RENSSELAER MUNICIPAL LEASING CORPORATION

(A Component Unit of the County of Rensselaer, New York)
Basic Financial Statements and Required Supplementary Information Years Ended December 31, 2013 and 2012 and Independent Auditors' Reports

RENSSELAER MUNICIPAL LEASING CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)
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Years Ended December 31, 2013 and 2012

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rensselaer Municipal Leasing Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Rensselaer Municipal Leasing Corporation, (the "Corporation"), a component unit of the County of Rensselaer, New York (the "County"), as of and for the years then ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of December 31, 2013 and 2012, and the respective changes in financial position and its 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014 on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Drescher & Malecki LLP

March 26, 2014

RENSSELAER MUNICIPAL LEASING CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)
Management's Discussion and Analysis
Years Ended December 31, 2013 and 2012

As management of the Rensselaer Municipal Leasing Corporation (the "Corporation") we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal years ended December 31, 2013 and 2012. This narrative should be read in conjunction with the Corporation's financial statements which follow this section.

Financial Highlights:

- The assets of the Corporation equal its liabilities at December 31, 2013 and 2012 since the purpose of the Corporation is to act as a conduit for lease financing. Therefore, the unrestricted net position is $0 for each year end. Only assets and liabilities are reported.
- The Corporation had total revenues of $1,272,367 and $1,718,554 for the fiscal years ended December 31, 2013 and 2012, respectively. The revenue is primarily financing income from the Van Rensselaer Manor.
- The Corporation has outstanding bonded debt of $23,865,000 and $25,275,000 at December 31, 2013 and 2012, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. This report includes the independent auditors' report, management's discussion and analysis, financial statements, and the notes to financial statements.

Required Financial Statements—The financial statements are prepared using the accrual basis of accounting. The financial statements include:

- *Statements of Net Position*—Presents all assets, liabilities and net assets of the Corporation at December 31, 2013 and 2012.

- *Statements of Revenues, Expenses and Change in Net Position*—Presents the financial activity for the years ended December 31, 2013 and 2012 and displays how this financial activity changed the Corporation's net assets.

- *Statements of Cash Flows*—Presents the cash provided and used during 2013 and 2012, and how it affects the cash balance at December 31, 2013 and 2012.

- *Notes to the Financial Statements*—Provide information regarding the Corporation's organization, accounting methods and policies, as well as explanations of the Corporation's contractual obligations and future commitments.

Financial Analysis

The Corporation serves as a conduit for the capital leasing of the Van Rensselaer Manor. The Corporation issued leasehold mortgage revenue bonds to finance the construction of a nursing home facility, the Van Rensselaer Manor (the "Manor"). The County entered into an agreement with the Corporation to lease the Manor. The Corporation acts as an administrative agency for the collection of lease payments from the Manor and for the payment of annual principal and interest payments. The Corporation has no capital assets. When analyzing financial condition and the impact of current year operating activities, Corporation management believes the most important issue is whether the Corporation is better or worse off than the prior year.

The Statements of Net Position and the Statements of Revenues, Expenses and Change in Net Position assist in determining whether the Corporation is better or worse off. Condensed financial highlights of these statements are as follows:

Table 1—Condensed Statements of Net Position

	December 31,		
	2013	2012	2011
Assets:			
Current assets	$ 1,609,063	$ 1,518,874	$ 1,428,497
Noncurrent assets	22,360,000	23,865,000	24,883,759
Total assets	$ 23,969,063	$ 25,383,874	$ 26,312,256
Liabilities:			
Current liabilities	$ 1,609,063	$ 1,518,874	$ 1,428,497
Noncurrent liabilities	22,360,000	23,865,000	24,883,759
Total liabilities	$ 23,969,063	$ 25,383,874	$ 26,312,256

As indicated in the table above, the Corporation's total assets and total liabilities decreased by $1,414,811 and $928,382 during the 2013 and 2012 fiscal years, respectively. Total assets continue to equal total liabilities. This is a result of the Corporation receiving lease payments from the Manor which reduce the direct financing lease receivable; and, making the required debt service payments which reduce the long-term debt liability.

Table 2—Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31,		
	2013	2012	2011
Operating revenues	$ 1,272,367	$ 1,718,554	$ 1,409,538
Operating expenses	-	-	300
Nonoperating revenues (expenses)	(1,272,367)	(1,718,554)	(1,409,238)
Change in net position	$ -	$ -	$ -

The sole source of operating revenue is financing income from the Manor. This amount decreased by $446,187 from 2012 based on the lease agreement and due to the implementation of GASB Statement No. 65 during 2012 which had a one-time positive effect to the 2012 results. The increase of $309,316 in 2012 from 2011 reflects the implementation of GASB Statement No. 65. As a result of the implementation of GASB Statement No. 65, unamortized bond issuance costs of $391,241 were recognized during the year then ended.

Non-operating expenses represent interest expense on the bonds payable, which typically will decrease annually as the principal balance decreases.

