

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2014

CITY OF RENSSELAER, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the
Common Council of the
City of Rensselaer, New York

Report on the Regulatory Basis Financial Statements

We have audited the accompanying regulatory basis financial statements of the City of Rensselaer, New York (the "City") as of and for the year ended July 31, 2014, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Regulatory Basis Financial Statements

Management is responsible for the preparation and fair presentation of these regulatory basis financial statements in accordance with accounting principles prescribed by the New York State Office of the State Comptroller. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of regulatory financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these regulatory basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis financial statements are free of 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 regulatory basis financial statements.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State Office of the State Comptroller. The effects on the financial statements of the variances between the regulatory basis of accounting described on Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the effects of the matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Rensselaer, New York, as of July 31, 2014, and the changes in its financial position for the year then ended.

Basis for Qualified Opinion

As discussed in Note 1, the regulatory basis financial statements referred to above do not include the adoption of GASB 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions", which should be adopted to conform with accounting principles prescribed by the New York Office of the State Comptroller. The additional amount, if any, that should be recorded in the long-term debt account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to audit the item mentioned in the "Basis for Qualified Opinion" paragraph, the regulatory basis financial statements referred to above present fairly, in all material respects, the financial position of the City of Rensselaer, New York as of July 31, 2014, and the results of its operations for the year then ended in accordance with accounting principles prescribed by the New York State Office of State Comptroller.

Other Reporting Required by Government Auditing Standards

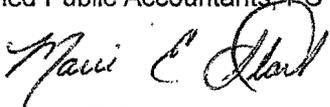
In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Other Matters

Our audit was made for the purposes of forming an opinion on the regulatory basis financial statements that collectively comprise the City's basic financial statements. The supplemental financial information on pages 6 to 7, and 10 to 11 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of

the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the regulatory basis financial statements taken as a whole.

Very truly yours,
STARK & BASILA
Certified Public Accountants, PC



Marie E. Stark, CPA

Dated: February 1, 2016

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JULY 31, 2014

	Governmental Fund Types							Fiduciary Fund Types	Account Groups		
	General	Community Development	Capital Projects	Library	Solid Waste	Water	Sewer		General Fixed Assets	General Long-Term Debt	Memorandum Only Totals
ASSETS AND OTHER DEBITS											
ASSETS											
Cash and cash equivalents	\$ 1,032,946	\$ 723,998	\$ 2,853,444	\$ 88	\$ 55,206	\$ 211,738	\$ 739	\$ 269,645	\$ -	\$ -	\$ 5,147,904
Receivables:											
Taxes, net of allowance for uncollectible of \$ 580,000	1,784,402	-	-	-	-	-	-	-	-	-	1,784,402
Rehabilitation loans, net	-	1,403,832	-	-	-	-	-	-	-	-	1,403,832
Accounts Receivable	-	-	-	-	138,347	1,005,919	18,728	-	-	-	1,162,994
Prepaid Expenditures	114,705	-	-	2,459	3,190	6,075	1,504	-	-	-	127,933
Due from other funds	2,189,491	-	723,592	6,679	90,776	790,381	144,953	23	-	-	3,945,895
Due from other governments	472,402	-	-	-	-	49,393	-	-	-	-	521,795
Fixed Assets	-	-	-	-	-	-	-	-	42,444,946	-	42,444,946
	5,593,946	2,127,830	3,577,036	9,226	287,519	2,063,506	165,924	269,668	42,444,946	-	56,539,601
OTHER DEBITS											
Provision to be made in future budgets	-	-	-	-	-	-	-	-	-	7,094,144	7,094,144
Total Assets	\$ 5,593,946	\$ 2,127,830	\$ 3,577,036	\$ 9,226	\$ 287,519	\$ 2,063,506	\$ 165,924	\$ 269,668	\$ 42,444,946	\$ 7,094,144	\$ 63,633,745
LIABILITIES AND FUND EQUITY											
LIABILITIES											
Payables:											
Accounts Payable	\$ 309,857	\$ -	\$ 257,761	\$ 1,614	\$ 20,686	\$ 193,349	\$ 3,378	\$ 6,822	\$ -	\$ -	\$ 793,467
Accrued Liabilities	340,173	5,895	-	-	9,627	319,083	-	-	-	-	674,778
Due to other funds	1,139,378	-	1,257,438	3,063	346,635	960,696	101,376	137,309	-	-	3,945,895
Due to other governments	230,393	-	-	-	-	-	-	-	-	-	230,393
Due to NYS Retirement	964,088	-	-	-	21,708	20,414	-	-	-	-	1,006,210
Compensated Absences	-	-	-	-	-	-	-	-	-	1,182,931	1,182,931
Notes Payable:											
Bonds Payable	-	-	-	-	-	-	-	-	-	5,911,213	5,911,213
Budget Notes	142,000	-	-	-	-	-	-	-	-	-	142,000
Bond Anticipation Notes	-	-	4,598,779	-	-	-	-	-	-	-	4,598,779
Unearned Credits:											
Overpayments & Collections	9,658	-	-	-	424	552	-	-	-	-	10,632
Escrow Deposits/Custodial Funds	-	4,205	74,458	-	-	-	-	113,230	-	-	191,893
Unearned Revenue	1,049,364	1,403,832	-	-	-	77,668	-	-	-	-	2,530,864
Total Liabilities	4,184,909	1,413,932	6,188,436	4,677	399,080	1,571,762	104,754	257,361	-	7,094,144	21,219,055
OTHER CREDITS											
Investment in general fixed assets	-	-	-	-	-	-	-	-	42,444,946	-	42,444,946
FUND EQUITY											
Fund Balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	131	769	9,408	8,371	5,000	-	-	23,679
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	107,520	-	-	-	-	-	-	7,307	-	-	114,827
Unassigned	1,301,517	713,898	(2,611,400)	4,418	(112,330)	482,336	52,799	-	-	-	(168,762)
Total Fund Equity	1,409,037	713,898	(2,611,400)	4,549	(111,561)	491,744	61,170	12,307	-	-	(30,256)
Total Liabilities and Fund Equity	\$ 5,593,946	\$ 2,127,830	\$ 3,577,036	\$ 9,226	\$ 287,519	\$ 2,063,506	\$ 165,924	\$ 269,668	\$ 42,444,946	\$ 7,094,144	\$ 63,633,745

