

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

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"), which comprise the balance sheet – all fund types and account groups - as of July 31, 2015, and the statements of revenues, expenditures and changes in fund equity – all fund types - 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; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 of the financial statements, 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 significance of the matter 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 each fund of the City of Rensselaer, New York, as of July 31, 2015, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the City of Rensselaer, New York as of July 31, 2015, and its revenues, expenditures and changes in fund balance 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 13, 2017 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

Report on Supplementary Information

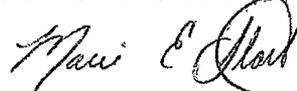
Our audit was conducted for the purposes of forming an opinion on the regulatory basis financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the financial statements as a whole.

The budgetary comparison 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 13, 2017

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JULY 31, 2015

	Governmental Fund Types						Fiduciary Fund Types	Account Groups		Memorandum Only Totals	
	General	Community Development	Capital Projects	Library	Solid Waste	Water	Sewer	General Fixed Assets	General Long-Term Debt		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES											
ASSETS											
Cash and cash equivalents	\$ 2,147,837	\$ 801,410	\$ 2,486,321	\$ 438	\$ 96,193	\$ 394,079	\$ 68,713	\$ 146,324	\$ -	\$ -	\$ 6,151,315
Receivables:											
Taxes, net of allowance for uncollectible of \$ 580,000	1,631,697	-	-	-	-	-	-	-	-	-	1,631,697
Rehabilitation loans, net	-	1,247,331	-	-	-	-	-	-	-	-	1,247,331
Accounts Receivable	-	-	899,539	-	135,350	697,836	306,006	-	-	-	2,038,731
Prepaid Expenditures	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	2,096,285	-	798,313	3,147	214,544	1,363,511	726,327	270	-	-	5,202,397
Due from other governments	441,643	-	-	-	-	68,186	-	-	-	-	509,829
Land, Buildings, Infrastructure & Equipment	-	-	-	-	-	-	-	-	47,209,445	-	47,209,445
Provision to be made in future budgets	-	-	-	-	-	-	-	-	-	12,225,512	12,225,512
Total Assets	6,317,462	2,048,741	4,194,173	3,585	446,087	2,523,612	1,101,046	146,594	47,209,445	-	76,216,256
DEFERRED OUTFLOWS OF RESOURCES											
Deferred Outflows of Resources, Pensions	-	-	-	-	-	-	-	-	209,542	-	209,542
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,317,462	\$ 2,048,741	\$ 4,194,173	\$ 3,585	\$ 446,087	\$ 2,523,612	\$ 1,101,046	\$ 146,594	\$ 47,418,987	\$ 12,225,512	\$ 76,425,798
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY											
LIABILITIES											
Payables											
Accounts Payable	\$ 324,183	\$ 4,205	\$ 752,823	\$ 2,113	\$ 25,214	\$ 19,429	\$ 2,265	\$ -	\$ -	\$ -	\$ 1,130,232
Accrued Liabilities	325,773	5,895	-	-	12,620	271,144	-	-	-	-	615,432
Due to other funds	1,571,933	36,574	1,351,001	604	334,189	1,546,179	342,988	18,929	-	-	5,202,397
Due to other governments	591,330	-	-	-	-	-	-	-	-	-	591,330
Due to NYS Retirement	1,000,737	-	-	-	19,162	18,020	-	-	-	-	1,037,919
Compensated Absences	-	-	-	-	-	-	-	-	-	1,802,120	1,802,120
Net Pension Liability - Proportionate Share	-	-	-	-	-	-	-	-	-	622,727	622,727
Other Post Employment Benefits	-	-	-	-	-	-	-	-	-	3,881,918	3,881,918
Investment in general fixed assets	-	-	-	-	-	-	-	-	47,418,987	-	47,418,987
Notes Payable											
Bonds Payable	-	-	-	-	-	-	-	-	-	5,570,000	5,570,000
Budget Notes	-	-	-	-	-	-	81,890	-	-	-	81,890
Bond Anticipation Notes	-	-	11,440,962	-	-	-	-	-	-	-	11,440,962
Unearned Credits											
Overpayments & Collections	9,789	-	-	-	583	552	-	-	-	-	10,924
Escrow Deposits/Custodial Funds	-	-	64,847	-	-	-	-	115,356	-	-	160,203
Unearned Revenue	763,749	1,247,331	-	-	-	258,313	123,899	-	-	-	2,393,282
Total Liabilities	4,587,494	1,294,005	13,609,833	2,717	391,768	2,113,637	551,043	134,285	47,418,987	11,876,765	81,980,334
DEFERRED INFLOWS OF RESOURCES											
Deferred Inflows of Resources, Pensions	-	-	-	-	-	-	-	-	-	348,747	348,747
FUND EQUITY											
Fund Balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	78,249	400	811	18,591	-	5,000	-	-	103,051
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	90,481	-	-	-	-	-	-	7,309	-	-	97,790
Unassigned	1,639,487	754,736	(9,493,709)	488	53,508	391,384	550,003	-	-	-	(6,104,123)
Total Fund Equity	1,729,968	754,736	(9,415,460)	868	54,319	409,975	550,003	12,309	-	-	(5,903,282)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 6,317,462	\$ 2,048,741	\$ 4,194,173	\$ 3,585	\$ 446,087	\$ 2,523,612	\$ 1,101,046	\$ 146,594	\$ 47,418,987	\$ 12,225,512	\$ 76,425,798

