEFITS

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

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

The County recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. County governmental activities and business-type activities contributed \$1,131,000 and \$218,000, respectively for the fiscal year ended December 31, 2013.

The County's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Van Rensselaer Manor's net OPEB obligation.

	Governmental Activities	Business-type Activities
Annual required contribution	\$ 3,951,185	\$ 1,356,255
Interest on net OPEB obligation	943,538	361,990
Adjustment to annual required contribution	<u>(1,364,125)</u>	<u>(523,349)</u>
Annual OPEB costs (expense)	3,530,598	1,194,896
Contributions made	<u>(1,131,000)</u>	<u>(218,000)</u>
Increase in net OPEB obligation	2,399,598	976,896
Net OPEB obligation—beginning of year	<u>23,588,456</u>	<u>9,049,759</u>
Net OPEB obligation—end of year	<u>\$ 25,988,054</u>	<u>\$ 10,026,655</u>

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

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

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2013	\$ 3,951,185	\$ 1,131,000	28.6%
2012	4,663,629	1,125,457	24.1%
2011	4,351,642	1,435,000	33.0%

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

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2013	\$ 1,356,255	\$ 218,000	16.1%
2012	1,611,233	191,924	11.9%
2011	1,494,468	273,640	18.3%

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

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

## 8. RISK MANAGEMENT

*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 \$1 million per occurrence and an aggregate \$6 million limit. All other policies have limits ranging from \$100,000 to \$310,720,416.

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 \$6 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, 2013.

The County is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; business interruption; errors or omissions, injuries to employees and natural disasters. The County

assumes some risk of loss relating to unemployment and workers' compensation. The County has established internal service funds to account for losses, claims and judgments relating to these exposures. These internal service funds are used to account for and finance the County, the Van Rensselaer Manor and in the case of the workers' compensation, its plan members' uninsured risk of loss. The County insures itself ("self-insures") for all unemployment claims. The County purchases insurance for claims in excess of coverage provided by the internal service funds and for all other risks or loss. Settled claims have not exceeded the annual self-insurance funding in any of the past three fiscal years.

All funds of the County and the Van Rensselaer Manor participate in the self-insurance programs and make payments to the internal service funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for unforeseen losses. Claims and judgments are recognized consistent with the requirements of GASB which requires that claims and judgments be recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Internal service fund claim liabilities reported for unemployment, dental and vision at December 31, 2013 were \$81,858.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2013	\$ 91,047	\$ 17,981,931	\$ 17,991,120	\$ 81,858
2012	447,205	16,924,749	17,280,907	91,047

Workers' compensation liability, reported in the Internal Service Fund, for the County and 20 other plan members at December 31, 2013 was \$5,660,645. Other plan members participate in the program and make payments on the same basis as County funds and departments. The liability for workers' compensation is also established based on the requirements of GASB.

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2013	\$ 5,603,362	\$ 2,205,055	\$ 2,147,772	\$ 5,660,645
2012	4,817,047	949,797	163,482	5,603,362

The claims liability of the Van Rensselaer Manor relating to workers' compensation at December 31, 2013 and 2012 was \$895,988 and \$1,084,189, respectively. Expenses for workers' compensation for the years ended December 31, 2013 and 2012 were \$440,672 and \$807,027, respectively. Claims and claim adjustments were \$252,471 and \$1,024,523 for the years ended December 31, 2013 and 2012, respectively.

## 9. LEASE OBLIGATIONS

**Leases payable**—The County leases certain property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligation, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, is also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable in the fund financial statements. Total expenditures on operating leases for the fiscal year ended December 31, 2013 were approximately \$1,579,266.

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
2014	\$ 1,011,980
2015	899,980
2016	889,207
2017	878,248
2018	214,906
2019-2023	493,000
2024 and beyond	193,580
Future minimum payments	<u>\$ 4,580,901</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%.

During the year ended December 31, 2013, the County entered into additional Energy Performance Contracts for design and construction of more energy efficient systems with the sewer district sites and County Building. Principal and interest payments are made quarterly. The interest rate of the Installment Purchase Debt is approximately 2.60%.

The following summarizes requirements of the Installment Purchase Debt:

Year ended December 31,	Governmental Activities		
	Sewer District	County Building	Total
2014	\$ 2,846,541	\$ 252,682	\$ 3,099,223
2015	3,437,374	252,684	3,690,058
2016	4,107,163	252,683	4,359,846
2017	4,403,387	252,682	4,656,069
2018	4,403,887	252,690	4,656,577
2019-2023	22,383,717	-	22,383,717
2024-2028	19,972,883	-	19,972,883
2029 and beyond	6,603,003	-	6,603,003
Total minimum lease payments	68,157,955	1,263,420	69,421,375
Less: Amount representing imputed interest costs	(13,557,879)	(78,141)	(13,636,020)
Present value of minimum lease payment	<u>\$ 54,600,077</u>	<u>\$ 1,185,278</u>	<u>\$ 55,785,355</u>

The assets acquired through the capital lease are as follows:

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

## 10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date.

The following is an analysis of the County’s short-term debt as of, and for the year ending, December 31, 2013:

Description	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Projects Fund:</b>					
<i>Bond anticipation notes:</i>					
Clean water facility note 2013A	0.00%	\$ -	\$ 1,655,044	\$ -	\$ 1,655,044
Clean water facility note 2013B	0.40%	-	1,655,044	-	1,655,044
Total		<u>\$ -</u>	<u>\$ 3,310,088</u>	<u>\$ -</u>	<u>\$ 3,310,088</u>

