

CITY OF RENSSELAER, NEW YORK  
REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**CITY OF RENSSELAER, NEW YORK**  
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**JULY 31, 2010**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying regulatory basis financial statements of the City of Rensselaer, New York, as of and for the year ended July 31, 2010 as listed in the table of contents. These financial statements are the responsibility of the City of Rensselaer, New York's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the regulatory basis financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall regulatory basis financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity 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, 2010, and the changes in its financial position for the year then ended. Further, the City of Rensselaer, New York has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

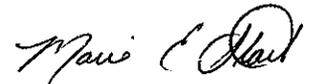
In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011 on our consideration of the City of Rensselaer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements

and other matters. The purpose of that report is to describe the scope of our testing of internal 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* and should be considered in assessing the results of our audit.

Our audit was made for the purposes of forming an opinion on the regulatory basis financial statements that collectively comprise the City of Rensselaer, New York's basic financial statements. The supplemental financial information on pages 5 to 6, 8 to 9 and 11 to 12 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic regulatory basis financial statements. The supplemental financial information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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.

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of each fund of the City of Rensselaer, New York as of July 31, 2010, and their respective revenues and expenditures, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

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

  
MARIE E. STARK, CPA

Dated: January 31, 2011

CITY OF RENNELAER, NEW YORK  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 JULY 31, 2010

	Governmental Fund Types			Proprietary Business-Type	Fiduciary Fund Types	Account Groups			Totals
	General	Community Development	Capital Projects			Library	General Fixed Assets	Long-Term Debt	
<b>ASSETS AND OTHER DEBITS</b>									
<b>ASSETS</b>									
Cash and cash equivalents	\$ 1,762,247	\$ 1,042,615	\$ 679,596	\$ 11,567	\$ 75,941	\$ -	\$ -	\$ -	\$ 4,170,240
Receivables:									
Taxes, net of allowance for uncollectible of \$ 580,000	1,675,055	-	-	-	-	-	-	-	1,675,055
Rehabilitation loans, net	-	1,110,311	-	-	-	-	-	-	1,110,311
Accounts Receivable	980,155	111,035	-	936,349	-	-	-	-	936,349
Due from other funds	274,187	262,820	1,291,620	9,941	97,966	-	-	-	3,440,712
Due from other governments	-	-	-	49,386	-	-	-	-	586,393
Fixed Assets	4,691,644	2,526,781	1,971,216	21,508	173,907	23,116,757	-	-	23,116,757
<b>OTHER DEBITS</b>									
Provision to be made in future budgets	-	-	-	-	-	-	4,623,590	-	4,623,590
<b>Total Assets</b>	<b>\$ 4,691,644</b>	<b>\$ 2,526,781</b>	<b>\$ 1,971,216</b>	<b>\$ 21,508</b>	<b>\$ 173,907</b>	<b>\$ 23,116,757</b>	<b>\$ 4,623,590</b>	<b>\$ -</b>	<b>\$ 39,659,407</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES:</b>									
Accounts Payable	\$ 191,197	\$ -	\$ -	\$ 1,293	\$ -	\$ -	\$ -	\$ -	\$ 778,216
Accrued Liabilities	241,513	296,210	-	-	213,801	-	-	-	751,524
Other Liabilities	8,763	-	127,490	-	636	161,668	1,010,090	-	1,308,617
Bonds Payable	-	-	-	-	-	-	3,613,500	-	3,613,500
Bond Anticipation Notes	-	-	-	-	-	-	-	-	979,449
Due to other funds	1,119,601	-	873,147	5,233	1,335,919	-	-	-	3,333,900
Due to other governments	196,570	-	-	-	-	-	-	-	196,570
Deferred Revenues	978,419	1,110,311	-	-	112,881	-	-	-	2,201,611
Total Liabilities	2,736,093	1,406,521	1,980,086	6,526	161,668	-	4,623,590	-	13,163,447
<b>OTHER CREDITS</b>									
Investment in general fixed assets	-	-	-	-	-	23,116,757	-	-	23,116,757
<b>Fund Balances:</b>									
Reserved for:									
Encumbrances	176,128	-	-	-	-	-	-	-	176,128
Unreserved, reported in:									
General Fund	1,779,423	-	-	-	-	-	-	-	1,779,423
Proprietary Funds	-	-	-	-	285,041	-	-	-	285,041
Community Development	-	1,120,260	-	-	-	-	-	-	1,120,260
Capital Projects	-	-	(8,870)	-	-	-	-	-	(8,870)
Library Fund	-	-	-	14,982	-	-	-	-	14,982
Fiduciary Fund	-	-	-	-	-	12,239	-	-	12,239
Total Fund Balances	1,955,551	1,120,260	(8,870)	14,982	285,041	12,239	-	-	3,379,203
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,691,644</b>	<b>\$ 2,526,781</b>	<b>\$ 1,971,216</b>	<b>\$ 21,508</b>	<b>\$ 173,907</b>	<b>\$ 23,116,757</b>	<b>\$ 4,623,590</b>	<b>\$ -</b>	<b>\$ 39,659,407</b>

