RESOLUTION – FINANCIAL STATEMENTS - 2016

At a meeting of the Rensselaer County Water and Sewer Authority, held at 1600 Seventh Avenue, Troy, New York, on the 30th day of March, 2017, at 3:00 p.m. local time, the following Members of the Authority were:

	PRESENT:	ABSENT:
Robert Pasinella, Jr.	_____	_____
Kenneth M. Harting	_____	_____
John Mooney	_____	_____
John Fetscher	_____	_____

ALSO PRESENT:
John J. Bonesteel, Chief Executive
Jay H. Sherman, Authority Secretary
Robert Hotz, Chief Financial Officer
Philip H. Dixon, Authority Counsel
Henry V. LaBarba, P.E., Authority Consulting Engineer

After the meeting had been duly called to order, the following Resolution was offered by Mr. _____, and seconded by Mr. _____, to wit:

WHEREAS, the Rensselaer County Water and Sewer Authority (the "Authority") has reviewed the audited financial statements and related material relating to the year ending December 31, 2016, prepared by Wojeski & Company CPAs, P.C. (collectively, the "Audited Financial Statements").

NOW, THEREFORE, it is hereby

RESOLVED, that the Authority hereby approves the Audited Financial Statements, copies of which are annexed hereto.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

Robert Pasinella, Jr.	voting _____
Kenneth M. Harting	voting _____
John Mooney	voting _____
John Fetscher	voting _____

The foregoing Resolution was thereupon declared duly _____.

RENSSELAER COUNTY
WATER AND SEWER AUTHORITY

Financial Statements

December 31, 2016 and 2015

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RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Financial Statements

December 31, 2016 and 2015

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of
Rensselaer County Water and Sewer Authority
Troy, New York

We have audited the accompanying statements of net position of Rensselaer County Water and Sewer Authority (the "Authority"), a component reporting unit of County of Rensselaer, New York, as of December 31, 2016 and 2015, and the related statements of revenues, expenses and change in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rensselaer County Water and Sewer Authority as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis for the year ended December 31, 2016, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

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

East Greenbush, New York
REPORT DATE

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RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Statements of Net Position

	December 31, 2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 79,800	$ 85,388
Restricted cash and cash equivalents	764,229	1,192,048
Accounts receivable	5,600	5,600
TOTAL CURRENT ASSETS	849,629	1,283,036
NONCURRENT ASSETS		
Restricted cash and cash equivalents	675,591	674,275
Property and equipment, net	9,211,049	8,662,455
Construction in progress	65,979	524,338
TOTAL ASSETS	10,802,248	11,144,104
LIABILITIES		
CURRENT LIABILITIES		
Current portion of revenue bonds	140,000	135,000
Accrued interest payable	175,528	177,441
TOTAL CURRENT LIABILITIES	315,528	312,441
REVENUE BONDS, net of current portion	9,900,000	10,040,000
TOTAL LIABILITIES	10,215,528	10,352,441
DEFFERED INFLOWS OF RESOURCES		
Advanced service fees	121,984	176,984
NET POSITION		
Net investment in capital assets	532,893	695,935
Restricted for debt service	1,065,639	1,066,754
Restricted for construction of capital assets	251,863	622,585
Unrestricted	(1,385,659)	(1,770,595)
TOTAL NET POSITION	$ 464,736	$ 614,679

See accompanying notes to financial statements.

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RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Statements of Revenues, Expenses and Change in Net Position

	For the Year Ended December 31, 2016	2015
OPERATING REVENUES		
Water and sewer facilities service fees	$ 669,669	$ 605,264
Service and connection fees	12,040	62,243
TOTAL OPERATING REVENUES	681,709	667,507
OPERATING EXPENSES		
Depreciation	282,759	296,136
Repairs and maintenance	15,996	15,105
Professional fees	7,500	31,586
Other operating expenses	1,148	1,403
TOTAL OPERATING EXPENSES	307,403	344,230
OPERATING INCOME	374,306	323,277
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,943	217
Gain on sale of assets	-	221,424
Interest expense	(527,192)	(529,411)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(524,249)	(307,770)
CHANGE IN NET POSITION	(149,943)	15,507
NET POSITION, beginning of year	614,679	599,172
NET POSITION, end of year	$ 464,736	$ 614,679

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See accompanying notes to financial statements.

RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from water and sewer facilities service fees	$ 614,669	$ 612,264
Proceeds from service and connection fees	12,040	61,943
Payments for operating expenses	(24,644)	(48,094)
Proceeds from advanced service fees	-	176,984
NET CASH PROVIDED BY OPERATING ACTIVITIES	602,065	803,097
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for construction of capital assets	(372,994)	(297,027)
Principal payments on revenue bonds payable	(135,000)	(3,620,000)
Interest payments on revenue bonds, net of amount capitalized	(529,105)	(591,917)
Proceeds from sale of assets	-	3,268,016
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,037,099)	(1,240,928)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from interest income	2,943	217
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,943	217
NET DECREASE IN CASH	(432,091)	(437,614)
Cash and cash equivalents at beginning of year	1,951,711	2,389,325
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,519,620	$ 1,951,711
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 374,306	$ 323,277
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	282,759	296,136
Changes in operating assets and liabilities:		
Accounts receivable	-	6,700
Deferred inflows of resources - advanced service fees	(55,000)	176,984
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 602,065	$ 803,097

See accompanying notes to financial statements.

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NOTE A--AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rensselaer County Water and Sewer Authority (the "Authority") was created on July 30, 1986 by a special act of the New York State Legislature. The purpose of the Authority is to produce, develop, distribute and sell water and sewer services within the County of Rensselaer, New York. Members of the Authority are appointed by the County Executive, which exercises no oversight responsibility.

Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions promulgated by GASB, the Authority has elected not to apply Financial Accounting Standards Board (FASB) pronouncements and interpretations issued after November 30, 1989.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position with revenues recorded when earned and expenses recorded when incurred. Net position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any related debt obligations and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in restricted net position.

Restricted net position: represents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

NOTE A--AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Unrestricted net position: represents net position that does not meet the definition of "restricted" or "net investment in capital assets" and is available for general use.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal on-going operations. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers as cash all demand deposits and all highly liquid investments which are readily convertible to known amounts of cash.

Collateral is required for demand deposits and certificates of deposit and for all deposits not covered by federal deposit insurance. As of December 31, 2016, the carrying amount of the Authority's cash demand deposits is approximately $80,000 and is covered by federal deposit insurance.

Investments

The Authority's bond resolutions and investment guidelines allow for excess funds to be invested in interest-bearing deposit accounts and in authorized government securities purchased through, delivered to and held in the custody of a bank or trust company in New York State. Currently all of the Authority's investments are in government money market funds (with a S&P rating of AAAm), which includes investments collateralized by government obligations, and are, therefore, reported as cash and cash equivalents.

Accounts Receivable

Accounts receivable are non-interest bearing short-term customer obligations, and are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on a review of outstanding receivables, historical collection information and current economic conditions. Management considers accounts receivable to be fully collectible, accordingly, there is no allowance for doubtful accounts.

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NOTE A--AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Capital Assets

Acquisitions of property and equipment and expenditures which materially change the capacities or extend the useful lives are capitalized and recorded at historical cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. When an asset is sold, or retired, the cost and accumulated depreciation are removed from their respective accounts and the resulting gain or loss is included in the change in net position. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the related assets, ranging from 30 to 40 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority did not report any deferred outflows of resources as of December 31, 2016 and 2015.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as inflow of resources (revenue) until that time. The Authority reports deferred inflows related to advanced water facilities service fees. These payments will be recognized as revenue in future periods.

Income Taxes

The Authority is exempt from Federal, State and Local income taxes.

Reclassifications

Certain amounts for the year ended December 31, 2015 have been reclassified to conform to the presentation for the year ended December 31, 2016. These reclassifications had no effect on changes in net positon or total net position.

Subsequent Events

The Authority evaluates transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on ***Report Date***.