## 11. LONG-TERM LIABILITIES

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

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

**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, 2013 is presented on the following pages.

Description	Year Issue/ Maturity	Interest Rate	Original		Increases	Decreases	Ending Balance
			Issue Amount	Beginning Balance			
<b>Governmental activities serial bonds issued by the County:</b>							
General:							
Public Safety Bldg	1991/2021	6.70	\$ 19,245,000	\$ 6,747,800	\$ -	\$ 750,100	\$ 5,997,700
Jail (CAB)	1995/2013	4.6/5.85	942,000	25,053	-	25,053	-
Industrial Park (CAB)	1995/2013	4.6/5.85	821,000	42,249	-	42,249	-
E-911 (CAB)	1995/2013	4.6/5.85	1,500,000	39,900	-	39,900	-
Radios (CAB)	1995/2013	4.6/5.85	250,000	6,642	-	6,642	-
Courts (CAB)	1995/2013	4.6/5.85	500,000	13,295	-	13,295	-
Courts (G/208/90)	1998/2013	4.00/5.25	290,000	12,982	-	12,982	-
Courts (G168/94)	1998/2013	4.00/5.25	1,223,000	54,746	-	54,746	-
Courts (G/405/96)	1998/2013	4.00/5.25	5,000,000	223,816	-	223,816	-
Courts (G/521/97)	1998/2013	4.00/5.25	10,000,000	447,632	-	447,632	-
800 Mhz Radio	1998/2013	4.00/5.25	3,750,000	167,861	-	167,861	-
Senior Center	1998/2013	4.00/5.25	101,419	4,539	-	4,539	-
Fac Master Plan	2005/2014	4.0/4.2	1,500,000	132,898	-	65,020	67,878
Jail Expansion	2005/2014	4.0/4.2	5,000,000	442,990	-	216,732	226,258
Jail Expansion	2008/2028	3.25/4.375	20,300,000	17,520,000	-	755,000	16,765,000
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	-	90,947	3,988,000
Highway:							
1995 Roads (CAB)	1995/2013	3.0/5.0	2,899,459	157,374	-	157,374	-
1996 Improvements	1998/2013	4.00/5.25	2,288,000	102,418	-	102,418	-
1997 Improvements	1998/2013	4.00/5.25	1,000,000	44,764	-	44,764	-
2001 Improvements	2001/2014	4.00/4.25	3,547,403	1,908,599	-	939,020	969,579
2005 Improvements	2005/2014	4.0/4.2	2,000,000	177,196	-	86,693	90,503
2005 Machinery	2005/2014	4.0/4.2	2,500,000	221,497	-	108,365	113,132
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	-	274,000	1,226,000
Sewer:							
Odor Control	1998/2013	4.00/5.25	480,000	21,487	-	21,487	-
Monofill	1998/2013	4.00/5.25	592,000	26,500	-	26,500	-
Clarifier	2001/2014	4.00/4.25	575,579	109,871	-	54,055	55,816
Monofill Phase II	2008/2028	3.25/4.375	635,000	550,000	-	25,000	525,000
<b>Total serial bonds and capital appreciation bond principal</b>				<u>41,603,120</u>	<u>-</u>	<u>4,756,190</u>	<u>36,846,930</u>
Unamortized premium				<u>962,068</u>	<u>-</u>	<u>64,138</u>	<u>897,930</u>
Capital appreciation bonds (interest accretions):							
Accumulated appreciation	1995/2013	4.60/5.85	N/A	1,100,536	20,891	1,121,427	-
Accumulated appreciation	1998/2013	4.00/5.25	N/A	<u>1,266,719</u>	<u>35,927</u>	<u>1,302,646</u>	<u>-</u>
Total capital appreciation bond interest accretions				<u>2,367,255</u>	<u>56,818</u>	<u>2,424,073</u>	<u>-</u>

Description	Year Issue/ Maturity	Interest Rate	Original Issue Amount	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities - issued on behalf of the Discretely Presented Component Unit - HVCC - serial bonds:</b>							
HPER Center	1989/2019	6.90/7.00	\$ 2,000,000	\$ 430,000	\$ -	\$ 65,000	\$ 365,000
HPER Center	1991/2020	6.70	5,500,000	1,679,200	-	209,900	1,469,300
COMP/COMM (CAB)	1995/2013	4.6/5.85	7,000,000	240,997	-	240,997	-
Building Renovations (CAB)	1995/2013	4.6/5.85	2,040,000	70,234	-	70,234	-
Roads/Parking (CAB)	1995/2013	4.6/5.85	663,000	22,826	-	22,826	-
HVAC System	1998/2013	4.00/5.25	905,000	40,511	-	40,511	-
Roofs	1998/2013	4.00/5.25	269,000	12,040	-	12,040	-
Gas system	1998/2013	4.00/5.25	46,000	2,058	-	2,058	-
Reconstruction	2001/2014	4.00/4.25	2,460,890	469,748	-	231,114	238,634
HVAC	2001/2014	4.00/4.25	967,290	184,644	-	90,844	93,800
Electrical System	2001/2014	4.00/4.25	479,650	91,558	-	45,047	46,511
Tennis Courts	2001/2014	4.00/4.25	24,941	4,762	-	2,343	2,419
Parking Lot	2001/2014	4.00/4.25	213,638	40,781	-	20,064	20,717
Guenther Hall	2001/2014	4.00/4.25	251,817	48,069	-	23,650	24,419
Renovations/Improve.	2001/2014	4.00/4.25	3,022,581	576,970	-	283,866	293,104
Campus Center	2005/2014	4.0/4.2	4,057,687	359,502	-	175,885	183,617
Various Projects	2005/2014	4.0/4.2	1,236,000	109,507	-	53,577	55,930
Admin Building	2005/2014	4.0/4.2	4,700,000	416,411	-	203,728	212,683
Various Projects	2006/2015	4.4/4.5	6,200,000	815,000	-	260,000	555,000
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	-	557,862	23,021,000
Total serial bonds - component unit				<u>\$ 39,481,616</u>	<u>\$ -</u>	<u>\$ 2,611,546</u>	<u>\$ 36,870,070</u>