See accompanying notes and independent auditor's report.

CITY OF RENNELAER, NEW YORK  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY  
 ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND TYPES- ALL FUND TYPES  
 FOR THE YEAR ENDED JULY 31, 2010

	Governmental Fund Types				Proprietary Business-Type		Fiduciary Fund Types		Totals
	General	Community Development	Capital Projects	Library	Expendable Trust	Non-Expendable Trust	Expendable Trust	Non-Expendable Trust	
<b>REVENUES</b>									
Taxes	\$ 7,113,794	-	-	\$ -	-	-	\$ -	-	\$ 7,113,794
Licenses and permits	25,072	-	-	-	-	-	-	-	25,072
Intergovernmental revenues	3,792,976	-	1,223,035	-	-	-	-	-	5,016,011
Charges for services	14,736	-	-	20,816	-	2,439,277	-	-	2,474,829
Fines and forfeitures	113,643	-	-	-	-	-	-	-	113,643
Use of money and property	33,760	1,271,819	1,764	-	-	107,630	369	-	1,415,342
Other revenue	141,216	-	20,868	-	-	-	-	-	162,084
Total Revenues	11,235,197	1,271,819	1,245,667	20,816	-	2,546,907	369	-	16,320,775
<b>EXPENDITURES</b>									
General government	1,170,658	-	-	-	-	-	-	-	1,170,658
Operations and maintenance	-	-	-	-	-	2,138,511	-	-	2,138,511
Security of persons and property	3,545,492	-	-	-	-	-	-	-	3,545,492
Physical environment	2,173,414	-	3,037,782	-	-	-	-	-	5,211,196
Economic environment	243,276	1,605,337	-	-	-	-	-	-	1,848,613
Culture and recreation	149,681	-	-	103,954	-	-	-	-	253,635
Employee Benefits	2,496,867	-	-	-	-	278,765	-	-	2,775,632
Debt service	-	-	-	-	-	-	-	-	-
Principal	552,247	-	-	-	-	-	-	-	552,247
Interest and debt issue costs	139,978	-	-	-	-	60,863	-	-	200,841
Total Expenditures	10,471,613	1,605,337	3,037,782	103,954	-	2,478,139	-	-	17,696,825
Excess (deficiency) of revenues over (under) expenditures	763,584	(333,518)	(1,792,115)	(83,138)	-	68,768	369	-	(1,376,050)
<b>OTHER FINANCING SOURCES</b>									
Bond Proceeds	-	-	3,397,500	-	-	-	-	-	3,397,500
BANS redeemed from appropriations	-	-	498,247	-	-	-	-	-	498,247
Transfers in	-	-	139,806	90,000	-	-	-	-	229,806
Transfers out	(229,806)	-	-	-	-	-	-	-	(229,806)
Total other financing sources (uses)	(229,806)	-	4,035,553	90,000	-	-	-	-	3,995,747
Net change in fund equity	533,778	(333,518)	2,243,438	6,862	-	68,768	369	-	2,519,697
Fund equity (deficit) - Beginning of year	1,421,773	1,453,778	(2,252,308)	8,120	-	216,273	6,870	5,000	859,506
Fund equity (deficit) - End of year	\$ 1,955,551	\$ 1,120,260	\$ (8,870)	\$ 14,982	\$ -	\$ 285,041	\$ 7,239	\$ 5,000	\$ 3,379,203

