

**RENSELAER MUNICIPAL
LEASING CORPORATION**

**(A COMPONENT UNIT OF THE COUNTY
OF RENSELAER, NEW YORK)**

*Basic Financial Statements and Required Supplementary
Information Years Ended December 31, 2010 and 2009
and Independent Auditors' Reports*

RENSELAER MUNICIPAL LEASING CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF RENSELAER, NEW YORK)
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Years Ended December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rensselaer Municipal Leasing Corporation:

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 ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financing reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the foregoing table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the Corporation's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

March 28, 2011

RENSELAER MUNICIPAL LEASING CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF RENSELAER, NEW YORK)
Management's Discussion and Analysis
Years Ended December 31, 2010 and 2009

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, 2010 and 2009. This narrative should be read in conjunction with the Corporation's financial statements which follow this section. For comparative purposes, certain items relating to the year ended December 31, 2009 presentations have been reclassified.

Financial Highlights:

- The assets of the Corporation equal its liabilities at December 31, 2010 and 2009 (unrestricted net assets are \$0 at year end) since the purpose of the Corporation is to act as a conduit for lease financing. Only assets and liabilities are reported.
- The Corporation had total revenues (including both operating and non-operating) of \$1,455,800 and \$1,925,337 for the fiscal years ended December 31, 2010 and 2009, respectively. Primarily all of the revenue is financing income from the Van Rensselaer Manor.
- The Corporation has outstanding bonded debt of \$27,825,000 and \$28,980,000 at December 31, 2010 and 2009, respectively. During 2009, the Corporation completed a bond transaction which refunded the previously existing bonds with the proceeds of a new 2009 issuance.

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 Assets*—Presents all assets, liabilities and net assets of the Corporation at December 31, 2010 and 2009.
- *Statements of Revenues, Expenses and Changes in Net Assets*—Presents the financial activity for the years ended December 31, 2010 and 2009 and displays how this financial activity changed the Corporation's net assets.
- *Statements of Cash Flows*—Presents the cash provided and used during 2010 and 2009, and how it affects the cash balance at December 31, 2010 and 2009.
- *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 Assets and the Statements of Revenues, Expenses and Changes in Net Assets 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 Assets

	December 31,		
	2010	2009	2008
Assets:			
Current assets	\$ 1,353,153	\$ 1,276,812	\$ 1,252,938
Noncurrent assets	<u>26,168,099</u>	<u>27,371,800</u>	<u>28,755,000</u>
Total assets	<u>\$ 27,521,252</u>	<u>\$ 28,648,612</u>	<u>\$ 30,007,938</u>
Liabilities:			
Current liabilities	\$ 1,353,153	\$ 1,276,812	\$ 1,252,938
Noncurrent liabilities	<u>26,168,099</u>	<u>27,371,800</u>	<u>28,755,000</u>
Total liabilities	<u>\$ 27,521,252</u>	<u>\$ 28,648,612</u>	<u>\$ 30,007,938</u>

As indicated in the table above, the Corporation’s total assets and total liabilities decreased by \$1,127,360 and \$1,359,326 during the 2010 and 2009 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 Assets

	Year Ended December 31,		
	2010	2009	2008
Operating revenues	\$ 1,455,797	\$ 1,925,325	\$ 2,087,454
Nonoperating revenues (expenses)	<u>(1,455,797)</u>	<u>(1,925,325)</u>	<u>(2,087,454)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The sole source of operating revenue is financing income from the Manor. This amount decreased by \$469,528 from 2009 to 2010 and by \$162,400 from 2008 to 2009. These decreases are based on the lease agreement, which was superseded during the year ended December 31, 2009, due to the Corporation's refunding of previously existing bonds.

Non-operating expenses represent interest expense on the bonds payable, which 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,		
	2010	2009	2008
Operating activities	\$ 2,582,681	\$ 3,284,922	\$ 3,103,460
Investing activities	(238)	(259)	19
Capital and related financing activities	<u>(2,582,681)</u>	<u>(3,284,922)</u>	<u>(3,103,461)</u>
Net (decrease) increase in cash and cash equivalents	(238)	(259)	19
Cash and cash equivalents—beginning of year	<u>1,128</u>	<u>1,387</u>	<u>1,368</u>
Cash and cash equivalents—end of year	<u>\$ 890</u>	<u>\$ 1,128</u>	<u>\$ 1,387</u>

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,		
	2010	2009	2008
Leasehold Mortgage Revenue Bonds:			
Current portion	\$ 1,235,000	\$ 1,155,000	\$ 1,080,000
Long-term portion	<u>26,590,000</u>	<u>27,825,000</u>	<u>28,755,000</u>
Total long-term debt	<u>\$ 27,825,000</u>	<u>\$ 28,980,000</u>	<u>\$ 29,835,000</u>

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.