See accompanying notes and independent auditor's report.

CITY OF RENNELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
ALL FUND TYPES
FOR THE YEAR ENDED JULY 31, 2015

	Governmental Fund Types						Fiduciary Fund Types		Memorandum Only	
	General	Community Development	Capital Projects	Library	Solid Waste	Water	Sewer	Expendable Trust	Non-Expendable Trust	Totals
REVENUES										
Taxes	\$ 8,512,231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,512,231
Licenses and permits	218,730	-	-	-	-	-	-	-	-	218,730
Intergovernmental revenues	4,480,567	-	1,340,424	-	-	-	-	-	-	5,820,991
Charges for services	14,750	-	-	3,018	681,077	1,802,335	793,711	-	-	3,294,891
Fines and forfeitures	99,203	-	-	-	-	-	-	-	-	99,203
Use of money and property	9,142	173,769	482	1	1,259	25,024	4	2	-	209,683
Other revenue	102,202	-	19,611	7,751	-	-	-	-	-	129,564
Total Revenues	13,436,825	173,769	1,360,517	10,770	682,336	1,827,359	793,715	2	-	18,285,292
EXPENDITURES										
General government	1,437,885	-	-	-	-	-	-	-	-	1,437,885
Operations and maintenance	-	-	-	-	423,197	1,808,016	255,836	-	-	2,487,049
Security of persons and property	3,989,026	-	-	-	-	-	-	-	-	3,989,026
Physical environment	1,915,829	-	9,072,720	-	-	-	-	-	-	10,988,549
Economic environment	205,316	132,931	-	-	-	-	-	-	-	338,247
Culture and recreation	128,407	-	-	110,367	-	-	-	-	-	238,774
Employee Benefits	3,772,509	-	-	5,584	93,260	101,111	49,047	-	-	4,021,511
Debt service										
Principal	962,508	-	-	-	-	-	-	-	-	962,508
Interest and debt issue costs	316,067	-	-	-	-	-	-	-	-	316,067
Total Expenditures	12,727,547	132,931	9,072,720	115,951	516,457	1,909,127	304,882	-	-	24,779,615
Excess (deficiency) of revenues over (under) expenditures	709,278	40,838	(7,712,203)	(105,181)	165,879	(81,768)	488,833	2	-	(6,494,323)
OTHER FINANCING SOURCES										
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
BANs redeemed from appropriations	-	-	621,295	-	-	-	-	-	-	621,295
Transfers in	-	-	286,847	101,500	-	-	-	-	-	388,347
Transfers out	(388,347)	-	-	-	-	-	-	-	-	(388,347)
Total other financing sources (uses)	(388,347)	-	908,142	101,500	-	-	-	-	-	621,295
Net change in fund equity	320,931	40,838	(6,804,061)	(3,681)	165,879	(81,768)	488,833	2	-	(5,873,028)
Fund equity (deficit) - Beginning of year	1,409,037	713,898	(2,611,399)	4,549	(111,560)	491,743	61,170	7,307	5,000	(30,254)
Fund equity (deficit) - End of year	\$ 1,729,968	\$ 754,736	\$ (9,415,460)	\$ 868	\$ 54,319	\$ 409,975	\$ 550,003	\$ 7,309	\$ 5,000	\$ (5,903,282)

See accompanying notes and Independent auditor's report.

CITY OF RENNELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET - GOVERNMENTAL FUNDS
JULY 31, 2015