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JULY 31, 2010

	General Fund	Community Development	Capital Projects	Library Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,762,247	\$ 1,042,615	\$ 679,596	\$ 11,567	\$ 3,496,025
Receivables:					
Taxes, net of allowance for uncollectible of \$ 580,000	1,675,055	-	-	-	1,675,055
Rehabilitation loans, net	-	1,110,311	-	-	1,110,311
Due from other funds	980,155	111,035	1,291,620	9,941	2,392,751
Due from other governments	274,187	262,820	-	-	537,007
<b>Total Assets</b>	<b>\$ 4,691,644</b>	<b>\$ 2,526,781</b>	<b>\$ 1,971,216</b>	<b>\$ 21,508</b>	<b>\$ 9,211,149</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 191,197	\$ -	\$ -	\$ 1,293	192,490
Accrued Liabilities	241,513	296,210.00	-	-	537,723
Other Liabilities	8,763	-	127,490	-	136,253
Bond Anticipation Notes	-	-	979,449	-	979,449
Due to other funds	1,119,601	-	873,147	5,233	1,997,981
Due to other governments	196,570	-	-	-	196,570
Deferred Revenues	978,449	1,110,311	-	-	2,088,760
<b>Total Liabilities</b>	<b>2,736,093</b>	<b>1,406,521</b>	<b>1,980,086</b>	<b>6,526</b>	<b>6,129,226</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Encumbrances	176,128	-	-	-	176,128
<b>Unreserved, reported in:</b>					
General Fund	1,779,423	-	-	-	1,779,423
Community Development	-	1,120,260	-	-	1,120,260
Capital Projects	-	-	(8,870)	-	(8,870)
Library Fund	-	-	-	14,982	14,982
<b>Total Fund Balances</b>	<b>1,955,551</b>	<b>1,120,260</b>	<b>(8,870)</b>	<b>14,982</b>	<b>3,081,923</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,691,644</b>	<b>\$ 2,526,781</b>	<b>\$ 1,971,216</b>	<b>\$ 21,508</b>	<b>\$ 9,211,149</b>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND EQUITY  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JULY 31, 2010

	General Fund	Community Development	Capital Projects	Library Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 7,113,794	\$ -	\$ -	\$ -	\$ 7,113,794
Licenses and permits	25,072	-	-	-	25,072
Intergovernmental revenues	3,792,976	-	1,223,035	-	5,016,011
Charges for services	14,736	-	-	20,816	35,552
Fines and forfeitures	113,643	-	-	-	113,643
Use of money and property	33,760	1,271,819	1,764	-	1,307,343
Other revenue	141,216	-	20,868	-	162,084
<b>Total Revenues</b>	<b>11,235,197</b>	<b>1,271,819</b>	<b>1,245,667</b>	<b>20,816</b>	<b>13,773,499</b>
<b>EXPENDITURES</b>					
General government	1,170,658	-	-	-	1,170,658
Security of persons and property	3,545,492	-	-	-	3,545,492
Physical environment	2,173,414	-	3,037,782	-	5,211,196
Economic environment	243,276	1,605,337	-	-	1,848,613
Culture and recreation	149,681	-	-	103,954	253,635
Employee Benefits	2,496,867	-	-	-	2,496,867
Debt service					
Principal	552,247	-	-	-	552,247
Interest and debt issue costs	139,978	-	-	-	139,978
<b>Total Expenditures</b>	<b>10,471,613</b>	<b>1,605,337</b>	<b>3,037,782</b>	<b>103,954</b>	<b>15,218,686</b>
Excess (deficiency) of revenues over (under) expenditures	763,584	(333,518)	(1,792,115)	(83,138)	(1,445,187)
<b>OTHER FINANCING SOURCES</b>					
Bond Proceeds	-	-	3,397,500	-	3,397,500
BANS redeemed from appropriations	-	-	498,247	-	498,247
Transfers in	-	-	139,806	90,000	229,806
Transfers out	(229,806)	-	-	-	(229,806)
<b>Total other financing sources (uses)</b>	<b>(229,806)</b>	<b>-</b>	<b>4,035,553</b>	<b>90,000</b>	<b>3,895,747</b>
Net change in fund equity (deficit)	533,778	(333,518)	2,243,438	6,862	2,450,560
Fund Equity (deficit) - Beginning of year	1,421,773	1,453,778	(2,252,308)	8,120	631,363
Fund Equity (deficit) - End of year	<b>\$ 1,955,551</b>	<b>\$ 1,120,260</b>	<b>\$ (8,870)</b>	<b>\$ 14,982</b>	<b>\$ 3,081,923</b>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY  
BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JULY 31, 2010