**Business-type activities—**

**Van Rensselaer Manor:**

Enterprise Fund:

Leasehold Mortgage	2009/2024	3.55/5.88	\$ 29,980,000	\$ 25,275,000	\$ -	\$ 1,410,000	\$ 23,865,000
Total business-type activities				<u>\$ 25,275,000</u>	<u>\$ -</u>	<u>\$ 1,410,000</u>	<u>\$ 23,865,000</u>

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

	Governmental Activities		Business-Type Activities		Issued by County on behalf of	
	Serial Bond		Enterprise Fund		Component Unit - HVCC	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 3,467,264	\$ 1,326,822	\$ 1,505,000	\$ 1,218,656	\$ 2,292,736	\$ 1,594,570
2015	2,503,010	1,439,509	1,610,000	1,148,306	1,586,990	1,231,621
2016	2,574,349	1,321,966	1,720,000	1,065,056	1,640,651	1,169,854
2017	2,646,688	1,199,508	1,840,000	976,056	1,693,312	1,110,467
2018	2,409,886	1,075,411	1,965,000	880,931	1,790,114	1,041,569
2019-2023	11,817,125	3,569,803	12,065,000	2,574,260	9,059,875	4,113,191
2024-2028	9,398,608	1,333,330	3,160,000	80,975	7,161,392	2,388,308
2029-2033	931,000	262,001	-	-	5,359,000	1,500,455
2034-2038	1,099,000	108,203	-	-	6,286,000	620,972
Total	<u>\$ 36,846,930</u>	<u>\$ 11,636,553</u>	<u>\$ 23,865,000</u>	<u>\$ 7,944,240</u>	<u>\$ 36,870,070</u>	<u>\$ 14,771,007</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 \$2,611,546 in principal and \$2,078,020 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, 2013, the CABs have matured and there is no additional liability to the County.

**Rensselaer Tobacco Asset Securitization Corporation (“RTASC”)**—Changes in RTASC’s long-term debt for the year ended December 31, 2013 are as follows:

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013	Due Within One Year
Tobacco Settlement Bonds:					
Series 2001A	\$ 27,520,000	\$ -	\$ 745,000	\$ 26,775,000	\$ 2,115,000
Subordinate Turbo CABs:					
Series 2005 - Original Principal	11,653,100	-	-	11,653,100	-
Accreted Interest	7,228,497	1,336,253	-	8,564,750	-
Total Subordinated Turbo CABs	18,881,597	1,336,253	-	20,217,850	-
Total RTASC bonds and interest	\$ 46,401,597	\$ 1,336,253	\$ 745,000	\$ 46,992,850	\$ 2,115,000

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

The payment of the Series 2001A Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued operations of the OPMs. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the bond indenture, and amounts established and held in accordance with the bond indenture.

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

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

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

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

Year ended December 31,	Principal	Interest	Total
2014	\$ 2,115,000	\$ 1,459,026	\$ 3,574,026
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	1,685,000	1,144,928	2,829,928
2019-2022	9,995,000	4,141,868	14,136,868
2023-2027	9,220,000	1,014,874	10,234,874
	<u>\$ 26,775,000</u>	<u>\$ 11,662,687</u>	<u>\$ 38,437,687</u>

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

Redemption of the Subordinate Turbo CABs as outlined in the original official statement totals \$67,955,251 with interest ranging from 6.00% to 7.85% and are scheduled to be paid from 2017 through 2040, while early payment is allowed. During the year ended December 31, 2013, funds were not available to make redemption payments. Any debt service amounts not paid in accordance with the Subordinated Turbo CAB’s redemption payments schedule will be due and payable on the following maturity dates:

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

**Compensated Absences**—As explained in Note 1, the County records the value of governmental fund type compensated absences in the governmental activities. The payment of both compensated absences and judgments and claims is dependent on many factors and, therefore, cannot be reasonably estimated as to future timing of payment. The annual budgets of the operating funds provide for such as amounts become payable.

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

**Due to Other Governments - IGT**—The County is required by New York State to advance a percentage of the total IGT payment provided to the Van Rensselaer Manor. The long-term obligation as of December 31, 2013 is estimated to be \$5,200,000 which represents a 50% local match of the \$10,400,000 receivable recorded by the Van Rensselaer Manor. This amount will not be liquidated with current available financial resources and is estimated to be payable in June 2014.

**Workers' Compensation**—As discussed in Note 8, the County reports the workers' compensation liability within the Internal Service fund and in governmental activities. The total of this liability at December 31, 2013 is \$7,097,264.