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
ALL FUND TYPES
FOR THE YEAR ENDED JULY 31, 2014

	Governmental Fund Types						Fiduciary Fund Types		Memorandum	
	General	Community Development	Capital Projects	Library	Solid Waste	Water	Sewer	Expendable Trust	Non-Expendable Trust	Only Totals
REVENUES										
Taxes	\$ 8,411,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,411,069
Licenses and permits	55,755	-	-	-	-	-	-	-	-	55,755
Intergovernmental revenues	4,167,254	5,895	540,160	-	-	-	-	-	-	4,713,309
Charges for services	12,305	-	-	4,043	656,510	2,300,052	189,220	-	-	3,162,130
Fines and forfeitures	114,026	-	-	-	-	-	-	-	-	114,026
Use of money and property	11,006	77,926	1,763	2	1,214	28,103	35	7	-	120,056
Other revenue	67,595	-	4,500	8,871	-	-	-	-	-	80,966
Total Revenues	12,839,010	83,821	546,423	12,916	657,724	2,328,155	189,255	7	-	16,657,311
EXPENDITURES										
General government	1,439,445	-	-	-	-	-	-	-	-	1,439,445
Operations and maintenance	-	-	-	-	492,453	2,164,732	256,941	-	-	2,914,126
Security of persons and property	3,923,192	-	-	-	-	-	-	-	-	3,923,192
Physical environment	1,937,953	-	1,907,436	-	-	-	-	-	-	3,845,389
Economic environment	307,092	5,895	-	-	-	-	-	-	-	312,987
Culture and recreation	106,139	-	-	104,406	-	-	-	-	-	210,545
Employee Benefits	3,916,552	-	-	1,910	133,265	149,325	37,259	-	-	4,238,311
Debt service										
Principal	665,269	-	-	-	-	-	-	-	-	665,269
Interest and debt issue costs	313,395	-	-	-	-	-	-	-	-	313,395
Total Expenditures	12,609,037	5,895	1,907,436	106,316	625,718	2,314,057	294,200	-	-	17,862,659
Excess (deficiency) of revenues over (under) expenditures	229,973	77,926	(1,361,013)	(93,400)	32,006	14,098	(104,945)	7	-	(1,205,348)
OTHER FINANCING SOURCES										
Bond Proceeds	253,413	-	-	-	-	-	-	-	-	253,413
BANs redeemed from appropriations	-	-	298,469	-	-	-	-	-	-	298,469
Transfers in	655,000	-	-	97,300	-	-	166,115	-	-	918,415
Transfers out	(97,300)	-	(791,115)	-	-	(30,000)	-	-	-	(918,415)
Total other financing sources (uses)	811,113	-	(492,646)	97,300	-	(30,000)	166,115	-	-	551,882
Net change in fund equity	1,041,086	77,926	(1,853,659)	3,900	32,006	(15,902)	61,170	7	-	(653,466)
Fund equity (deficit) - Beginning of year	367,951	635,972	(757,741)	649	(143,567)	507,646	-	7,300	5,000	623,210
Fund equity (deficit) - End of year	\$ 1,409,037	\$ 713,898	\$ (2,611,400)	\$ 4,549	\$ (111,561)	\$ 491,744	\$ 61,170	\$ 7,307	\$ 5,000	\$ (30,256)

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET - GOVERNMENTAL FUNDS
JULY 31, 2014