	General Fund	Community Development	Capital Projects	Library Fund	Solid Waste	Water	Sewer	<i>Memorandum Only</i> Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 2,147,836	\$ 801,410	\$ 2,496,321	\$ 438	\$ 96,193	\$ 394,079	\$ 68,713	\$ 6,004,990
Receivables:								
Taxes, net of allowance for uncollectible of \$ 580,000	1,631,698	-	-	-	-	-	-	1,631,698
Rehabilitation loans, net	-	1,247,331	-	-	-	-	-	1,247,331
Accounts Receivable	-	-	899,539	-	135,360	697,836	306,006	2,038,730
Prepaid Expenditures	-	-	-	-	-	-	-	-
Due from other funds	2,096,285	-	798,313	3,147	214,544	1,363,511	726,327	5,202,127
Due from other governments	441,643	-	-	-	-	68,186	-	509,829
Total Assets	\$ 6,317,462	\$ 2,048,741	\$ 4,194,173	\$ 3,585	\$ 446,087	\$ 2,523,612	\$ 1,101,046	\$ 16,634,705
LIABILITIES AND FUND EQUITY								
Payables								
Accounts Payable	\$ 324,183	\$ 4,205	\$ 752,823	\$ 2,113	\$ 25,214	\$ 19,429	\$ 2,265	1,130,232
Accrued Liabilities	325,773	5,895	-	-	12,620	271,144	-	615,432
Due to other funds	1,571,933	36,574	1,351,001	604	334,189	1,546,179	342,988	5,183,468
Due to other governments	591,330	-	-	-	-	-	-	591,330
Due to NYS Retirement	1,000,737	-	-	-	19,162	18,020	-	1,037,919
Notes Payable								
Budget Notes	-	-	-	-	-	-	81,890	81,890
Bond Anticipation Notes	-	-	11,440,962	-	-	-	-	11,440,962
Unearned Credits								
Overpayments & Collections	9,789	-	-	-	583	552	-	10,924
Escrow Deposits/Custodial Fees	-	0	64,847	-	-	-	-	64,847
Unearned Revenue	763,749	1,247,331	-	-	-	258,313	123,899	2,393,292
Total Liabilities	4,587,494	1,294,005	13,609,633	2,717	391,768	2,113,637	551,043	22,550,296
FUND EQUITY								
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	78,249	400	811	18,591	-	98,051
Committed	-	-	-	-	-	-	-	-
Assigned	90,481	-	-	-	-	-	-	90,481
Unassigned	1,639,487	754,736	(9,493,709)	468	53,508	391,384	550,003	(6,104,123)
Total Fund Equity	1,729,968	754,736	(9,415,460)	868	54,319	409,975	550,003	(5,915,591)
Total Liabilities and Fund Equity	\$ 6,317,462	\$ 2,048,741	\$ 4,194,173	\$ 3,585	\$ 446,087	\$ 2,523,612	\$ 1,101,046	\$ 16,634,705

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, 2015

	General Fund	Community Development	Capital Projects	Library Fund	Solid Waste	Water	Sewer	<i>Memorandum Only</i> Total Governmental Funds
REVENUES								
Taxes	\$ 8,512,231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,512,231
Licenses and permits	218,730	-	-	-	-	-	-	218,730
Intergovernmental revenues	4,480,567	-	1,340,424	-	-	-	-	5,820,991
Charges for services	14,750	-	-	3,018	681,077	1,802,334	793,711	3,294,891
Fines and forfeitures	99,203	-	-	-	-	-	-	99,203
Use of money and property	9,142	173,769	482	1	1,259	25,024	4	209,680
Other revenue	102,202	-	19,611	7,751	-	-	-	129,564
Total Revenues	<u>13,436,825</u>	<u>173,769</u>	<u>1,360,517</u>	<u>10,770</u>	<u>682,336</u>	<u>1,827,358</u>	<u>793,715</u>	<u>18,285,290</u>
EXPENDITURES								
General government	1,437,885	-	-	-	-	-	-	1,437,885
Operations and maintenance	-	-	-	-	423,197	1,808,016	255,836	2,487,049
Security of persons and property	3,989,026	-	-	-	-	-	-	3,989,026
Physical environment	1,915,829	-	9,072,720	-	-	-	-	10,988,549
Economic environment	205,316	132,931	-	-	-	-	-	338,247
Culture and recreation	128,407	-	-	110,367	-	-	-	238,774
Employee Benefits	3,772,509	-	-	5,584	93,260	101,111	49,047	4,021,509
Debt service	-	-	-	-	-	-	-	-
Principal	962,508	-	-	-	-	-	-	962,508
Interest and debt issue costs	316,067	-	-	-	-	-	-	316,067
Total Expenditures	<u>12,727,547</u>	<u>132,931</u>	<u>9,072,720</u>	<u>115,951</u>	<u>516,457</u>	<u>1,909,126</u>	<u>304,882</u>	<u>24,779,616</u>
Excess (deficiency) of revenues over (under) expenditures	<u>709,278</u>	<u>40,838</u>	<u>(7,712,203)</u>	<u>(105,181)</u>	<u>165,879</u>	<u>(81,768)</u>	<u>488,833</u>	<u>(6,494,326)</u>
OTHER FINANCING SOURCES								
Bond Proceeds	-	-	-	-	-	-	-	-
BANs redeemed from appropriations	-	-	621,295	-	-	-	-	621,295
Transfers in	-	-	286,847	101,500	-	-	-	388,347
Transfers out	(388,347)	-	-	-	-	-	-	(388,347)
Total other financing sources (uses)	<u>(388,347)</u>	<u>-</u>	<u>908,142</u>	<u>101,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621,295</u>
Net change in fund equity (deficit)	320,931	40,838	(6,804,061)	(3,681)	165,879	(81,768)	488,833	(5,873,029)
Fund Equity (deficit) - Beginning of year	1,409,037	713,898	(2,611,399)	4,549	(111,560)	491,743	61,170	(42,562)
Fund Equity (deficit) - End of year	<u>\$ 1,729,968</u>	<u>\$ 754,736</u>	<u>\$ (9,415,460)</u>	<u>\$ 868</u>	<u>\$ 54,319</u>	<u>\$ 409,975</u>	<u>\$ 550,003</u>	<u>\$ (5,915,591)</u>