	Original Budget FY 2010	Final Budget FY 2010	Actual FY 2010	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 7,635,799	\$ 7,977,551	\$ 7,113,794	\$ (863,757)
Licenses and permits	125,195	125,195	25,072	(100,123)
Intergovernmental revenues	3,551,027	3,943,576	3,792,976	(150,600)
Charges for services	20,060	20,060	14,736	(5,324)
Fines and forfeitures	105,000	105,000	113,643	8,643
Investment income	44,500	44,500	33,760	(10,740)
Other revenue	67,700	79,386	141,216	61,830
<b>Total Revenues</b>	<u>11,549,281</u>	<u>12,295,268</u>	<u>11,235,197</u>	<u>(1,060,071)</u>
<b>EXPENDITURES</b>				
General government	1,261,736	1,315,931	1,170,658	145,273
Security of persons and property	3,926,277	4,244,164	3,545,492	698,672
Physical environment	2,027,867	2,448,172	2,173,414	274,758
Economic environment	229,963	264,575	243,276	21,299
Culture and recreation	167,480	202,282	149,681	52,601
Employee Benefits	2,421,268	2,485,843	2,496,867	(11,024)
Debt service				
Principal	600,000	600,000	552,247	47,753
Interest and debt issue costs	153,484	158,653	139,978	18,675
<b>Total Expenditures</b>	<u>10,788,075</u>	<u>11,719,619</u>	<u>10,471,613</u>	<u>1,248,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>761,206</u>	<u>575,649</u>	<u>763,584</u>	<u>187,935</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	-	-
Transfers out	(338,306)	(338,306)	(229,806)	108,500
<b>Total other financing sources (uses)</b>	<u>(338,306)</u>	<u>(338,306)</u>	<u>(229,806)</u>	<u>108,500</u>
Net change in fund equity (deficit)	422,900	237,343	533,778	296,435
Fund Equity (deficit) - Beginning of year	<u>1,421,773</u>	<u>1,421,773</u>	<u>1,421,773</u>	<u>-</u>
Fund Equity (deficit) - End of year	<u>\$ 1,844,673</u>	<u>\$ 1,659,116</u>	<u>\$ 1,955,551</u>	<u>\$ 296,435</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
BALANCE SHEET  
PROPRIETARY FUNDS  
JULY 31, 2010

	Business-type Activities		
	Enterprise Funds		
	Solid Waste	Water Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 41,183	\$ 557,091	\$ 598,274
Accounts Receivable	134,542	801,807	936,349
Due from other funds	101,960	848,035	949,995
Due from other government	-	49,386	49,386
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 277,685</u>	<u>\$ 2,256,319</u>	<u>\$ 2,534,004</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 87,745	\$ 497,981	\$ 585,726
Accrued Liabilities	4,418	209,383	213,801
Other Liabilities	264	372	636
Bond Anticipation Notes	-	-	-
Due to other funds	298,619	1,037,300	1,335,919
Deferred Revenues	-	112,881	112,881
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>391,046</u>	<u>1,857,917</u>	<u>2,248,963</u>
<b>FUND BALANCE</b>			
Reserved for:			
Encumbrances	-	-	-
Unreserved, reported in:			
Solid Waste	(113,361)		(113,361)
Water Fund		398,402	398,402
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	<u>(113,361)</u>	<u>398,402</u>	<u>285,041</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balance	<u>\$ 277,685</u>	<u>\$ 2,256,319</u>	<u>\$ 2,534,004</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JULY 31, 2010