The following is a summary of changes in the County's long-term liabilities for the year ended December 31, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Serial bonds/CAB principal	\$ 41,603,120	\$ -	\$ 4,756,190	\$ 36,846,930	\$ 3,467,263
Serial bonds - HVCC	39,481,616	-	2,611,546	36,870,070	2,292,736
Unamortized premiums	962,068	-	64,138	897,930	64,138
CAB interest accretions	2,367,255	56,818	2,424,073	-	-
RTASC bonds and accreted interest	46,401,597	1,336,253	745,000	46,992,850	2,115,000
Installment purchase debt	33,855,529	22,725,239	795,413	55,785,355	3,099,223
Compensated absences	11,003,032	442,228	-	11,445,260	572,263
Retirement obligations	2,354,966	-	513,992	1,840,974	777,387
Due to other governments - IGT	-	5,200,000	-	5,200,000	5,200,000
Net OPEB obligation	23,588,456	3,530,598	1,131,000	25,988,054	-
Workers' compensation	7,286,810	-	189,546	7,097,264	-
Total governmental activities	<u>\$ 208,904,449</u>	<u>\$ 33,291,136</u>	<u>\$ 13,230,898</u>	<u>\$ 228,964,687</u>	<u>\$ 17,588,010</u>
<b>Business type activities:</b>					
Bond and mortgage	\$ 25,275,000	\$ -	\$ 1,410,000	\$ 23,865,000	\$ 1,505,000
Retirement obligations	2,838,466	2,616,184	2,639,304	2,815,346	2,704,681
Net OPEB obligation	9,049,759	1,194,896	218,000	10,026,655	-
Workers' compensation	1,084,189	-	188,201	895,988	-
Total business-type activities	<u>\$ 38,247,414</u>	<u>\$ 3,811,080</u>	<u>\$ 4,455,505</u>	<u>\$ 37,602,989</u>	<u>\$ 4,209,681</u>

	Discretely Presented Component Units				
	Balance September 1, 2012	Increases	Decreases	Balance August 31, 2013	Due Within One Year
<b>HVCC:</b>					
Termination benefits	\$ 18,190,001	\$ 921,748	\$ -	\$ 19,111,749	\$ -
Net OPEB obligation	13,739,868	1,830,814	5,238,683	10,331,999	379,806
Association financing agreement	8,073,870	-	438,899	7,634,971	459,159
Capital leases	10,968,469	2,300,000	3,245,559	10,022,910	3,286,720
Other long-term liabilities	3,897,567	-	113,472	3,784,095	-
Total HVCC	<u>\$ 54,869,775</u>	<u>\$ 5,052,562</u>	<u>\$ 9,036,613</u>	<u>\$ 50,885,724</u>	<u>\$ 4,125,685</u>

## 12. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation	\$ 148,006,237
Related debt:	
Serial bonds issued	(36,846,930)
Installment purchase debt	(55,785,355)
RTASC bonds	(39,764,353)
Unspent proceeds reported within the Capital Projects Fund	<u>14,649,770</u>
Debt issued issued for capital assets	<u>(117,746,868)</u>
Net investment in capital assets	<u>\$ 30,259,369</u>

- ◆ **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.
  - **City of Troy**—Represents funds used for sales tax reduction.
  - **Tax stabilization**—Represents amounts set aside for future use to stabilize real property tax levies.
  - **Handicapped parking**—Represents revenues restricted to pay for the handicapped parking program, which is required by State Law.
  - **Capital Projects**—Represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items.

- **RTASC Debt Service**—Restricted for debt payments of the Rensselaer Tobacco Asset Securitization Corporation.

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

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. As of December 31, 2013, the County had \$55,516 of prepaid items and \$347,425 of inventories that were classified as nonspendable funds.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. As of December 31, 2013, the County had the following restricted funds, as presented on the following page.

	General Fund	Capital Projects Fund	RTASC	Total
City of Troy	\$ 16,500	\$ -	\$ -	\$ 16,500
Tax stabilization	152,590	-	-	152,590
Handicapped parking	35,615	-	-	35,615
Capital Projects	-	12,512,274	-	12,512,274
Debt service	-	-	2,617,617	2,617,617
Total restricted fund balance	<u>\$ 204,705</u>	<u>\$ 12,512,274</u>	<u>\$ 2,617,617</u>	<u>\$ 15,334,596</u>

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County's highest level of decision-making authority, or by its designated body or official. As of December 31, 2013, the County Legislature had not committed any fund balance to a specific purpose.

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, 2013, the following balances were considered to be assigned:

	Other governmental funds						Total
	General Fund	Special Grant Fund	Community Development Fund	Highway Fund	Sewer Fund	RTASC	
Encumbrances	\$ 227,452	\$ -	\$ -	\$ -	\$ 3,189	\$ -	\$ 230,641
Retirement contribution	6,867,477	-	-	-	-	-	6,867,477
Subsequent year's expenditures	-	-	-	-	1,486,533	-	1,486,533
Specific use	-	33,601	165,669	491,139	1,576,063	62,672	2,329,144
Total assigned fund balance	<u>\$ 7,094,929</u>	<u>\$ 33,601</u>	<u>\$ 165,669</u>	<u>\$ 491,139</u>	<u>\$ 3,065,785</u>	<u>\$ 62,672</u>	<u>\$ 10,913,795</u>