CITY OF RENNELAER, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2015

	Original Budget FY 2015	Final Budget FY 2015	Actual FY 2015	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 7,814,624	\$ 7,814,624	\$ 8,512,231	\$ 697,607
Licenses and permits	301,475	301,475	218,730	(82,745)
Intergovernmental revenues	4,652,136	4,523,536	4,480,567	(42,969)
Charges for services	76,510	76,510	14,750	(61,760)
Fines and forfeitures	120,000	120,000	99,203	(20,797)
Investment income	14,500	14,500	9,142	(5,358)
Other revenue	79,425	96,637	102,202	5,565
Total Revenues	13,058,670	12,947,282	13,436,825	489,543
EXPENDITURES				
General government	1,875,852	1,787,291	1,437,885	349,406
Security of persons and property	4,005,412	4,146,005	3,989,026	156,979
Physical environment	1,907,384	2,139,610	1,915,829	223,781
Economic environment	860,755	995,885	205,316	790,569
Culture and recreation	142,437	157,081	128,407	28,674
Employee Benefits	3,712,800	3,807,803	3,772,509	35,294
Debt service				
Principal	803,600	803,600	962,508	(158,908)
Interest and debt issue costs	289,400	289,400	316,067	(26,667)
Total Expenditures	13,597,640	14,126,675	12,727,547	1,399,128
Excess (deficiency) of revenues over (under) expenditures	<u>(538,970)</u>	<u>(1,179,393)</u>	<u>709,278</u>	<u>1,888,671</u>
OTHER FINANCING SOURCES				
Bond Proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(104,360)	(104,360)	(388,347)	(283,987)
Total other financing sources (uses)	(104,360)	(104,360)	(388,347)	(283,987)
Net change in fund equity (deficit)	(643,330)	(1,283,753)	320,931	1,604,684
Fund Equity (deficit) - Beginning of year	<u>1,409,037</u>	<u>1,409,037</u>	<u>1,409,037</u>	<u>-</u>
Fund Equity (deficit) - End of year	<u>\$ 765,707</u>	<u>\$ 125,284</u>	<u>\$ 1,729,968</u>	<u>\$ 1,604,684</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, 2015

	Solid Waste FY 2015 Budget	Solid Waste Actual	Variance with Final Budget Positive (Negative)	Water Fund FY 2015 Budget	Water Fund Actual	Variance with Final Budget Positive (Negative)	Sewer Fund FY 2015 Budget	Sewer Fund Actual	Variance with Final Budget Positive (Negative)
Operating revenues:									
Charges for services	\$ 740,000	\$ 681,077	\$ (58,924)	\$ 2,297,700	\$ 1,802,335	\$ (495,365)	664,000	793,711	\$ 129,711
Use of money and property	1,000	1,259	259	34,800	25,024	(9,776)	-	4	4
Total operating revenue	<u>741,000</u>	<u>682,336</u>	<u>(58,665)</u>	<u>2,332,500</u>	<u>1,827,359</u>	<u>(505,141)</u>	<u>664,000</u>	<u>793,715</u>	<u>129,715</u>
Operating expenditures:									
Operations and maintenance	597,724	423,197	174,527	2,106,386	1,808,016	298,370	452,295	255,836	196,459
Employee Benefits	142,888	93,260	49,628	169,115	101,111	68,004	79,585	49,047	30,548
Debt service									
Principal	-	-	-	380,484	-	380,484	-	-	-
Interest and debt issue costs	-	-	-	35,000	-	35,000	149,000	-	149,000
Total Expenses	<u>740,612</u>	<u>516,457</u>	<u>224,155</u>	<u>2,690,985</u>	<u>1,909,127</u>	<u>781,858</u>	<u>680,890</u>	<u>304,882</u>	<u>376,008</u>
Excess (deficiency) of revenues over (under) expenditures	<u>388</u>	<u>165,879</u>	<u>165,491</u>	<u>(358,485)</u>	<u>(81,768)</u>	<u>276,717</u>	<u>(16,890)</u>	<u>488,833</u>	<u>505,723</u>
OTHER FINANCING SOURCES									
Transfers in	-	-	-	5,000	-	(5,000)	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund equity	388	165,879	165,491	(353,485)	(81,768)	271,717	(16,890)	488,833	505,723
Fund equity (deficit) - Beginning of year	<u>(111,560)</u>	<u>(111,560)</u>	<u>-</u>	<u>491,743</u>	<u>491,743</u>	<u>-</u>	<u>61,170</u>	<u>61,170</u>	<u>-</u>
Fund equity (deficit) - End of year	<u>\$ (111,172)</u>	<u>\$ 54,319</u>	<u>\$ 165,491</u>	<u>\$ 138,258</u>	<u>\$ 409,975</u>	<u>\$ 271,717</u>	<u>\$ 44,280</u>	<u>\$ 550,003</u>	<u>\$ 505,723</u>