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NOTE B--RESTRICTED CASH AND CASH EQUIVALENTS

The Authority has cash amounts deposited in various trust accounts with a fiscal agent to satisfy certain restrictions imposed by creditors and other legal requirements. The Authority has the following restricted cash and cash equivalents as of December 31:

	2016	2015
Restricted for future construction – represents the unspent proceeds from the 2008 water and sewer revenue bonds that were earmarked for the construction of sewer facilities.	$ 252,197	$ 622,585
Restricted for debt service – represents amounts restricted to fulfill the debt service requirements on the outstanding water and sewer revenue bonds when the payments are due.	512,032	569,463
Restricted for debt service reserve	675,591	674,275
	$ 1,439,820	$ 1,866,323

NOTE C--CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Subtractions	Ending Balance
Sewer facilities	$ 5,454,467	$ 831,353	$ -	$ 6,285,820
Water facilities	4,406,981	-	-	4,406,981
Accumulated depreciation	(1,198,993)	(282,759)	-	(1,481,752)
Property and equipment, net	8,662,455	548,594	-	9,211,049
Construction in progress	524,338	388,801	(847,160)	65,979
Capital assets, net	$ 9,186,793	$ 937,395	$ (847,160)	$ 9,277,028

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NOTE C--CAPITAL ASSETS--Continued

Capital assets activity for the year ended December 31, 2015 is as follows:

	Beginning Balance	Additions	Subtractions	Ending Balance
Sewer facilities	$ 4,554,453	$ 900,014	$ -	$ 5,454,467
Water facilities	7,785,651	-	(3,378,670)	4,406,981
Accumulated depreciation	(1,234,935)	(296,136)	332,078	(1,198,993)
Property and equipment, net	11,105,169	603,878	(3,046,592)	8,662,455
Construction in progress	1,161,298	263,054	(900,014)	524,338
Capital assets, net	$ 12,266,467	$ 866,932	$ (3,946,606)	$ 9,186,793

NOTE D--LONG-TERM DEBT

The following is a summary of the Authority's revenue bonds at December 31, 2016:

Series	Year of Earliest Principal Payment	Interest Rate	Original Issue	Principal Outstanding at 12/31/2016
2008 Series Water Bonds	2010	3.2-5.35%	$ 8,005,000	$ 3,985,000
2008 Series Sewer Bonds	2010	3.2-5.35%	6,555,000	6,055,000
				10,040,000
Less current portion				140,000
				$ 9,900,000

Series	Principal Outstanding at 12/31/2015	Additions	Deletions	Principal Outstanding at 12/31/2016
2008 Series Water Bonds	$ 4,040,000	$ -	$ (55,000)	$ 3,985,000
2008 Series Sewer Bonds	6,135,000	-	(80,000)	6,055,000
	$ 10,175,000	$ -	$ (135,000)	10,040,000
Less current portion				140,000
				$ 9,900,000

Interest on the 2008 Series Bonds is payable semi-annually on March 1 and September 1. The principal is payable on September 1. The final maturity of the bonds is September 1, 2047.

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NOTE D--LONG-TERM DEBT--Continued

The Authority has pledged to the trustee, as collateral, a lien on all revenues, receipts, property rights and interest in the constructed facilities.

A summary of debt service requirements of revenue bonds payable at December 31, 2016 are as follows:

Year Ending December 31,	Bond Principal	Bond Interest	Total Debt Service Requirements
2017	$ 140,000	$ 526,585	$ 666,585
2018	145,000	520,461	665,461
2019	150,000	513,936	663,936
2020	160,000	506,286	666,286
2021	165,000	498,125	663,125
Thereafter	9,280,000	8,040,619	17,320,619
	$ 10,040,000	$ 10,606,012	$ 20,646,012

Total interest incurred was $546,216 and $570,713 for the years ended December 31, 2016 and 2015, respectively, and consists of the following:

	2016	2015
Capitalized interest	$ 19,025	$ 41,302
Interest charged to expense	527,192	529,411
	$ 546,217	$ 570,713

NOTE E--COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2008, the Authority entered into an agreement with the Town of East Greenbush for the Authority to borrow $8,005,000 and $6,555,000 in Water Service Agreement Revenue Bonds and Sewer Service Agreement Revenue Bonds, respectively, (see Note D). The proceeds of the bonds were to be used by the Authority in the construction of water and sewer system facilities in the Town of East Greenbush. As part of the agreement the Town of East Greenbush has agreed to pay an annual service fee to the Authority in an amount necessary to cover all principal, interest and related administrative costs. Upon completion of the projects the Town of East Greenbush will operate and maintain the related water and sewer facilities. Once the bonds have been repaid the title to the related assets will transfer to the Town of East Greenbush.