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

### 13. INTERFUND 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, 2013 are presented on the following page.

Fund	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
General Fund	\$ 295,770	\$ 8,945,809	\$ -	\$ 3,334,170
Capital Projects Fund	-	-	35,979	-
Other governmental funds	1,219,301	1,382,631	600,000	110,979
Enterprise Fund	4,106,814	-	2,809,170	-
Internal Service Fund	2,179,394	35,654	-	-
Agency Fund	2,562,815	-	-	-
Total	<u>\$ 10,364,094</u>	<u>\$ 10,364,094</u>	<u>\$ 3,445,149</u>	<u>\$ 3,445,149</u>

### 14. 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, 2013.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>ASSETS</b>				
Cash	\$ 4,965,189	\$ 67,343,562	\$ (69,412,165)	\$ 2,896,586
Accounts receivable	8,880	207,971	(216,851)	-
Due from other funds	2,687,188	75,768,775	(75,893,147)	2,562,815
Total assets	<u>\$ 7,661,257</u>	<u>\$ 143,320,308</u>	<u>\$ (145,522,163)</u>	<u>\$ 5,459,401</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 138,026	\$ 43,487,992	\$ (43,028,771)	\$ 597,246
Agency liabilities	7,128,053	99,393,327	(101,659,226)	4,862,155
Due to other funds	395,178	41	(395,219)	-
Total liabilities	<u>\$ 7,661,257</u>	<u>\$ 142,881,360</u>	<u>\$ (145,083,216)</u>	<u>\$ 5,459,401</u>

## 15. SEGMENT INFORMATION FOR ENTERPRISE FUND

Segment information for the Manor as of, and for the year ended, December 31, 2013 follows:

	Van Rensselaer Manor
Operating revenues	\$ 38,785,201
Operating expenses:	
Services provided	40,448,046
Depreciation and amortization	<u>1,561,037</u>
Operating loss	(3,223,882)
Non-operating revenue (expense), net	<u>2,621,167</u>
Change in net position	<u>\$ (602,715)</u>
Current assets	\$ 21,958,148
Current liabilities	<u>(8,588,409)</u>
Net working capital	<u>\$ 13,369,739</u>
Total assets	\$ 35,818,853
Total liabilities	<u>(41,981,716)</u>
Net position	<u>\$ (6,162,863)</u>
Fixed asset additions	<u>\$ 629,606</u>
Long-term liabilities—excluding current portions	<u>\$ 33,393,308</u>

## 16. 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 contract, CSEA, expired December 31, 2011 and currently is in negotiations.

## 17. CONTINGENCIES

**Grants**—In the normal course of operations, the County receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. Any disallowed expenditures resulting from such audits could become a liability of the County. The amount of disallowance, if any, cannot be determined at this time, although the County expects any such amounts to be immaterial.

**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.

## 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 16, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY  
INFORMATION



**COUNTY OF RENSSELAER, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**For the Year Ended December 31, 2013**

	<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	\$ 48,751,369	\$ 48,751,369	\$ 50,667,379	\$ 1,916,010
Real property tax items	6,269,943	6,269,943	6,530,070	260,127
Nonproperty tax items	81,220,193	81,220,193	79,360,812	(1,859,381)
Departmental income	16,386,017	15,933,917	17,589,359	1,655,442
Intergovernmental charges	15,862,557	16,053,885	15,789,738	(264,147)
Use of money and property	148,865	148,865	104,421	(44,444)
Fines and forfeitures	437,699	442,832	292,374	(150,458)
Sale of property and compensation for loss	1,500	10,519	269,228	258,709
Miscellaneous	490,800	669,007	297,770	(371,237)
Interfund revenues	1,026,904	1,026,904	1,148,263	121,359
State aid	34,857,626	36,844,870	37,175,098	330,228
Federal aid	22,969,855	23,084,572	22,515,976	(568,596)
Total revenues	<u>228,423,328</u>	<u>230,456,876</u>	<u>231,740,488</u>	<u>1,283,612</u>
<b>EXPENDITURES</b>				
Current:				
General government support	43,380,089	44,661,550	42,825,287	1,836,263
Education	17,670,602	18,127,160	18,125,319	1,841
Public safety	36,016,877	38,427,374	36,077,959	2,349,415
Health	20,484,574	20,280,729	19,119,538	1,161,191
Transportation	544,991	545,792	545,792	-
Economic assistance and opportunity	99,323,231	100,143,687	97,909,967	2,233,720
Culture and recreation	553,642	617,480	476,464	141,016
Home and community services	845,777	1,448,873	1,370,891	77,982
Debt service:				
Principal	5,693,415	5,588,648	5,588,648	-
Interest	4,835,624	4,822,069	4,822,069	-
Total expenditures	<u>229,348,822</u>	<u>234,663,362</u>	<u>226,861,934</u>	<u>7,801,428</u>
Excess (deficiency) of revenues over expenditures	(925,494)	(4,206,486)	4,878,554	9,085,040
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	300,000	300,000	-	(300,000)
Transfers out	(1,952,713)	(3,334,170)	(3,334,170)	-
Tax sale certificates proceeds	4,010,000	4,010,000	-	(4,010,000)
Tax sale certificates reserve and issuance costs	(1,796,204)	(1,796,204)	(761,651)	1,034,553
Total other financing sources	<u>561,083</u>	<u>(820,374)</u>	<u>(4,095,821)</u>	<u>(3,275,447)</u>
Net change in fund balances*	(364,411)	(5,026,860)	782,733	5,809,593
Fund balances—beginning	<u>18,495,361</u>	<u>18,495,361</u>	<u>18,495,361</u>	<u>-</u>
Fund balances—ending	<u>\$ 18,130,950</u>	<u>\$ 13,468,501</u>	<u>\$ 19,278,094</u>	<u>\$ 5,809,593</u>

\*The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance and reappropriation of prior year encumbrances.