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
REGULATORY BASIS BALANCE SHEET
FIDUCIARY FUNDS
JULY 31, 2015

	Private Purpose Trusts	Agency Funds	Memorandum Only Totals
ASSETS			
Cash	\$ 12,309	\$ 134,015	146,324
Due from Governmental funds	-	270	270
Total Assets	\$ 12,309	\$ 134,285	\$ 146,594
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to other Governmental funds	-	18,929	18,929
Custodial Funds	-	115,356	115,356
Total Liabilities	-	134,285	134,285
FUND EQUITY			
Restricted for Library	12,309	-	12,309
Total Liabilities and Fund Equity	\$ 12,309	\$ 134,285	\$ 146,594

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, 2015

	Private Purpose Trusts
ADDITIONS	
Use of money and property	\$ 2
Total additions	2
 DEDUCTIONS	
Library expenditures	-
Total deductions	-
Change in net assets	2
Fund equity (deficit) - beginning of year	12,307
Fund equity (deficit) - end of year	\$ 12,309

See accompanying notes and independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

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. GASB 34 requires 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

Management has considered the costs and benefits of adopting GASB 34 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.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

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.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

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.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

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.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

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, 2015.

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 under the regulatory basis 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, 2015

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, 2015 by recording its costs for the benefits for 68 currently enrolled retirees and family members as an expenditure during the year. The net amount of this expenditure totaled \$873,689.

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 13, 2017, 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 2015.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

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, 2015.

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, 2015, 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	\$2,096,285	\$1,571,933	\$ - 0 -	\$ 388,347
Trust & Agency Funds	270	18,929	- 0 -	-0-
Capital Projects Fund	798,313	1,351,001	286,847	- 0 -
Community Development	- 0 -	36,574	- 0 -	- 0 -
Library	3,147	604	101,500	-0-
Solid Waste Fund	214,544	334,189	- 0 -	-0-
Water Fund	1,363,511	1,546,179	- 0 -	- 0 -
Sewer Fund	<u>726,327</u>	<u>342,988</u>	<u>- 0 -</u>	<u>-0-</u>
Totals	<u>\$5,202,397</u>	<u>\$5,202,397</u>	<u>\$ 388,347</u>	<u>\$ 388,347</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 \$1,322,331 at July 31, 2015.

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, 2015.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 6 – FIXED ASSETS

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

	<u>Balance</u> <u>August 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>July 31, 2015</u>
Land	\$ 638,704	\$ -0-	\$ -0-	\$ 638,704
Buildings	7,534,022	-0-	-0-	7,534,022
Infrastructure	26,337,033	4,625,927	-0-	30,962,960
Equipment	7,935,187	138,572	-0-	8,073,759
Deferred Outflows of Resources	<u>- 0 -</u>	<u>209,542</u>	<u>-0-</u>	<u>209,542</u>
Total	<u>\$ 42,444,946</u>	<u>\$4,974,041</u>	<u>-0-</u>	<u>\$ 47,418,987</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, Sewer 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, 2015:

	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
<u>BANs and RANs</u>			
Court Street	\$ 28,125	1.60	11/17/15
City Hall Roof	60,941	1.50	1/22/16
Salt Shed	40,000	1.60	11/17/15
Various Purpose	240,000	1.55	05/27/16
Fire Truck	280,279	1.73	08/01/15
Broadway DOT	700,000	1.51	01/30/16
Police Vehicle	100,000	1.49	04/15/16
Water Emergency	270,000	1.49	04/15/16
Sewer Emergency	595,000	1.49	04/14/16
DOT	635,000	1.49	04/14/16
Truck Apparatus	74,000	1.55	02/19/16
CWSFF Short-Term	<u>8,417,617</u>	0.00	09/29/16
BANs and RANs outstanding			
at July 31, 2015	<u>\$11,440,962</u>		