	Business-type Activities Enterprise Funds		
	Solid Waste	Water Fund	Totals
Revenues:			
Charges for services	\$ 635,915	\$ 1,803,362	\$ 2,439,277
Use of money and property	249	107,381	107,630
Total operating revenue	<u>636,164</u>	<u>1,910,743</u>	<u>2,546,907</u>
Expenditures:			
Operations and maintenance	581,215	1,557,296	2,138,511
Employee Benefits	145,195	133,570	278,765
Debt service			
Principal	-	-	-
Interest and debt issue costs	-	60,863	60,863
Total Expenditures	<u>726,410</u>	<u>1,751,729</u>	<u>2,478,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,246)</u>	<u>159,014</u>	<u>68,768</u>
OTHER FINANCING SOURCES			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund equity	(90,246)	159,014	68,768
Fund Equity (deficit) - Beginning of year	<u>(23,115)</u>	<u>239,388</u>	<u>216,273</u>
Fund Balances (deficit) - End of year	<u>\$ (113,361)</u>	<u>\$ 398,402</u>	<u>\$ 285,041</u>

See accompanying notes and independent auditor's report.

CITY OF RENNELAER, NEW YORK  
 STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY  
 BUDGET TO ACTUAL  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JULY 31, 2010

	Business-Type Activities Enterprise Funds				Variance with Final Budget Positive (Negative)
	Solid Waste FY 2009 Budget	Solid Waste Actual	Water Fund FY 2009 Budget	Water Fund Actual	
Operating revenues:					
Charges for services	\$ 668,550	\$ 635,915	\$ 1,844,600	\$ 1,803,362	\$ (41,238)
Use of money and property	275	249	107,000	107,381	381
Total operating revenue	<u>668,825</u>	<u>636,164</u>	<u>1,951,600</u>	<u>1,910,743</u>	<u>(40,857)</u>
Operating expenditures:					
Operations and maintenance	464,983	581,215	1,620,220	1,557,296	62,924
Employee Benefits	139,842	145,195	139,390	133,570	5,820
Debt service					
Principal	64,000	-	175,000	-	175,000
Interest and debt issue costs	-	-	41,990	60,863	(18,873)
Total Expenses	<u>668,825</u>	<u>726,410</u>	<u>1,976,600</u>	<u>1,751,729</u>	<u>224,871</u>
Excess (deficiency) of revenues over (under) expenditures	-	(90,246)	(25,000)	159,014	184,014
OTHER FINANCING SOURCES					
Transfers in	-	-	25,000	-	(25,000)
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	25,000	-	(25,000)
Net change in fund equity	-	(90,246)	-	159,014	159,014
Fund equity (deficit) - Beginning of year	(23,115)	(23,115)	239,388	239,388	-
Fund equity (deficit) - End of year	<u>\$ (23,115)</u>	<u>\$ (113,361)</u>	<u>\$ 239,388</u>	<u>\$ 398,402</u>	<u>\$ 159,014</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
STATEMENT OF FIDUCIARY FUND BALANCE  
FIDUCIARY FUNDS  
JULY 31, 2010

	Private Purpose Trusts	Agency Funds	Totals
<b>ASSETS</b>			
Cash	\$ 12,239	\$ 63,702	75,941
Due from Governmental funds	-	97,966	97,966
<b>Total Assets</b>	<u>\$ 12,239</u>	<u>\$ 161,668</u>	<u>\$ 173,907</u>
<b>LIABILITIES</b>			
Due to other Governmental funds	\$ -	\$ -	\$ -
Custodial Funds	-	161,668	161,668
<b>Total Liabilities</b>	<u>-</u>	<u>161,668</u>	<u>161,668</u>
<b>FUND BALANCE</b>			
Reserved for Library	12,239	-	12,239
<b>Total Liabilities and Fund Balance</b>	<u>\$ 12,239</u>	<u>\$ 161,668</u>	<u>\$ 173,907</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
STATEMENT OF CHANGES IN FIDUCIARY FUND EQUITY  
FIDUCIARY FUNDS  
JULY 31, 2010