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

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Funding Progress—**  
**Other Post-Employment Benefits Obligations**  
**Year Ended December 31, 2013**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Accrued Liability ("AAL")</b>	<b>Unfunded AAL ("UAAL")</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
Governmental Activities:						
As of 1/1/2009	\$ -	\$ 39,768,759	\$ 39,768,759	0.0%	\$ 53,158,000	74.8%
As of 1/1/2011	\$ -	\$ 46,547,475	\$ 46,547,475	0.0%	N/A	N/A
As of 1/1/2013	\$ -	\$ 39,272,568	\$ 39,272,568	0.0%	N/A	N/A
Business-type Activities:						
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
As of 1/1/2013	\$ -	\$ 10,955,363	\$ 10,955,363	0.0%	N/A	N/A

# SUPPLEMENTAL INFORMATION



**COUNTY OF RENNELAER, NEW YORK**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**December 31, 2013**

	Special Revenue					Total Non-Major Governmental Funds
	Special Grant	Community Development	Highway	Sewer	RTASC	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 80,947	\$ 178,787	\$ 201,655	\$ 2,113,394	\$ 52,009	\$ 2,626,792
Restricted cash and cash equivalents	-	-	-	-	2,617,617	2,617,617
Other receivables	26,729	1,865,026	88,708	1,687,982	10,663	3,679,108
State and federal receivables	83,005	39,528	1,173,296	-	-	1,295,829
Due from other funds	7,212	298	1,211,792	-	-	1,219,302
Inventories	-	-	347,425	-	-	347,425
Total assets	<u>\$ 197,893</u>	<u>\$ 2,083,639</u>	<u>\$ 3,022,876</u>	<u>\$ 3,801,376</u>	<u>\$ 2,680,289</u>	<u>\$ 11,786,073</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 10,673	\$ 39,076	\$ 760,148	\$ 184,280	\$ -	\$ 994,177
Accrued liabilities	16,197	-	40,565	-	-	56,762
Due to other funds	18,110	53,676	988,852	321,994	-	1,382,632
Due to other governments	98,912	186	394,747	227,542	-	721,387
Unearned revenues	20,400	-	-	1,775	-	22,175
Total liabilities	<u>164,292</u>	<u>92,938</u>	<u>2,184,312</u>	<u>735,591</u>	<u>-</u>	<u>3,177,133</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Grant funding and loans receivable	-	1,825,032	-	-	-	1,825,032
Total deferred inflows of resources	<u>-</u>	<u>1,825,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,825,032</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	347,425	-	-	347,425
Restricted	-	-	-	-	2,617,617	2,617,617
Assigned	33,601	165,669	491,139	3,065,785	62,672	3,818,866
Total fund balances	<u>33,601</u>	<u>165,669</u>	<u>838,564</u>	<u>3,065,785</u>	<u>2,680,289</u>	<u>6,783,908</u>
Total liabilities and fund balances	<u>\$ 197,893</u>	<u>\$ 2,083,639</u>	<u>\$ 3,022,876</u>	<u>\$ 3,801,376</u>	<u>\$ 2,680,289</u>	<u>\$ 11,786,073</u>

**COUNTY OF RENSSELAER, NEW YORK**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended December 31, 2013**

	Special Revenue					Total Non-major Governmental Funds
	Special Grant	Community Development	Highway	Sewer	RTASC	
<b>REVENUES</b>						
Real property taxes	\$ -	\$ -	\$ 6,384,929	\$ -	\$ -	\$ 6,384,929
Non-property tax items	-	-	908,338	-	-	908,338
Departmental income	-	114,475	-	6,656,198	-	6,770,673
Use of money and property	-	-	2,171,948	762	-	2,172,710
Licenses and permits	-	-	6,810	-	-	6,810
Sale of property and compensation for loss	-	-	49,004	-	-	49,004
Miscellaneous	28,304	-	84,477	18,041	129,739	260,561
Interfund revenues	-	-	6,642	-	-	6,642
Tobacco settlement revenue	-	-	-	-	2,223,287	2,223,287
State aid	-	-	1,730,210	-	-	1,730,210
Federal aid	1,386,732	282,578	-	-	-	1,669,310
Total revenues	<u>1,415,036</u>	<u>397,053</u>	<u>11,342,358</u>	<u>6,675,001</u>	<u>2,353,026</u>	<u>22,182,474</u>
<b>EXPENDITURES</b>						
Current:						
General government support	25,000	-	434,753	284,656	61,472	805,881
Public safety	-	-	237,296	-	-	237,296
Transportation	-	-	8,415,482	-	-	8,415,482
Economic assistance and opportunity	1,390,035	398,514	-	-	-	1,788,549
Home and community services	-	-	-	3,385,613	-	3,385,613
Employee benefits	-	-	1,458,518	844,948	-	2,303,466
Debt service:						
Principal	-	-	1,712,634	861,869	745,000	3,319,503
Interest	-	-	706,772	472,253	1,534,768	2,713,793
Total expenditures	<u>1,415,035</u>	<u>398,514</u>	<u>12,965,455</u>	<u>5,849,339</u>	<u>2,341,240</u>	<u>22,969,583</u>
Excess (deficiency) of revenues over expenditures	<u>1</u>	<u>(1,461)</u>	<u>(1,623,097)</u>	<u>825,662</u>	<u>11,786</u>	<u>(787,109)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	525,000	-	75,000	600,000
Transfers out	-	-	(35,979)	-	(75,000)	(110,979)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>489,021</u>	<u>-</u>	<u>-</u>	<u>489,021</u>
Net change in fund balances	1	(1,461)	(1,134,076)	825,662	11,786	(298,088)
Fund balances—beginning	33,600	167,130	1,972,640	2,240,123	2,668,503	7,081,996
Fund balances—ending	<u>\$ 33,601</u>	<u>\$ 165,669</u>	<u>\$ 838,564</u>	<u>\$ 3,065,785</u>	<u>\$ 2,680,289</u>	<u>\$ 6,783,908</u>