	General Fund	Community Development	Capital Projects	Library Fund	Solid Waste	Water	Sewer	Memorandum Only Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 1,032,946	\$ 723,998	\$ 2,853,444	\$ 88	\$ 55,206	\$ 211,738	\$ 739	\$ 4,878,159
Receivables:								
Taxes, net of allowance for uncollectible of \$ 580,000	1,784,402	-	-	-	-	-	-	1,784,402
Rehabilitation loans, net	-	1,403,832	-	-	-	-	-	1,403,832
Accounts Receivable	-	-	-	-	138,347	1,005,919	18,728	1,162,994
Prepaid Expenditures	114,705	-	-	2,459	3,190	6,075	1,504	127,932
Due from other funds	2,189,491	-	723,592	6,679	90,776	790,381	144,953	3,945,872
Due from other governments	472,402	-	-	-	-	49,393	-	521,795
Total Assets	\$ 5,593,946	\$ 2,127,830	\$ 3,577,036	\$ 9,226	\$ 287,519	\$ 2,063,506	\$ 165,924	\$ 13,824,987
LIABILITIES AND FUND EQUITY								
Payables								
Accounts Payable	\$ 309,857	\$ -	\$ 257,761	\$ 1,614	\$ 20,686	\$ 193,349	\$ 3,378	786,645
Accrued Liabilities	340,173	5,895	-	-	9,627	319,083	-	674,778
Due to other funds	1,139,378	-	1,257,438	3,063	346,635	960,696	101,376	3,808,586
Due to other governments	230,393	-	-	-	-	-	-	230,393
Due to NYS Retirement	964,088	-	-	-	21,708	20,414	-	1,006,210
Notes Payable								
Budget Notes	142,000	-	-	-	-	-	-	142,000
Bond Anticipation Notes	-	-	4,598,779	-	-	-	-	4,598,779
Unearned Credits								
Overpayments & Collections	9,656	-	-	-	424	552	-	10,633
Escrow Deposits/Custodial Fees	-	4205	74,458	-	-	-	-	78,663
Unearned Revenue	1,049,364	1,403,832	-	-	-	77,668	-	2,530,864
Total Liabilities	4,184,909	1,413,932	6,188,436	4,677	399,080	1,571,762	104,754	13,867,550
FUND EQUITY								
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	131	769	9,408	8,371	18,678
Committed	-	-	-	-	-	-	-	-
Assigned	107,520	-	-	-	-	-	-	107,520
Unassigned	1,301,517	713,898	(2,611,400)	4,418	(112,330)	482,336	52,799	(168,761)
Total Fund Equity	1,409,037	713,898	(2,611,400)	4,549	(111,561)	491,744	61,170	(42,563)
Total Liabilities and Fund Equity	\$ 5,593,946	\$ 2,127,830	\$ 3,577,036	\$ 9,226	\$ 287,519	\$ 2,063,506	\$ 165,924	\$ 13,824,987

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JULY 31, 2014

	General Fund	Community Development	Capital Projects	Library Fund	Solid Waste	Water	Sewer	Memorandum Only Total Governmental Funds
REVENUES								
Taxes	\$ 8,411,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,411,069
Licenses and permits	55,755	-	-	-	-	-	-	55,755
Intergovernmental revenues	4,167,254	5,895	540,160	-	-	-	-	4,713,309
Charges for services	12,305	-	-	4,043	656,510	2,300,052	189,220	3,162,130
Fines and forfeitures	114,026	-	-	-	-	-	-	114,026
Use of money and property	11,006	77,926	1,763	2	1,214	28,103	35	120,050
Other revenue	67,595	-	4,500	8,871	-	-	-	80,966
Total Revenues	<u>12,839,010</u>	<u>83,821</u>	<u>546,423</u>	<u>12,916</u>	<u>657,724</u>	<u>2,328,155</u>	<u>189,255</u>	<u>16,657,304</u>
EXPENDITURES								
General government	1,439,445	-	-	-	-	-	-	1,439,445
Operations and maintenance	-	-	-	-	492,453	2,164,732	256,941	2,914,126
Security of persons and property	3,923,192	-	-	-	-	-	-	3,923,192
Physical environment	1,937,953	-	1,907,436	-	-	-	-	3,845,389
Economic environment	307,092	5,895	-	-	-	-	-	312,987
Culture and recreation	106,139	-	-	104,406	-	-	-	210,545
Employee Benefits	3,916,552	-	-	1,910	133,265	149,325	37,259	4,238,311
Debt service								
Principal	665,269	-	-	-	-	-	-	665,269
Interest and debt issue costs	313,395	-	-	-	-	-	-	313,395
Total Expenditures	<u>12,609,037</u>	<u>5,895</u>	<u>1,907,436</u>	<u>106,316</u>	<u>625,718</u>	<u>2,314,057</u>	<u>294,200</u>	<u>17,862,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>229,973</u>	<u>77,926</u>	<u>(1,361,013)</u>	<u>(93,400)</u>	<u>32,006</u>	<u>14,098</u>	<u>(104,945)</u>	<u>(1,205,355)</u>
OTHER FINANCING SOURCES								
Bond Proceeds	253,413	-	-	-	-	-	-	253,413
BANs redeemed from appropriations	-	-	298,469	-	-	-	-	298,469
Transfers in	655,000	-	-	97,300	-	-	166,115	918,415
Transfers out	(97,300)	-	(791,115)	-	-	(30,000)	-	(918,415)
Total other financing sources (uses)	<u>811,113</u>	<u>-</u>	<u>(492,646)</u>	<u>97,300</u>	<u>-</u>	<u>(30,000)</u>	<u>166,115</u>	<u>551,882</u>
Net change in fund equity (deficit)	1,041,066	77,926	(1,853,659)	3,900	32,006	(15,902)	61,170	(653,473)
Fund Equity (deficit) - Beginning of year	<u>367,951</u>	<u>635,972</u>	<u>(757,741)</u>	<u>649</u>	<u>(143,567)</u>	<u>507,646</u>	<u>-</u>	<u>610,910</u>
Fund Equity (deficit) - End of year	<u>\$ 1,409,037</u>	<u>\$ 713,898</u>	<u>\$ (2,611,400)</u>	<u>\$ 4,549</u>	<u>\$ (111,561)</u>	<u>\$ 491,744</u>	<u>\$ 61,170</u>	<u>\$ (42,563)</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2014