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

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, 2014	Additions	Reductions	Balance July 31, 2015
Serial Bonds	\$5,911,213	\$ - 0 -	\$341,213	\$5,570,000
Compensated absences	1,182,931	619,189	- 0 -	1,802,120
Net Pension Liability	- 0 -	622,727	- 0 -	622,727
Other Post Employment Benefits	- 0 -	3,881,918	- 0 -	3,881,918
Deferred Inflows of Resources, Pensions	<u>- 0 -</u>	<u>348,747</u>	<u>- 0 -</u>	<u>348,747</u>
	<u>\$7,094,144</u>	<u>\$5,472,581</u>	<u>\$341,213</u>	<u>\$12,225,512</u>

The following is a summary and description of the serial bonds outstanding at July 31, 2015:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at July 31, 2015</u>
6/22/10	3,008,500	4/01/25	3.50%	2,155,000
04/05/11	3,435,000	4/01/40	4.75%	3,185,000
07/30/14	253,413	7/15/22	2.50%	<u>230,000</u>
				<u>\$5,570,000</u>

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
7/30/16	\$ 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
7/30/20	330,000	188,325
Thereafter	<u>4,045,000</u>	<u>1,770,938</u>
	<u>\$5,570,000</u>	<u>\$2,825,296</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
 JULY 31, 2015

NOTE 9 – PENSION PLANS

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 service credit and employees who joined after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. All employees hired on or after April 1, 2012 are in Tier 6. Tier 6 requires all employees to contribute 3% of gross earnings during fiscal year 2012-13. On April 1, 2013, they will be required to contribute a specific percentage on gross income ranging from 3% to 6% for all years of public service after date of membership. Under the authority of the NYSRSSL, the New York State 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>
2015	\$431,661	\$ 742,568
2014	\$341,071	\$ 868,681
2013	\$494,175	\$ 886,538

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st.

Chapter 260 of the Laws of 2004 of the State of New York was enacted and allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State Fiscal Year (SFY) 2005-05, the amount of excess of 7% of employees’ covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees’ covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5% of employees’ covered pensionable salaries.

See independent auditor’s report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 9 – PENSION PLANS - Continued

The years 2004-2007 the City amortized the allowable amounts of \$17,980 for the ERS Retirement System and \$201,330 for the Police and Fire Retirement System. The balance of these amortized liabilities at July 31, 2015, \$1,798 and \$30,758 are included in the financial statements as current liabilities.

The City of Rensselaer has also elected to participate in the Employer Contribution Stabilization Program per Part II of Chapter 57, Laws of 2010, which was signed into law on August 11, 2010. This program gives localities the option to amortize a portion of their annual pension cost. The amortized amount will be paid in equal installments over a ten-year period and may be prepaid at any time. The portion of the retirement bill that the City has elected to amortize for 2013 is \$42,030 for the ERS Retirement System and \$170,130 for the Police and Fire Retirement System, with a current balance of \$33,624 and \$136,104 at July 31, 2015, respectively. For 2014, the City elected to amortize \$186,470 for the ERS Retirement System and \$270,720 for the Police and Fire Retirement System, with a current balance of \$167,823 and \$248,160 at July 31, 2015, respectively. For 2015, the City elected to amortize an additional \$4,360 for the ERS Retirement System and \$172,140 for the Police and Fire Retirement System, with a current balance of \$4,360 and \$172,140 at July 31, 2015, respectively. The City also elected to amortize \$347,360 of Past Service Cost under Section 384E(b) for the Police and Fire Retirement System, with a current balance of \$243,152 at July 31, 2015. The balance of all of these amortized liabilities are included in the financial statements as current liabilities.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At July 31, 2015, the City reported a net pension liability of \$297,748 and \$324,979 for its proportionate share of the ERS and PFRS net pension liability, respectively. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan and to the projected contributions of all participating members, actuarially determined.

At July 31, 2015 the City's proportionate share was .0088137% and .1180628% for ERS and PFRS, respectively, which was unchanged from its proportionate share measured at July 31, 2014. At July 31, 2015, the City recognized deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows Of <u>Resources</u>	Deferred Inflows Of <u>Resources</u>
ERS		
Differences between expected and actual experience	\$ 9,531	\$ - 0 -
Net Difference between projected and actual investment earnings on pension plan investments	51,715	- 0 -
Differences between employer contributions and proportionate share of contributions	<u>- 0 -</u>	<u>95,187</u>
Total	<u>\$ 61,246</u>	<u>\$ 95,187</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 9 – PENSION PLANS - Continued