	<u>Private Purpose Trusts</u>
ADDITIONS	
Use of money and property	\$ 369
Total additions	<u>369</u>
DEDUCTIONS	
Library expenditures	<u>-</u>
Total deductions	<u>-</u>
Change in net assets	369
Fund equity (deficit) - beginning of year	<u>11,870</u>
Fund equity (deficit) - end of year	<u><u>\$ 12,239</u></u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**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. 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 and 45 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions" need not be implemented to meet the requirements of General Municipal Law. 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 Postemployment Benefits Expenditures and Related Liabilities

Management has considered the costs and benefits of adopting GASB 34 and 45 and determined that auditing the financial statements utilizing another Comprehensive Basis of Accounting as opposed to GAAP makes fiscal sense for the City.

*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. 14 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. 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.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**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.

Based on the foregoing criteria and the significant factors presented below, the following organizations, functions, or activities are not included in the reporting entity:

City of Rensselaer Industrial Development Agency

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.

Rensselaer City School District

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.

Rensselaer Housing Authority

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 balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Certain funds of the local government are utilized to account for resources derived from, and/or expenditures applicable

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*B. Basis of Presentation - Fund Accounting - Continued*

to an area less than the entire City. The following fund types and account groups are used:

*Governmental Fund Types*

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in the financial position. The following are the City's Governmental Fund Types:

**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 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.

**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.

**Proprietary Funds** - Used to account for resources in the same manner as a privately owned commercial business.

- 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.

*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.

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*B. Basis of Presentation - Fund Accounting - Continued*

*Account Groups*

Account Groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The account group is not a "fund". It is concerned with measurement of financial position and not results of operations.

**General Long-Term Debt Account Group** - used to account for permanently financed long-term debt and other long-term liabilities to be provided for in future budgets which are not required to be accounted for in other funds such as retirement and compensated absences.

**General Fixed Assets Account Group** - 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 deferred revenue on its combined balance sheet. Deferred Revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*C. Basis of Accounting - Continued*

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.

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 for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are recorded as reservations of fund balances

.See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*E. Encumbrances - Continued*

since the commitments do not constitute expenditures or liabilities. Open encumbrances, after review by the Common Council, are added to the subsequent year's budget to provide the modified budget presented in the combined general purpose financial statements. Expenditures for such commitments are recorded in the period in which the liability is incurred.

*F. Cash and Cash Equivalents*

The City's investment policies are governed by State statutes. City monies are deposited in 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.

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 Proprietary Funds represent water rents receivable and refuse and garbage 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, 2009.

*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

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*I. General Fixed Assets - Continued*

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.

*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 pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. 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 recognizes the cost of providing benefits by recording its share of insurance payments as expenditures in the year paid. During the year, \$524,113 was paid on behalf of 62 retired employees.

*L. Total Columns*

Total columns on 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

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
 JULY 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*L. Total Columns - Continued*

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.

**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 2010.

**NOTE 3 - PROPERTY TAXES**

The City Council adopts the budget for the ensuing fiscal year not later than June 30<sup>th</sup> of each year. Real property taxes for the City's purposes are levied and become a lien on August 1<sup>st</sup>. All taxes levied on property within the City are collected by the City Treasurer for 30 days, after August 1<sup>st</sup>, without penalty or interest. After such 30-day period, interest and penalty are added as appropriate and collection continues until July 15<sup>th</sup>. 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, 2010.