The majority of the Corporation's cash receipts come from the direct financing lease with the Manor. The Corporation's largest cash disbursement was for the payment of principal and interest on the bonds.

Table 3—Condensed Statements of Cash Flows

	Year Ended December 31,		
	2013	**2012**	**2011**
Operating activities	$ 2,686,956	$ 2,646,456	$ 2,617,156
Investing activities	(111)	(240)	(239)
Capital and related financing activities	(2,686,956)	(2,646,456)	(2,617,456)
Net (decrease) in cash and cash equivalents	(111)	(240)	(539)
Cash and cash equivalents—beginning of year	111	351	890
Cash and cash equivalents—end of year	$ -	$ 111	$ 351

The net cash provided by operating activities primarily represents lease payments from the Manor, while the net cash used by capital and related financing activities represents principal and interest payments made on the outstanding bonds payable debt.

Long-Term Debt

The Corporation has outstanding debt in the form of leasehold mortgage revenue bonds. The amounts outstanding are:

	December 31,		
	2013	**2012**	**2011**
Current portion	$ 1,505,000	$ 1,410,000	$ 1,315,000
Long-term portion	22,360,000	23,865,000	25,275,000
Total long-term debt	$ 23,865,000	$ 25,275,000	$ 26,590,000

Requests for Information

Questions regarding this report or requests for additional information should be directed to the Executive Director of the Rensselaer Municipal Leasing Corporation, c/o Rensselaer County Economic Development Office, 1600 Seventh Avenue, Troy, New York 12180.

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RENSSELAER MUNICIPAL LEASING CORPORATION

(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)

Statements of Net Position

Years Ended December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ 111
Accrued interest receivable	104,063	108,763
Direct financing lease receivable	1,505,000	1,410,000
Total current assets	1,609,063	1,518,874
Noncurrent assets:		
Assets held by trustee	2,898,025	2,898,027
Direct financing lease receivable	19,461,975	20,966,973
Total noncurrent assets	22,360,000	23,865,000
Total assets	23,969,063	25,383,874
LIABILITIES		
Current liabilities:		
Due to other governments	-	111
Accrued interest payable	104,063	108,763
Current installments of long-term debt	1,505,000	1,410,000
Total current liabilities	1,609,063	1,518,874
Noncurrent liabilities:		
Long-term debt, excluding current installments	22,360,000	23,865,000
Total noncurrent liabilities	22,360,000	23,865,000
Total liabilities	23,969,063	25,383,874
NET POSITION		
Unrestricted	$ -	$ -

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

RENSSELAER MUNICIPAL LEASING CORPORATION

(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)
Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues:		
Financing income	$ 1,272,367	$ 1,718,554
Total operating revenue	1,272,367	1,718,554
Operating expenses:		
Administrative expenses	-	-
Total operating expenses	-	-
Operating income	1,272,367	1,718,554
Nonoperating revenues (expenses):		
Bank fees	(111)	(240)
Interest expense and fiscal charges	(1,272,256)	(1,718,314)
Total nonoperating revenues (expenses)	(1,272,367)	(1,718,554)
Change in net position	-	-
Total net position—beginning	-	-
Total net position—ending	$ -	$ -

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

RENSSELAER MUNICIPAL LEASING CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from direct financing lease	$ 2,686,956	$ 2,646,456
Net cash provided by operating activities	2,686,956	2,646,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for bank fees	(111)	(240)
Net cash used by investing activities	(111)	(240)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,410,000)	(1,315,000)
Cash payments for interest expense	(1,276,956)	(1,331,456)
Net cash used by capital and related financing activities	(2,686,956)	(2,646,456)
Net decrease in cash and cash equivalents	(111)	(240)
Cash and cash equivalents, January 1	111	351
Cash and cash equivalents, December 31	$ -	$ 111
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,272,367	$ 1,718,554
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Change in accrued interest receivable/payable	4,700	4,383
Decrease (increase) in assets held by trustee	2	(1)
(Decrease) in due to other governments	(111)	(240)
(Increase) in direct financing lease receivable—current	(95,000)	(95,000)
Decrease in direct financing lease receivable—non-current	1,504,998	1,018,760
Total adjustments	1,414,589	927,902
Net cash provided by operating activities	$ 2,686,956	$ 2,646,456

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rensselaer Municipal Leasing Corporation (the "Corporation"), have been prepared in conformity with accounting principles generally accepted in the United States of America applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Corporation's accounting policies are described below.

Reporting Entity

The Rensselaer Municipal Leasing Corporation (the "Corporation"), a component unit of the County of Rensselaer, New York (the "County"), is a not-for profit corporation incorporated in the State of New York in 1994 to assist the County in acquiring, financing, constructing, and leasing any buildings, equipment or other facilities that may be useful to or useable by the County. The Corporation is a component unit of the County and is blended into the County's Enterprise Fund's financial statements.