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
PFRS		
Differences between expected and actual experience	\$ 31,190	\$ - 0-
Net Difference between projected and actual investment earnings on pension plan investments	109,106	- 0 -
Differences between employer contributions and proportionate share of contributions	<u>- 0 -</u>	<u>253,560</u>
Total	<u>\$ 148,296</u>	<u>\$ 253,560</u>

For the year ended July 31, 2015, the City recognized pension expense of \$363,457.34 and \$737,642 for ERS and PFRS, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for ERS and PFRS, respectively:

	<u>ERS</u>	<u>PFRS</u>
Plan's Year Ended March 31:		
2016	\$ (8,485)	\$ (15,597)
2017	(8,485)	(15,597)
2018	(8,485)	(15,597)
2019	(8,485)	(15,597)
2020	- 0 -	(42,874)
Thereafter	- 0 -	- 0 -

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015.

The actuarial valuation used the following actuarial assumptions for both ERS and PFRS:

Actuarial cost method:	Entry age normal
Inflation:	2.70%
Salary scale:	4.9% indexed by service
Projected COLAs	1.4% compounded annually
Decrements:	Developed from the Plan's 2010 experience study of the period April 1, 2005 through May 31, 2010
Mortality improvement:	Society of Actuaries Scale MP-2014
Investment Rate of Return:	7.5% compounded annually, net of investment expenses

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
 JULY 31, 2015

NOTE 9 – PENSION PLANS - Continued

Long-term Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015, are summarized below:

<u>Asset Type</u>	<u>Target Allocations In %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	38	7.30
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return	3	6.75
Opportunistic Portfolio	3	8.60
Real Asset	3	8.65
Bonds & Mortgages	18	4.00
Cash	2	2.25
Inflation-indexed bonds	2	4.00
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease <u>6.5%</u>	Current Discount <u>7.5%</u>	1% Increase <u>8.5%</u>
ERS			
Proportionate Share of Net Pension Liability	<u>\$1,984,620</u>	<u>\$ 297,748</u>	<u>\$(1,126,390)</u>
PFRS			
Proportionate Share of Net Pension Liability	<u>\$4,326,926</u>	<u>\$ 324,979</u>	<u>\$(3,028,894)</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
 JULY 31, 2015

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

The City implemented GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as of August 1, 2014. This Statement establishes standards for the recognition, measurement and presentation of retiree health insurance expenses.

The City provides health care benefits for retired employees. These costs are recognized and expensed when paid in the fund financial statements. The obligation recognized under GASB Statement No. 45 is included in the general long-term debt account group.

Plan Description: The City administers its retiree health insurance plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for continuation of medical insurance benefits for retirees who have reached the age of 55 and have 15 to 20 years of service (non-Police) or have 15 to 20 years of service at any age (Police), and their eligible dependents. Retirees are not required to pay or contribute toward the cost of these benefits. Eligible dependents are covered by the plan and may continue participating in the plan subsequent to the death of the retiree at no cost.

Funding Policy: The City contributes sufficient amounts to the plan to satisfy current obligations on a pay-as-you-go basis. Contributions for the current premiums for the year ending July 31, 2015 were \$873,689.

Annual OPEB Cost and Net OPEB Obligation: The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for July 31, 2015 as well as the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contributions (ARC) and OPEB expense	\$ 4,755,607
Contributions made	<u>(873,689)</u>
Increase in Net OPEB Obligation	3,881,918
Net OPEB Obligation, Beginning of Year	<u>- 0 -</u>
Net OPEB Obligation, End of Year	<u>\$ 3,881,918</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for July 31, 2015 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
July 31, 2015	\$ 4,755,607	18.37%	\$ 3,881,918

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS - Continued

Funded Status and Funding Progress: As of August 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$45,523,269, and the actuarial value of assets was \$ - 0 -, resulting in an unfunded actuarial accrued liability (UAAL) of \$45,523,269. The covered payroll (annual payroll of active employees covered by the plan) was \$4,844,425 and the ratio of UAAL to the covered payroll was 939.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The measurement date for the calculation was August 1, 2014, the projected unit credit method was used and the discount rate utilized was 3.5%. An ultimate trend rate of 5.00% was utilized for health care costs. Life expectancies were based on RP-2000 Combined Healthy Participant Table projected 10 years using projection scale AA. It was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used. It was assumed that 100% of future retirees eligible for coverage will elect the benefit. Health care costs were assumed to increase using a trend rate starting at 8% decreasing to 5% after 8 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 31, 2014, was thirty years.

NOTE 11 – STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

For the year ended July 31, 2015, the City overspent three line items in the General Fund – Debt service principal, Debt service interest and Transfers out - by a total of \$469,562.