	Original Budget FY 2014	Final Budget FY 2014	Actual FY 2014	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 8,027,554	\$ 8,127,554	\$ 8,411,069	\$ 283,515
Licenses and permits	115,475	115,475	55,755	(59,720)
Intergovernmental revenues	4,737,915	4,805,892	4,167,254	(638,638)
Charges for services	76,510	76,510	12,305	(64,205)
Fines and forfeitures	130,000	130,000	114,026	(15,974)
Investment income	16,000	16,000	11,006	(4,994)
Other revenue	77,425	80,175	67,595	(12,580)
Total Revenues	<u>13,180,879</u>	<u>13,351,606</u>	<u>12,839,010</u>	<u>(512,596)</u>
EXPENDITURES				
General government	1,817,110	1,760,872	1,439,445	321,427
Security of persons and property	3,939,009	4,098,156	3,923,192	174,964
Physical environment	1,976,929	2,034,477	1,937,953	96,524
Economic environment	865,933	869,234	307,092	562,142
Culture and recreation	138,569	142,919	106,139	36,780
Employee Benefits	3,536,681	3,710,328	3,916,552	(206,224)
Debt service				
Principal	540,500	540,500	665,269	(124,769)
Interest and debt issue costs	316,650	316,650	313,395	3,255
Total Expenditures	<u>13,131,381</u>	<u>13,473,136</u>	<u>12,609,037</u>	<u>864,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,498</u>	<u>(121,530)</u>	<u>229,973</u>	<u>351,503</u>
OTHER FINANCING SOURCES				
Bond Proceeds	-	-	253,413	253,413
Transfers in	-	-	655,000	655,000
Transfers out	(113,511)	(113,511)	(97,300)	16,211
Total other financing sources (uses)	<u>(113,511)</u>	<u>(113,511)</u>	<u>811,113</u>	<u>924,624</u>
Net change in fund equity (deficit)	(64,013)	(235,041)	1,041,086	1,276,127
Fund Equity (deficit) - Beginning of year	<u>367,951</u>	<u>367,951</u>	<u>367,951</u>	<u>-</u>
Fund Equity (deficit) - End of year	<u>\$ 303,938</u>	<u>\$ 132,910</u>	<u>\$ 1,409,037</u>	<u>\$ 1,276,127</u>

See accompanying notes and independent auditor's report.

CITY OF RENNELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY
BUDGET TO ACTUAL
SOLID WASTE, WATER AND SEWER FUNDS
FOR THE YEAR ENDED JULY 31, 2014

	Solid Waste FY 2014 Budget	Solid Waste Actual	Variance with Final Budget Positive (Negative)	Water Fund FY 2014 Budget	Water Fund Actual	Variance with Final Budget Positive (Negative)	Sewer Fund FY 2014 Budget	Sewer Fund Actual	Variance with Final Budget Positive (Negative)
Operating revenues:									
Charges for services	\$ 723,077	\$ 656,510	\$ (66,567)	\$ 2,191,125	\$ 2,300,052	\$ 108,927	287,130	189,220	\$ (97,910)
Use of money and property	35	1,214	1,179	34,800	28,103	(6,697)	-	35	35
Total operating revenue	<u>723,112</u>	<u>657,724</u>	<u>(65,388)</u>	<u>2,225,925</u>	<u>2,328,155</u>	<u>102,230</u>	<u>287,130</u>	<u>189,255</u>	<u>(97,875)</u>
Operating expenditures:									
Operations and maintenance	584,024	492,453	91,571	2,333,246	2,164,732	168,514	421,363	256,941	164,422
Employee Benefits	139,104	133,265	5,839	168,957	149,325	19,632	87,470	37,259	50,211
Debt service									
Principal	-	-	-	350,083	-	350,083	-	-	-
Interest and debt issue costs	-	-	-	64,150	-	64,150	30,000	-	30,000
Total Expenses	<u>723,128</u>	<u>625,718</u>	<u>97,410</u>	<u>2,916,436</u>	<u>2,314,057</u>	<u>602,379</u>	<u>538,833</u>	<u>294,200</u>	<u>244,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16)</u>	<u>32,006</u>	<u>32,022</u>	<u>(690,511)</u>	<u>14,098</u>	<u>704,609</u>	<u>(251,703)</u>	<u>(104,945)</u>	<u>146,758</u>
OTHER FINANCING SOURCES									
Transfers in	-	-	-	15,000	-	(15,000)	-	166,115	166,115
Transfers out	-	-	-	-	(30,000)	(30,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(30,000)</u>	<u>(45,000)</u>	<u>-</u>	<u>166,115</u>	<u>166,115</u>
Net change in fund equity	(16)	32,006	32,022	(675,511)	(15,902)	659,609	(251,703)	61,170	312,873
Fund equity (deficit) - Beginning of year	<u>(143,567)</u>	<u>(143,567)</u>	<u>-</u>	<u>507,646</u>	<u>507,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity (deficit) - End of year	<u>\$ (143,583)</u>	<u>\$ (111,561)</u>	<u>\$ 32,022</u>	<u>\$ (167,865)</u>	<u>\$ 491,744</u>	<u>\$ 659,609</u>	<u>\$ (251,703)</u>	<u>\$ 61,170</u>	<u>\$ 312,873</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET
FIDUCIARY FUNDS
JULY 31, 2014