In June 1994, by resolution, the Corporation issued leasehold mortgage revenue bonds to finance the construction of a new County nursing home, the Van Rensselaer Manor (the "Manor"), on land leased from the County (see Note 2). The County entered into an agreement with the Corporation to lease the Manor, with an option to buy, through June 1, 2024, for the amounts equal to the annual bond principal and interest payments. Upon termination of the lease term, title to the project facility will transfer to the County.

Income taxes have not been provided for in the accompanying combined financial statements since the Corporation is exempt from such taxes under Internal Revenue Code section 501(a).

Basis of Accounting

The accounts of the Corporation are maintained on the accrual basis of accounting. There are no significant estimates used in the preparation of the Corporation's financial statements.

Assets, Liabilities, Deferred Outflows/Inflows of Resources

Cash and Cash Equivalents—Represents cash returned to the Corporation (accumulated interest earned) for mortgage recording fees originally paid, but subsequently determined not to be required. These funds were placed on deposit separate from the Corporation's trustee accounts.

Assets Held by Trustee—These funds, consisting primarily of U.S. Government securities, are designated for construction costs and bond principal and interest payments in accordance with the bond indenture agreement.

Direct Financing Lease Receivable—Direct financing lease receivable represents the future lease payments due from the Manor, less debt service reserve funds held by the trustee.

Deferred outflows/inflows of resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Corporation does not have any deferred outflows or inflows of resources at December 31, 2013 and December 31, 2012.

Statement of Cash Flows—For purposes of the statement of cash flows, the Corporation considers cash and cash equivalents to be all cash accounts and short-term investments purchased with a maturity of three months or less.

Stewardship, Compliance and Accountability

Adoption of New Accounting Pronouncements—During the year ended December 31, 2013, the Corporation implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and No. 66 did not have a material impact on the Corporation's financial position or results from operations.

Future Impacts of Accounting Pronouncements—the Corporation has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; No. 69, *Government Combinations and Disposals of Government Operations*; and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27;* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68,* effective for the year ending December 31, 2015. The Corporation is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 67, 68, 69, 70 and 71 will have on its financial position and results of operations

2. LONG-TERM DEBT

On June 29, 2009 the Corporation issued $28,465,000 Leasehold Mortgage Revenue Refunding Bonds (Rensselaer County Nursing Home Project), Series 2009A and $515,000 Leasehold Revenue Refunding Bonds (Rensselaer County Nursing Home Project), Series 2009B (Taxable). The proceeds of these bonds were used to fund debt issuance costs and to fund an escrow account to defease the previously issued Series 1994A and 1994B leasehold mortgage bonds. On July 29, 2009, the escrow agent exercised a call provision on the Series 1994A and 1994B bonds and paid all outstanding principal and accrued interest on such debt.

As a result of the advance refunding, the Corporation reduced its total future debt service requirements by $3,515,995, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,852,707.

A summary of debt for the year ended December 31, 2013 follows:

	Outstanding 1/1/2013	Issued	Paid	Outstanding 12/31/2013
2009 - Series A & B Combined	$ 25,275,000	$ -	$ 1,410,000	$ 23,865,000
Total bonds payable	$ 25,275,000	$ -	$ 1,410,000	$ 23,865,000

Principal repayments amounted to $1,410,000 and $1,315,000 during the years ended December 31, 2013 and 2012 respectively. Interest expense for the years ended December 31, 2013 and 2012 amounted to $1,272,256 and $1,718,314, respectively.

Costs relating to issuance of the 2009 Leasehold Mortgage Revenue Refunding Bonds Series 2009A and 2009B totaled $469,489. Previously, these costs of issuance were being amortized over the remaining life of the debt, using the straight line method. As a result of the implementation of GASB Statement No. 65, Management elected to recognize the remaining amortization of $391,241 during the year ended December 31, 2012 as a component of interest expense and financing income.

Future principal and interest payments are as follows:

Year Ending December 31,	Principal	Interest
2014	1,505,000	$ 1,218,656
2015	1,610,000	1,148,306
2016	1,720,000	1,065,056
2017	1,840,000	976,056
2018	1,965,000	880,931
2019 - 2023	12,065,000	2,574,260
2024	3,160,000	80,975
Total	23,865,000	$ 7,944,240
Less: current portion	(1,505,000)	
Total long-term debt, excluding current installments	$ 22,360,000	

The bond indenture agreements required the establishment of various funds, which are held by a trustee. These funds are presented in the accompanying financial statements as assets held by trustee. The balances in these funds at December 31 are as follows:

Fund	2013	2012
Bond fund	$ 25	$ 27
Debt service reserve fund	2,898,000	2,898,000
	$ 2,898,025	$ 2,898,027

3. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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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*

Board of Directors
Rensselaer Municipal Leasing Corporation:

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 the Rensselaer Municipal Leasing Corporation (the "Corporation"), a component unit of the County of Rensselaer, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting was for the limited purposed described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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.*

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 Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

March 26, 2014