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, 2010, 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	\$980,155	\$1,119,601	\$0	\$229,806
Community Development Fund	111,035	0	0	0
Solid Waste Fund	101,960	298,619	0	0
Water Fund	848,035	1,037,300	0	0
Capital Projects Fund	1,291,620	873,147	139,806	0
Library Fund	9,941	5,233	90,000	0
Trust & Agency Fund	97,966	106,812	0	0
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$3,440,712</u>	<u>\$3,440,712</u>	<u>\$229,806</u>	<u>\$229,806</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
 JULY 31, 2010

**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 \$1,185,311 at July 31, 2010.

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, 2010.

**NOTE 6 - FIXED ASSETS**

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

	Balance			Balance
	<u>August 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>July 31, 2010</u>
Land	\$ 638,704	\$ -0-	\$ -0-	\$ 638,704
Buildings	3,466,025	398,075	-0-	3,864,100
Infrastructure	8,091,452	2,587,314	-0-	10,678,766
Equipment	7,935,187	-0-	-0-	7,935,187
Total	<u>\$20,131,368</u>	<u>\$2,985,389</u>	<u>-0-</u>	<u>\$ 23,116,757</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 outstanding at July 31, 2010:

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 7 - NOTES PAYABLE - Continued**

<u>BANs</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
Bucket Truck	\$ 61,500	4.08	8/26/10
Court House	375,000	3.50	11/19/10
Streets & Sidewalks	75,000	2.50	2/05/11
City Hall Roof	231,255	2.50	01/25/11
Falcon Chase Drainage	100,000	2.60	04/01/11
North End Firehouse Equipment	33,000	2.60	04/01/11
Heating Units - City Hall Roof	18,150	2.60	04/01/11
City Construction	<u>85,544</u>	2.60	04/01/11
BANs outstanding at July 31, 2010	\$ <u>979,449</u>		

**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>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance July 31, <u>2010</u>
Serial Bonds	\$270,000	\$3,343,500	\$ -	\$3,613,500
Compensated absences	<u>632,679</u>	<u>377,411</u>	<u>-</u>	<u>1,010,090</u>
	<u>\$902,679</u>	<u>\$3,720,911</u>	<u>\$ -</u>	<u>\$4,623,590</u>

The following is a summary and description of the serial bonds outstanding at July 31, 2010:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at July 31, 2010</u>
7/22/09	\$ 270,000	7/20/14	4.54%	\$ 216,000
4/01/10	389,000	4/01/15	4.52%	389,000
6/22/10	3,008,500	4/01/25	3.50%	<u>3,008,500</u>
				<u>\$3,613,500</u>

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
7/30/11	\$ 305,300	\$ 132,687
7/30/12	296,800	120,646
7/30/13	301,800	108,903
7/30/14	301,800	96,985
7/30/15	252,800	85,067
Thereafter	<u>2,155,000</u>	<u>450,975</u>
	<u>\$3,613,500</u>	<u>\$ 995,263</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**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 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 membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2010	192,691	407,619
2009	197,352	379,506
2008	234,645	342,414

Contributions made to the Systems were equal to 100 percent of the contributions required for each year.

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, 2010 the Capital Projects Fund had a deficit fund balance of \$8,870. 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

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS  
JULY 31, 2010

**NOTE 10 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY - Continued**

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, 2010 the Solid Waste Fund had a deficit fund balance of \$113,361.

**NOTE 11 - 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.

*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, 2010 the City is not aware of any significant environmental problems that should be disclosed in the financial statements.

See independent auditor's report.

# WILSON, STARK & BASILA

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MARIE E. STARK, C.P.A.

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## 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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rensselaer, New York as of and for the year ended July 31, 2010, which collectively comprise the City of Rensselaer, New York's basic financial statements and have issued our report thereon dated January 31, 2011. 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.

### Internal Control Over Financial Reporting

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

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

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

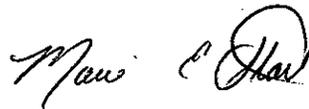
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rensselaer, New York'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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters we have reported to management of the City of Rensselaer, New York in a separate letter dated January 31, 2011.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

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



MARIE E. STARK, CPA

Dated: January 31, 2011

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## Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

### Compliance

We have audited City of Rensselaer, New York's 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 City of Rensselaer, New York's major federal programs for the year ended July 31, 2010. City of Rensselaer, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Rensselaer, New York's management. Our responsibility is to express an opinion on City of Rensselaer, New York's compliance based on our audit.