	Private Purpose Trusts	Agency Funds	Memorandum Only Totals
ASSETS			
Cash	\$ 12,307	\$ 257,338	269,645
Due from Governmental funds	-	23	23
Total Assets	\$ 12,307	\$ 257,361	\$ 269,668
LIABILITIES			
Accounts Payable	\$ -	\$ 6,822	\$ 6,822
Due to other Governmental funds	-	137,309	137,309
Custodial Funds	-	113,230	113,230
Total Liabilities	-	257,361	257,361
FUND EQUITY			
Restricted for Library	12,307	-	12,307
Total Liabilities and Fund Equity	\$ 12,307	\$ 257,361	\$ 269,668

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
 REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
 FIDUCIARY FUNDS
 JULY 31, 2014

	Private Purpose Trusts
ADDITIONS	
Use of money and property	\$ 7
Total additions	7
DEDUCTIONS	
Library expenditures	-
Total deductions	-
Change in net assets	7
Fund equity (deficit) - beginning of year	12,300
Fund equity (deficit) - end of year	\$ 12,307

See accompanying notes and independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rensselaer, New York (the "City") have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller for complying with Article 3, Section 30 of the General Municipal Law in which every municipal corporation is required to make an annual financial report (Annual Update Document or "AUD"). The most significant difference between this regulatory basis of accounting and generally accepted accounting principles ("GAAP") is that Government Accounting Standards Board ("GASB") Statements 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" need not be implemented to meet the requirements of General Municipal Law. In addition, the City has not adopted GASB 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions". GASB 34 and 45 require significant changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management Discussion and Analysis
- Capitalization of Infrastructure Assets
- Actuarial Valuation and Accrual Recognition of Post employment Benefits Expenditures and Related Liabilities

Management has considered the costs and benefits of adopting GASB 34 and 45 and determined that reporting in financial statements utilizing another comprehensive basis of accounting as opposed to GAAP makes fiscal sense for the City. Although the AUD does not require the reporting of modified budget information, a budget to actual comparison has been included in these financial statements for each applicable fund.

A. *Financial Reporting Entity*

The City was incorporated in 1897 and is governed by a charter, General Laws of the State of New York, and various local laws and ordinances. The Common Council is the legislative body responsible for the overall operation of the City. The City provides general government support, police and fire protection, garbage collection, water services, a public library, and recreation services.

GASB Statement No. 61 defines the financial reporting entity for the City to include all funds, account groups, agencies, boards, commissions, and authorities where the elected officials (the Mayor and/or the Council, respectively) are financially accountable and for which a financial benefit or burden relationship exists. The following terms are used to describe the components of a reporting entity:

- Primary Government
A legally separate state, general purpose local or special purpose government with a separately elected governing body. It must be fiscally independent of other primary governments.
- Component Unit
A legally separate organization for which the elected officials are financially accountable. Also the primary government is able to impose its will on the component unit or there is a potential for the component unit to provide a financial benefit or incur a financial burden on the primary government.

See independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Financial Reporting Entity - Continued

In accordance with accounting principles prescribed by the New York State Office of the State Comptroller, only the primary government is presented in these financial statements.

Excluded from the Financial Reporting Entity

The City of Rensselaer Industrial Development Agency (Agency) is a public benefit corporation created by state legislation to promote the economic welfare and prosperity of the inhabitants of the City. Members of the Agency are appointed by the City's Common Council that exercises no oversight responsibilities. The Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The City is not liable for Agency Bonds or notes. The Agency obtains a separate audit apart from city operations.

The Rensselaer City School District (School District) was created by state legislation, which designates the School Board as the governing authority. The public elects the School Board members. The School Board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight concerning school operations.

The Rensselaer Housing Authority (Authority) was established by the New York State Legislature. The Governing Board of the Authority is made up of five members who are appointed by the Mayor. The City provides no subsidy to the Authority, nor is it responsible for the debt or operating deficits of the Authority.

Authority's debt is essentially supported by operating revenues of the Authority and is not guaranteed by the City. The City does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff. The City has no oversight responsibility for the funds of the Authority.

B. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and limitations.

The various funds are grouped in the financial statements in the following fund types and account groups:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the City are reported. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities are accounted for through the governmental funds. The measurement focus is upon determination of financial position, rather than upon determination of net income. The following are the City's governmental fund types:

See independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Fund Accounting - Continued

General Fund – The general fund is the primary operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for all the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds include the following:

- Community Development Fund - established to account for general federal funds received in the form of community development grants and rental rehabilitation programs. As certain other receivables are collected, the related portion of deferred revenue is recognized as revenue.
- Water Fund – established by law to account for revenues and expenditures for the purpose of providing water to the City.
- Solid Waste Fund – established by law to account for revenues and expenditures for the purpose of providing refuse and trash collection to the City.
- Sewer Fund - established by law to account for revenues and expenditures for the purpose of providing sewage services to the City.

Capital Projects Fund – The capital projects fund accounts for and reports financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Public Library Fund – used to account for the operations of a public library established and supported by taxes pursuant to Education Law, Section 259.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

Trust and Agency Funds – used to account for money received and held in the capacity of trustee, custodian, or agent.

Expendable Trust Fund – used to account for the earnings of the Non-Expendable Trust Fund.

Non-Expendable Trust Fund – an estate gift given to the City for the benefit of the Library.