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NOTE E--COMMITMENTS AND CONTINGENCIES--Continued

During the year ended December 31, 2011, the Town of East Greenbush entered into a Joint Water Agreement with the City of Rensselaer. Under the agreement, the Town of East Greenbush and the City of Rensselaer would be jointly responsible for the payment of the annual service fee to the Authority necessary to cover all principal, interest and related administrative costs for the Water Bonds (see Note D). Upon completion of the project the Town of East Greenbush and the City of Rensselaer would jointly operate and maintain the related water facilities. Under this agreement, the City of Rensselaer would pay 46.08% of the annual service fees and East Greenbush would be responsible for 53.92%. Upon repayment of the debt the related assets (water facilities) will transfer to the municipalities based on the same percentages.

During the year ended December 31, 2015, The City of Rensselaer refinanced its portion of the debt through a Project Financing Agreement with the New York State Environmental Facilities Corporation (NYS EFC). The funds received from the NYS EFC were used to redeem $3,495,000 in 2008 Series Water Bonds. Upon the redemption, the Authority conveyed a 46.08% interest in the related water facilities and other assets with an approximate book value of $3,274,000 to the City of Rensselaer. The Authority recognized a gain on the sale of the related assets of approximately $221,000.

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COMPLIANCE REPORT

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

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To the Board of
Rensselaer County Water and Sewer Authority
Troy, New York

We have audited, in accordance with the 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 financial statements of Rensselaer County Water and Sewer Authority (the "Authority"), which comprise the statement of net position as of December 31, 2016 and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated ***Report Date***.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in finding number 2016-01 in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control.

Compliance and Other Matters

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

Rensselaer County Water and Sewer Authority's Response to Findings

Rensselaer County Water and Sewer Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Rensselaer County Water and Sewer Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

East Greenbush, New York
Report Date

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RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Schedule of Findings and Responses

For the Year Ended December 31, 2016

Finding 2016-01

Condition: During the years ended December 31, 2016 and 2015, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Authority in order to properly produce financial statements in accordance with generally accepted accounting principles (GAAP). In addition, a draft of the financial statements was prepared by the auditors.

Criteria: AU-C Section 265, Communicating Internal Control Related Matters in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Cause: The Authority does not have any employees or contract with an outside consultant to maintain its books in accordance with GAAP.

Effect: Without assistance, the Authority's financial statements may not conform to GAAP.

Recommendation: We recommend that the Authority consider the cost and benefits of hiring a consultant to maintain the books and records of the Authority in accordance with GAAP.

View of Responsible Officials: The Authority does not retain its own permanent staff and relies on staff from the Office of Economic Development and Planning and outside consultants to perform the management and administrative functions of the Authority, which includes the maintenance of books and records on a cash basis throughout the year. As a result, the Authority seeks and relies upon the expertise of our external auditors to assist staff and to assure that the Authority's financial statements are in conformity with GAAP. Considering the nature of the Authority and its operating revenues, we believe this is the most cost-effective approach.

Management and the Board of the Authority carefully review and understand the results of the audit, the financial statements and related footnote disclosures and accept full ownership and responsibility for the expertise provided by our external auditors to ensure that the financial statements of the Authority are in conformity with GAAP.

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RENSSELAER COUNTY
WATER AND SEWER AUTHORITY

Report to the Board

For the Year Ended December 31, 2016

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To the Board of
Rensselaer County Water and Sewer Authority

We have audited the financial statements of the Rensselaer County Water and Sewer Authority (the "Authority") for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 5, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

Management's estimate of the historical cost of the sewer facilities is based on an analysis performed by the Authority's consulting engineer. We evaluated the key factors and assumptions used by management to develop the historical cost of the sewer facilities in determining that it is reasonable in relation to the financial statements taken as a whole.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of our audit procedures were corrected by management.

- An adjustment to record beginning balances and adjustments from the 2015 audit.
- An adjustment to record current year capitalized interest.
- An adjustment to reclassify completed project costs from construction in progress to property and equipment.
- An adjustment to record current year depreciation expense.
- An adjustment to record accounts receivable for service fees earned in 2016, but collected in 2017.
- An adjustment to reduce accrued interest to the proper balance at December 31, 2016.
- An adjustment to recognize current year water service fees from deferred inflows of resources.

Disagreements with Management

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated **DATE**.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DRAFT

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Rensselaer County Water and Sewer Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wojeski & Company CPAs, P.C.

DRAFT