At July 31, 2015 the Capital Projects Fund had a deficit fund balance of \$9,415,460. The deficit is attributable to projects, which have been financed utilizing short-term bond anticipation notes and CWSFF short term financing. 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. On September 22, 2016, the City closed on one of the projects with CWSFF for a total of \$4,791,672. Of this amount, \$2,678,343 was converted to long term financing and \$2,043,829 was forgiven.

CITY OF RENSSELAER, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 12 - FUND BALANCE

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

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, 2015.

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:

Capital	\$ 78,249
Library	400
Solid Waste	811
Water	18,591
Trust Fund	<u>5,000</u>

Total Restricted Funds \$103,051

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, 2015.

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 \$90,481. The City's assigned fund balance also includes \$7,309 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 13 – 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, 2015

NOTE 13 – 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, 2015 the City is not aware of any significant environmental problems that should be disclosed in the financial statements.

NOTE 14 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 13, 2017, 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, 2015, 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 13, 2017.

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 questioned costs, 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 questioned costs to be material weaknesses (2015-001).

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 (2015-001).

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 13, 2017.

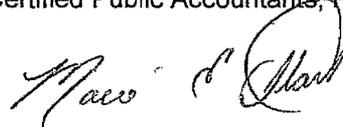
City of Rensselaer, New York's Response to Findings

City of Rensselaer, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 13, 2017

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**Independent Auditor's Report on Compliance for Each Major Program and Internal Control
Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the 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 the City of Rensselaer, New York's major federal programs for the year ended July 31, 2015. The 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.

Management's Responsibility

The City of Rensselaer, New York's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Rensselaer, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Rensselaer, New York's compliance.

Basis for Qualified Opinion on Highway Planning and Construction and Community Development Block Grant

As described in the accompanying schedule of findings and questioned costs, the City of Rensselaer, New York did not comply with requirements regarding CFDA 20.205 Highway Planning and Construction as described in finding number 2015-002 for Reporting and CFDA 14.228 Community Development Block Grant 2015-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City of Rensselaer, New York to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction and Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Rensselaer, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2015.

Report on Internal Control Over Compliance

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

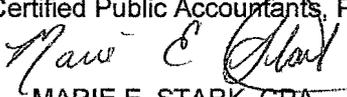
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2015-002 and 2015-003 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any conditions considered to be significant deficiencies.

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

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

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

MARIE E. STARK, CPA

Cohoes, New York
Dated: February 13, 2017

CITY OF RENNELAER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JULY 31, 2015

Federal Grantor/ Pass-Through Grantor/ <u>Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
U.S. Department of Transportation/ New York State Department of Transportation/ Highway Planning and Construction	20.205	\$ 792,254
U.S. Department of Housing and Urban Development/ New York State Community Development Block Grant	14.228	112,212
U.S. Environmental Protection Agency/ New York State Environmental Facilities Corp/ Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>47,996</u>
Total Expenditures of Federal Awards		<u>\$ 952,462</u>

See independent auditor's report.

CITY OF RENSSELAER, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JULY 31, 2015

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, 2015. 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 regulatory basis of accounting prescribed by the NYS Office of the State Comptroller 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 regulatory basis of accounting prescribed by the NYS Office of the State Comptroller.

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, 2015.

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, 2015.

NOTE D – INSURANCE

The City did not participate in any federal insurance programs during the year ended July 31, 2015.

NOTE E – SUB RECIPIENTS

The City did not provide any federal funds to sub recipients during the year ended July 31, 2015.

CITY OF RENSSELAER, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 31, 2015

Section I - Summary of Independent Auditor's Results (July 31, 2015)

Financial Statements

Type of Auditor's Report Issued – GAAP: Adverse

Type of Auditor's Report Issued – Regulatory Basis: Unmodified

Internal Control over Financial Reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
14.228	CDBG – State's Program

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

Auditee qualified as low risk auditee? Yes No

Section II – Financial Statement Findings

2015-001 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 III – Federal Award Findings and Questioned Costs

2015-002 Deficiencies in Internal Control

Material Weakness

Condition: DOT - CFDA 20.205 Highway Planning and Construction
The City does not have in place an adequate system of internal controls over financial reporting for its federal programs. Monthly reconciliations of 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 ensures that all of the City's financial records, processes, and financial operations with regard to federal programs 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 for its federal programs 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 the situation.

Questioned Costs: N/A

Section III – Federal Award Findings and Questioned Costs – Continued

2015-003 Deficiencies in Internal Control

Material Weakness

Condition: HUD – CFDA 14.228 – Community Development Block Grant

The City does not have in place an adequate system of internal controls over financial reporting for its federal programs. Monthly reconciliations of 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 ensures that all of the City's financial records, processes, and financial operations with regard to federal programs 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 for its federal programs 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 the situation.

Questioned Costs: N/A

Section IV – 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.