Account Groups

Account Groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not “funds”. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

General Long-Term Debt Account Group – This account group is used to record all long-term obligations of the City, such as bonds, compensated absences and other long-term debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Fund Accounting - Continued

Account Groups (Continued)

General Fixed Assets Account Group – This account group is used to account for land, buildings, and equipment utilized for general government purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All governmental funds and expendable trust funds are accounted for on the modified accrual basis using current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available).

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. A 120-day availability period is used for revenue recognition for all other governmental fund type revenues. Expenditures are recorded when the related liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. Those revenues susceptible to accrual are property taxes, state and federal aid, sales tax, interest revenue, and charges for services. Fines, permits, and parking meter revenues are not susceptible to accrual because, generally, they are not measurable until received.

The City reports unearned revenue on its combined balance sheet. Unearned Revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures are recorded when the fund liability is incurred except that:

- Expenditures for prepaid expenses and inventory type items are recognized when paid.
- Principal and interest on indebtedness are not recognized as expenditures until paid.
- Compensated absences are recognized as expenditures when paid.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting - Continued

In applying the susceptible-to-accrual concept to State and Federal Aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These revenues are generally reflected as revenues at the time of receipt.

The primary non-property tax item is sales tax which is recorded as revenue in the general fund when it is received by the State and available for distribution to the City. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

D. Budgetary Data

The City's procedures for establishing the budgetary data reflected in the accompanying general-purpose financial statements are as follows:

- a. No later than June 1, the budget officer submits a tentative budget to the Common Council for the fiscal year commencing the following August 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than June 30, the Common Council adopts the budget.
- c. All modifications of the budget must be approved by the Common Council.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year..

F. Cash and Cash Equivalents

The City's investment policies are governed by State statutes. City monies are deposited in FDIC insured commercial banks or trust companies located and authorized to do business in New York State. The City is authorized to use demand accounts and invest in special time deposits and certificates of deposits. Permissible investments also include obligations of the U.S. Treasury and U.S. agencies where principal and interest are guaranteed by the United States of America and obligations of New York State or, with permission of the State Comptroller, in revenue and tax anticipation notes of New York State municipalities, school districts, public authorities, and district corporations.

See independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Cash and Cash Equivalents - continued

Collateral is required for special time deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, where principal and interest are guaranteed, and obligations of New York State and its municipalities, school districts, public authorities, and housing authorities.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

G. Accounts Receivable

Accounts receivable in the Governmental Funds represent water rents receivable, refuse and garbage receivables, and sewer maintenance receivables that are relieved on the City tax roll on August 1. Therefore, management does not believe it is necessary to establish an allowance for doubtful accounts.

The City has established an allowance for doubtful accounts based on collection history and a review of accounts by management for the rehabilitation loan receivable. The allowance for doubtful accounts was \$75,000 at July 31, 2014.

H. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for the goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined balance sheet.

I. General Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected in governmental funds, and the related assets are reported in the general Fixed Assets Account Group.

Accounting principles generally accepted in the United States of America require that all purchased fixed assets be valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their fair market value on the date received.

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

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutter, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and have value only to the city.

Assets in the General Fixed Assets Account Group are not depreciated nor has interest on general fixed asset construction in progress been capitalized.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Compensated Absences

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. The liability for accumulated vacation and related benefits has been recorded in the respective governmental fund type in accordance with GASB 16. Payment of vacation and sick leave recorded in the general Long-Term Debt Account Group is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payment becomes due.

K. Post Employment Benefits

In addition to providing retirement benefits, the City provides post employment health insurance coverage and survivor benefits to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the City and its employee groups. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through an insurance company. Premiums are based on the benefits paid during the year. The City recognized the cost of providing benefits for the year ended July 31, 2014 by recording its costs for the benefits for 54 currently enrolled retirees and family members as an expenditure during the year. The net amount of this expenditure totaled \$608,906.

L. Total Columns

Total columns in the regulatory basis financial statements are captioned *Memorandum Only* to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles prescribed by the New York State Office of State Comptroller, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

M. Subsequent Events

Management has evaluated subsequent events or transactions as to potential material impact on operations or financial position occurring through February 1, 2016, the date the financial statements were available to be issued. No such events or transactions were noted.

NOTE 2 – CASH AND CASH EQUIVALENTS

New York State statutes require the City to collateralize its cash and cash equivalents in excess of the Federal Deposit Insurance Corporation limit of \$500,000 (\$250,000 on checking and \$250,000 on time deposits and other cash accounts). This collateral is to be in the form of state and local government securities held in trust for and pledged to secure the City's cash and cash equivalents. The City's cash and cash equivalents were adequately insured or collateralized as of July 31 2014.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 3 – PROPERTY TAXES

The City Council adopts the budget for the ensuing fiscal year not later than June 30th of each year. Real property taxes for the City's purposes are levied and become a lien on August 1st. All taxes levied on property within the City are collected by the City Treasurer for 30 days, after August 1st, without penalty or interest. After such 30-day period, interest and penalty are added as appropriate and collection continues until July 15th. The City enforces its own taxes via a tax sale performed in mid-July.

The City has established an allowance for doubtful accounts based on collection history and a review of accounts by management. Allowance for doubtful accounts was \$580,000 at July 31, 2014.