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 City of Rensselaer, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Rensselaer, New York's compliance with those requirements.

In our opinion, the City of Rensselaer, New York complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2010.

### Internal Control Compliance

Management of City of Rensselaer, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rensselaer, New

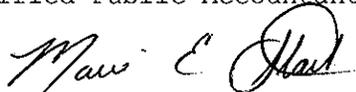
York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 City of Rensselaer, New York's internal control over compliance.

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

Our consideration of 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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



MARIE E. STARK, CPA

Cohoes, New York  
Dated: January 31, 2011

CITY OF RENSSELAER, NEW YORK  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JULY 31, 2010

Federal Grantor/ Pass-Through Grantor/ <u>Program or Cluster Title</u>	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ New York State Housing Trust Fund Corporation/ Home Investment Partnership Program	14.239	\$ 324,653 <u>324,653</u>
U.S. Department of Transportation/ New York State Department of Transportation/ Highway Planning and Construction	20.205	245,034 <u>245,034</u>
U.S. Department of Housing and Urban Development/ New York State Office of Community Renewal/ Community Development Block Grants	14.225	312,820
Community Development Block Grants - Imminent Threat	14.225	<u>500,000</u> <u>812,820</u>
 <b>Total Expenditures of Federal Awards</b>		 <u>\$ 1,382,507</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JULY 31, 2010

**NOTE A - BASIS OF PRESENTATION**

*1. General*

The accompanying Schedule of Expenditures of Federal Awards presents all federal award programs of the City of Rensselaer, New York (City) for the year ended July 31, 2010. The significant accounting policies of the City are defined in Note 1 of the notes to the financial statements. Federal Awards received directly from the federal agencies as well as federal awards passed through other government agencies are included on the Schedule of Expenditures of Federal Awards.

*2. Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting used by the City in reporting these programs to the federal government.

*3. Relationship to the Financial Statements*

Federal awards revenues are reported in the City's financial statements as intergovernmental revenues. The City's financial statements are presented using the accrual basis.

**NOTE B - NON-CASH ASSISTANCE**

The City had no federal awards expended in the form of non-cash assistance during the year ended July 31, 2010.

**NOTE C - LOANS AND LOAN GUARANTEES**

The City had no federal awards expended that represented loans or loan guarantees during the year ended July 31, 2010.

**NOTE D - INSURANCE**

The City did not participate in any federal insurance programs during the year ended July 31, 2010.

**NOTE E - SUB RECIPIENTS**

Of the federal expenditures presented on the Schedule of Expenditures of Federal Awards, the City provided federal awards to sub recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Sub recipient</u>
Community Development Block grants- HOME program	14.239	\$ 324,653

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JULY 31, 2010

Section I - Summary of Independent Auditor's Results (July 31, 2010)

Financial Statements

Type of Auditor's Report Issued: Qualified

Internal Control over Financial Reporting:

- Material weakness(es) identified?     Yes   X   No
- Deficiency(ies) identified that are not considered to be material weaknesses:     Yes   X   No

Noncompliance material to financial statements noted?     Yes   X   No

Federal Awards

Internal control over major programs:

- Material weaknesses identified?     Yes   X   No
- Deficiency(ies) identified that are not considered to be material weaknesses?     Yes   X   No

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?     Yes   X   No

Identification of major programs:

All programs - see schedule of Expenditures of Federal Awards for details on programs.

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee?   X   Yes     No

CITY OF RENSELAER, NEW YORK  
SCHEDULE OF CURRENT AND PRIOR AUDIT FINDINGS  
JULY 31, 2010

Section II - Financial Statement Findings - July 31, 2010

A. Deficiencies in Internal Control

Material Weakness

No Findings

Deficiency

No Findings

Section II - Financial Statement Findings - July 31, 2009

A. Deficiencies in Internal Control

Material Weakness

No Findings

Deficiency

No Findings