FEDERAL AND NEW YORK STATE  
DEPARTMENT OF TRANSPORTATION  
SCHEDULES AND REPORTS



**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

<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	\$ 208,694
Passed through NYS Office of Temporary and Disability Assistance:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>1,296,031</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,504,725</u>
<b>U.S. Department of Housing and Urban Development:</b>			
Direct Program:			
Community Development Block Grants—Small Cities Program	14.219	N/A	116,789
Passed through New York State:			
Community Development Block Grants—State's Program	14.228	975HO2-11	<u>282,578</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>399,367</u>
<b>U.S. Department of Justice:</b>			
Passed through NYS Crime Victims Board:			
Crime Victim Assistance	16.575	C-501127	118,788
Passed through City of Troy:			
Encourage Arrest Policies and Enforcement of Orders	16.590	N/A	20,182
Passed through NYS Division of Criminal Justice:			
State Criminal Alien Assistance Program	16.606	N/A	<u>17,375</u>
<b>Total U.S. Department of Justice</b>			<u>156,345</u>
<b>U.S. Department of Labor:</b>			
Passed through New York State:			
Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	18,421
Senior Community Service Employment Program	17.235	N/A	53,294
Trade Adjustment Assistance	17.245	N/A	54,036
<i>WIA Cluster</i>			
WIA Adult Program	17.258	N/A	357,938
WIA Youth Activities	17.259	N/A	335,533
WIA Dislocated Workers	17.278	N/A	<u>417,263</u>
<i>Total WIA Cluster</i>			<u>1,110,734</u>
Workforce Innovation Fund Program	17.283	N/A	<u>46,957</u>
<b>Total U.S. Department of Labor</b>			<u>1,283,442</u>
<b>U.S. Department of Transportation:</b>			
Direct Programs:			
Highway Planning and Construction Projects	20.205	N/A	203,178
Passed through New York State:			
Formula Grants for Other Than Urbanized Areas	20.509	C005584	<u>42,000</u>
<b>Total U.S. Department of Transportation</b>			<u>245,178</u>

(continued)

**COUNTY OF RENNELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education:</b>			
Passed through NYS Department of Health:			
Special Education Grants for Infants and Families	84.181	C-021815	78,821
<b>Total U.S. Department of Education</b>			<u>78,821</u>
<b>U.S. Department of Election Assistance Commission:</b>			
Passed through NYS Board of Elections:			
Help America Vote Act Requirement Payments	90.401	N/A	21,363
<b>Total U.S. Department of Election Assistance Commission</b>			<u>21,363</u>
<b>U.S. Department of Health and Human Services:</b>			
Passed through Health Research Inc.:			
Public Health Emergency Preparedness	93.069	1595-09	143,040
Passed through NYS Office of Temporary and Disability Assistance:			
Temporary Assistance for Needy Families	93.558	N/A	17,991,405
Child Support Enforcement	93.563	N/A	473,447
Low-Income Home Energy Assistance Program (HEAP)	93.568	N/A	4,273,399
Passed through NYS Office of Children and Family Services:			
Child Care and Development Block Grant	93.575	N/A	130,829
Foster Care—Title IV-E	93.658	N/A	2,312,716
Adoption Assistance	93.659	N/A	637,004
Social Services Block Grant	93.667	N/A	1,184,955
Chafee Foster Care Independence Program	93.674	N/A	39,940
Passed through NYS Office of Mental Health:			
Drug-Free Communities Support Program Grants	93.276	N/A	103,185
Medical Assistance Program	93.778	N/A	1,127,567
Community Mental Health Services Block Grant	93.958	N/A	448,470
Passed through NYS Department of Health:			
Medical Reserve Corp Small Grant Program	93.008	N/A	3,018
Immunization Grants	93.268	C-023265	22,791
Maternal and Child Health Services Block Grant to the States	93.994	C-026530	34,037
Maternal and Child Health Services Block Grant to the States	93.994	C-024636	24,976
Passed through NYS Office of Alcoholism and Substance Abuse Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	1,079,510
Passed through NYS Office for the Aging:			
<i>Aging Cluster:</i>			
Special Programs for the Aging—Title III,			
Part B - Grants for Supportive Service and Senior Centers	93.044	N/A	143,814
Special Programs for the Aging—Title III,			
Part C - Nutrition Services	93.045	N/A	263,489
Nutrition Services Incentive Program	93.053	N/A	101,429
<i>Total Aging Cluster</i>			<u>508,732</u>

(continued)