In addition to the City tax levy, the City is responsible for collecting the School District's taxes levied on property within the City. The City remits school tax collections to the School District throughout the year and has until the end of the following fiscal year to reimburse the School District for taxes uncollected at July 31 of the current fiscal year.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

A summary of Interfund receivables and payables at July 31, 2014, is as follows:

<u>Fund</u>	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$2,189,491	\$1,139,378	\$ 655,000	\$ 97,300
Trust & Agency Funds	23	137,309	- 0 -	-0-
Capital Projects Fund	723,592	1,257,438	- 0 -	791,115
Library	6,679	3,063	97,300	-0-
Solid Waste Fund	90,776	346,635	- 0 -	-0-
Water Fund	790,381	960,696	- 0 -	30,000
Sewer Fund	<u>144,953</u>	<u>101,376</u>	<u>166,115</u>	<u>-0-</u>
Totals	<u>\$3,945,895</u>	<u>\$3,945,895</u>	<u>\$ 918,415</u>	<u>\$ 918,415</u>

NOTE 5 – REHABILITATION LOANS RECEIVABLE

The City has loaned monies to various companies and individuals under United States Department of Housing and Urban Development programs. The total commercial and residential loans receivable is \$1,478,832 at July 31, 2014.

The City has established an allowance for doubtful accounts based on a review of loan payment histories and judgments that have been filed. The allowance for doubtful accounts was \$75,000 at July 31, 2014.

CITY OF RENSSELAER, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
 JULY 31, 2014

NOTE 6 – FIXED ASSETS

A summary of changes in the general Fixed Assets Account Group is as follows:

	Balance August 1, 2013	Additions	Disposals	Balance July 31, 2014
Land	\$ 638,704	\$ -0-	\$ -0-	\$ 638,704
Buildings	7,534,022	-0-	-0-	7,534,022
Infrastructure	24,575,242	1,761,791	-0-	26,337,033
Equipment	<u>7,935,187</u>	<u>-0-</u>	<u>-0-</u>	<u>7,935,187</u>
Total	<u>\$ 40,683,155</u>	<u>\$1,761,791</u>	<u>-0-</u>	<u>\$ 42,444,946</u>

NOTE 7 – NOTES PAYABLE

The City may issue Revenue Anticipation Notes (RANs) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

Liabilities for Bond Anticipation Notes (BANs) relating to capital assets are generally accounted for in the Capital Projects Fund. BANs must be renewed annually.

State law requires that BANs issued for capital purposes be converted into long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Currently, amortization of BANs is funded through operating transfers from the General Fund, Solid Waste Fund and Water Fund. This is the procedure presently in place for funding the undesignated deficit fund balance in the Capital Projects Fund.

The following is an analysis of BANs and RANs outstanding at July 31, 2014:

<u>BANs and RANs</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
Court House	\$ 56,250	1.47	11/14/14
City Hall Roof	120,941	1.41	1/23/15
Salt Shed	80,000	1.47	11/14/14
Various Purpose	281,500	1.51	05/29/15
Fire Truck	310,279	1.51	08/01/14
Broadway DOT	1,041,670	1.48	01/30/15
Police Vehicle	150,000	1.47	04/14/15
Water Emergency	270,000	1.47	04/14/15
Sewer Emergency	595,000	1.47	04/14/15
DOT	635,000	1.47	04/14/15
CWSFF Short-Term	<u>1,058,139</u>	0.00	09/29/16
BANs and RANs outstanding at July 31, 2014	<u>\$ 4,598,779</u>		

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
 JULY 31, 2014

NOTE 8 – LONG-TERM DEBT

General Long-Term Debt Account Group

A summary of the transactions in the General Long-Term Debt Account Group is as follows:

	Balance August 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance July 31, <u>2014</u>
Serial Bonds	\$6,024,600	\$ 253,413	\$366,800	\$5,911,213
Compensated absences	<u>1,090,927</u>	<u>92,004</u>	<u>- 0 -</u>	<u>1,182,931</u>
	<u>\$7,115,527</u>	<u>\$345,417</u>	<u>\$366,800</u>	<u>\$7,094,144</u>

The following is a summary and description of the serial bonds outstanding at July 31, 2014:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at July 31, 2014</u>
4/01/10	389,000	4/01/15	4.52%	77,800
6/22/10	3,008,500	4/01/25	3.50%	2,330,000
04/05/11	3,435,000	4/01/40	4.75%	3,250,000
07/30/14	253,413	7/15/22	2.50%	<u>253,413</u>
				<u>\$5,911,213</u>

Following is a summary of maturity of debt service requirements for general obligation bonds:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
7/30/15	\$ 341,213	\$ 245,777
7/30/16	280,000	232,463
7/30/17	290,000	222,088
7/30/18	305,000	211,513
7/30/19	320,000	199,969
Thereafter	<u>4,375,000</u>	<u>1,959,263</u>
	<u>\$5,911,213</u>	<u>\$3,071,073</u>

NOTE 9 – PENSION PLANS

Pension Plan

a. Plan Description

The City participates in the New York State and Local Employee's Retirement System (ERS), the New York State Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems).

These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
 JULY 31, 2014

NOTE 9 – PENSION PLANS - Continued

business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and requires supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. 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 service credit and employees who joined after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The City is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2014	\$341,071	\$ 868,681
2013	\$494,175	\$ 886,538
2012	\$463,451	\$ 825,380

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1, however, employers were allowed to prepay their payment by December 15. The covered salary period (April 1 – March 31) will not change for the calculation.

NOTE 10 – STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

At July 31, 2014 the Capital Projects Fund had a deficit fund balance of \$2,611,400. The deficit is attributable to projects, which have been financed utilizing short-term bond anticipation notes. The proceeds of short-term debt are not recognized as revenue, but as fund liability, in accordance with the New York State Uniform System of Accounts, and merely serve to provide cash to meet expenditures. The expenditure of these proceeds has resulted in a deficit fund balance until such time that expenditure reimbursement for certain projects are obtained or permanent financing in the form of bonds is secured. In the past, it has been the City's policy to repay short-term borrowings from the City's operating budget.

At July 31, 2014 the Solid Waste Fund had a deficit fund balance of \$111,561.

NOTE 11 - FUND BALANCE

The City has implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions." There are five classifications of fund balance:

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 11 - FUND BALANCE - Continued

Nonspendable Fund Balance - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The City has no nonspendable fund balance at July 31, 2014.

Restricted Fund Balance - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance.

Restricted fund balance includes the following:

Library	\$ 131
Solid Waste	769
Water	9,408
Sewer	8,371
Trust Fund	<u>5,000</u>

Total Restricted Funds \$23,679

Committed - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, i.e., the Common Council. The City has not committed any fund balances as of July 31, 2014.

Assigned - includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$107,520. The City's assigned fund balance also includes \$7,307 in the Special Purpose Expendable Trust Fund.

Unassigned - includes all other fund balance net positions that do not meet the definition of the above four classifications and are deemed to be available for general use by the City.

NOTE 12 – COMMITMENTS AND CONTIGENCIES

Judgments and Claims

There are numerous tax certiorari cases pending against the City. The ultimate outcome of these cases is not presently determinable.

There are numerous notices of claim and asserted claims pending against the City. The ultimate outcome of these claims is not presently determinable. The City is of the opinion that any liability or loss in excess of insurance coverage resulting from such notices and asserted claims will not have a material adverse effect on the City's general-purpose financial statements.

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 12 – COMMITMENTS AND CONTIGENCIES - Continued

Grant Programs

The City has received federal grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for return of funds to the federal and state governments. Based on prior audits, the City's administration believes disallowances, if any, will be immaterial.

Environmental Concerns

The City is engaged in many activities (e.g. water and sewer service, refuse collection), in the normal course of operations, that are potentially hazardous to the environment. As of July 31, 2014 the City is not aware of any significant environmental problems that should be disclosed in the financial statements.

NOTE 13 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 1, 2016, which is the date these financial statements were available to be issued.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Regulatory Basis Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Mayor and Members
of the Common Council of the
City 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the regulatory basis financial statements of the City of Rensselaer, New York, as of and for the year ended July 31, 2014, and the related notes to the regulatory basis financial statements, which collectively comprise the City of Rensselaer, New York's basic financial statements and have issued our report thereon dated February 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rensselaer, New York'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 opinion on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rensselaer, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rensselaer, New York's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City of Rensselaer, New York's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2014-001).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (2014-001).

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Rensselaer, New York in a separate letter dated February 1, 2016.

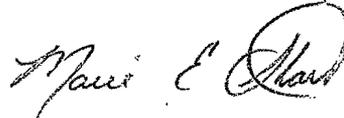
City of Rensselaer, New York's Response to Findings

City of Rensselaer, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Rensselaer, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rensselaer, New York'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,
STARK & BASILA
Certified Public Accountants, PC



MARIE E. STARK, CPA

Cohoes, New York
Dated: February 1, 2016

Section II – Financial Statement Findings – July 31, 2014

2014-001 Deficiencies in Internal Control

Material Weakness

Condition: The City does not have in place an adequate system of internal controls over financial reporting. Monthly reconciliations of all critical accounts are not performed and there is no supervision over the quality of accounting and financial reporting.

Criteria: Sound internal controls over financial reporting ensure that all of the City's financial records, processes, and financial operations are done in compliance with sound public accounting principles with acceptable auditing and accounting standards and business practices.

Effect: The City's failure to adopt and follow sound internal controls over financial reporting could allow an accumulation of immaterial misstatements to occur, sum total of which could cause a material misstatement within its financial reporting to remain undetected.

Recommendation: The City should develop a system of internal controls that ensures their financial responsibility, integrity and sound fiscal management.

Management's Response: The Mayor and Members of the Common Council concur with the findings and recommendations and are exploring options to rectify this situation.

Section II – Financial Statement Findings – July 31, 2013

2013-001 Deficiencies in Internal Control

Material Weakness

Condition: The City does not have in place an adequate system of internal controls over financial reporting. Monthly reconciliations of all critical accounts are not performed and there is no supervision over the quality of accounting and financial reporting.

Criteria: Sound internal controls over financial reporting ensure that all of the City's financial records, processes, and financial operations are done in compliance with sound public accounting principles with acceptable auditing and accounting standards and business practices.

Effect: The City's failure to adopt and follow sound internal controls over financial reporting could allow an accumulation of immaterial misstatements to occur, sum total of which could cause a material misstatement within its financial reporting to remain undetected.

Recommendation: The City should develop a system of internal controls that ensures their financial responsibility, integrity and sound fiscal management.

Management's Response: The Mayor and Members of the Common Council concur with the findings and recommendations and are exploring options to rectify this situation.