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u> (concluded)
Special Programs for the Aging—Title VII, Chapter 2			
Long Term Care Ombudsman Services for Older Individuals	93.042	N/A	13,817
Special Programs for the Aging—Title III,			
Part F - Disease Prevention and Health Promotion Services	93.043	N/A	4,455
National Family Caregiver Support—Title III, Part E	93.052	N/A	42,548
Centers for Medicare and Medicaid Services (CMS)			
Research, Demonstrations and Evaluations	93.779	N/A	12,746
<b>Total U.S. Department of Health and Human Services</b>			<u>30,612,587</u>
<b>U.S. Department of Homeland Security:</b>			
Passed through NYS Division of Homeland Security and Emergency Services:			
Homeland Security Grant Program	97.067	C-835400	1,647
Homeland Security Grant Program	97.067	C-972820	3,260
Homeland Security Grant Program	97.067	C-872830	4,158
Homeland Security Grant Program	97.067	C-835403	4,238
Homeland Security Grant Program	97.067	C-192709	15,360
Homeland Security Grant Program	97.067	C-835493	16,756
Homeland Security Grant Program	97.067	C-835482	20,482
Homeland Security Grant Program	97.067	C-835493	21,494
Homeland Security Grant Program	97.067	C-972812	21,623
Homeland Security Grant Program	97.067	C-835483	26,339
Homeland Security Grant Program	97.067	C-835480	29,176
Homeland Security Grant Program	97.067	C-972820	32,420
Homeland Security Grant Program	97.067	C-835483	36,857
Homeland Security Grant Program	97.067	C-972810	43,233
Homeland Security Grant Program	97.067	C-972810	54,495
Homeland Security Grant Program	97.067	C-835402	60,403
Homeland Security Grant Program	97.067	C-835402	67,787
Homeland Security Grant Program	97.067	C-835492	69,337
Homeland Security Grant Program	97.067	C-835400	80,329
Homeland Security Grant Program	97.067	C-835403	98,636
Homeland Security Grant Program	97.067	C-835490	114,196
<b>Total U.S. Department of Homeland Security</b>			<u>822,226</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 35,124,054</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, 2013**

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**1. BASIS OF PRESENTATION**

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

**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>
Community Development Block Grant – State’s Program	14.228	\$276,856
Formula Grants for Other Than Urbanized Areas	20.509	42,000
Community Mental Health Services Block Grant	93.958	58,862

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Certified Public Accountants

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rensselaer, New York (the "County"), as of and for the year ended December 31, 2013, 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 16, 2014. Our report includes an emphasis of matter paragraph regarding deficit net position at Van Rensselaer Manor 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

May 16, 2014

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*Certified Public Accountants*

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

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

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

We have audited the County of Rensselaer, New York's, (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. 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 \$38,167,024 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2013. Our audit, described below, did not include the operations of the Rensselaer County Industrial Development Agency and the Hudson Valley Community College, because other auditors were engaged to perform such audits in accordance with OMB Circular A-133, as applicable.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### **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.

*Drescher & Malecki LLP*

May 16, 2014

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2013**

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

**Financial Statements**

Type of auditors' report issued: Unmodified\*

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

Internal control over financial reporting:

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

**Federal Awards:**

Internal control over major programs:

4. Material weakness(es) identified?        Yes   ✓   None
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   ✓   None
7. The County's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Workforce Investment Act – Adult	17.258
Workforce Investment Act – Youth	17.259
Workforce Investment Act – Dislocated	17.278
Temporary Assistance for Needy Families	93.558
Foster Care – Title IV-E	93.658
Social Services Block Grant	93.667
Medical Assistance Program	93.778

8. Dollar threshold used to distinguish between Type A and Type B programs?        \$ 1,053,722
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, 2013**

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**Part II. Financial statement findings section**

No findings were noted as reportable.

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

No findings were noted as reportable.

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Prior Year Audit Findings**  
**Year Ended December 31, 2013**  
**(Follow Up on December 31, 2012 Findings)**

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No findings were noted as reportable.

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Expenditures of New York State Department of Transportation Assistance**  
**Year Ended December 31, 2013**

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<u><b>Program Title / Description</b></u>	<b>NYS Reference Number</b>	<u><b>Expenditures</b></u>
Consolidated Highway Improvement Program (CHIPS)	140000	\$ <u>1,727,731</u>
<b>Total New York State Department of Transportation Expenditures</b>		<b>\$ <u>1,727,731</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, 2013**

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**1. BASIS OF PRESENTATION**

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

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

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*Certified Public Accountants*

**INDEPENDENT AUDITORS' 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 Part 4.3 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, 2013. 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 Part 4.3 of NYCRR. Those standards and Part 4.3 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, 2013.

**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

Part 4.3 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, material weaknesses may exist that have not been identified.

#### **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.

*Drescher & Malecki LLP*

May 16, 2014

**COUNTY OF RENSSELAER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**New York State Department of Transportation Assistance**  
**For the Year Ended December 31, 2013**

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

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

Internal control over major programs:

- |   |           |         |               |
|---|-----------|---------|---------------|
| 1. Material weakness(es) identified?        | _____ Yes | _____ ✓ | None          |
| 2. Significant deficiency (ies) identified? | _____ 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 Part 4.3 of NYCRR? | _____ Yes | _____ ✓ | None |
|--|-----------|---------|------|

4. The County's programs tested were:

**Name of Program**

Consolidated Highway Improvement Program (CHIPS)

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

No findings were noted as reportable.