RENSSELAER MUNICIPAL LEASING CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)
Statements of Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 890	\$ 1,128
Accrued interest receivable	117,263	120,684
Direct financing lease receivable	1,235,000	1,155,000
Total current assets	1,353,153	1,276,812
Noncurrent assets:		
Assets held by trustee	2,898,363	2,901,503
Direct financing lease receivable	23,269,736	24,470,297
Total noncurrent assets	26,168,099	27,371,800
Total assets	27,521,252	28,648,612
LIABILITIES		
Current liabilities:		
Due to other governments	890	1,128
Accrued interest payable	117,263	120,684
Current installments of long-term debt	1,235,000	1,155,000
Total current liabilities	1,353,153	1,276,812
Noncurrent liabilities:		
Long-term debt, excluding current installments	26,168,099	27,371,800
Total noncurrent liabilities	26,168,099	27,371,800
Total liabilities	27,521,252	28,648,612
NET ASSETS		
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 Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
Operating revenues:		
Financing income	\$ 1,455,797	\$ 1,925,325
Total operating revenue	1,455,797	1,925,325
Operating income	1,455,797	1,925,325
Nonoperating revenues (expenses):		
Interest income	3	12
Bank fees	(241)	(271)
Interest expense	(1,455,559)	(1,925,066)
Total nonoperating revenues (expenses)	(1,455,797)	(1,925,325)
Change in net assets	-	-
Total net assets—beginning	-	-
Total net assets—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, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from direct financing lease	\$ 2,582,681	\$ 3,284,922
Net cash provided by operating activities	2,582,681	3,284,922
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on bank accounts	3	12
Cash payments for bank fees	(241)	(271)
Net cash used by investing activities	(238)	(259)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from refunding bonds	-	28,980,000
Payment of bond issuance costs	-	(469,489)
Defeasance of long-term debt	-	(28,755,000)
Principal payments on long-term debt	(1,155,000)	(1,080,000)
Cash payments for interest expense	(1,427,681)	(1,960,433)
Net cash used by capital and related financing activities	(2,582,681)	(3,284,922)
Net decrease in cash and cash equivalents	(238)	(259)
Cash and cash equivalents, January 1	1,128	1,387
Cash and cash equivalents, December 31	\$ 890	\$ 1,128
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,455,797	\$ 1,925,325
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Change in accrued interest receivable/payable	3,421	50,867
Decrease in assets held by trustee	3,140	241,648
(Decrease) increase in due to other governments	(238)	(259)
(Increase) in direct financing lease receivable—current	(80,000)	(75,000)
Decrease in direct financing lease receivable—non-current	1,200,561	1,142,341
Total adjustments	1,126,884	1,359,597
Net cash provided by operating activities	\$ 2,582,681	\$ 3,284,922

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

RENSELAER MUNICIPAL LEASING CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF RENSSELAER, NEW YORK)
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations—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.

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are:

- 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.
- B. 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.
- C. 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.
- D. 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.
- E. Income Taxes**—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).
- F. 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.

G. Future Impacts of Accounting Pronouncements—The Corporation has not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*, effective for the year ending December 31, 2011; GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the year ending December 31, 2012; GASB No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the year ending December 31, 2013. Therefore, the Corporation is unable to disclose the impact that adopting GASB Statements Nos. 54, 57, 59, 60, 61, and 62 will have on its financial position and results of operations when such statements are adopted.

During the year ended December 31, 2010, the Corporation implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. These statements did not have a material impact on the Corporation’s financial position or results of operation.

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, 2010 follows:

	Outstanding 1/1/2010	Issued	Paid	Outstanding 12/31/2010
2009 - Series A & B Combined	\$ 28,980,000	\$ -	\$ 1,155,000	\$ 27,825,000
	28,980,000	-	1,155,000	27,825,000
Less: Deferred amounts				
Bond issuance costs	(453,200)	-	31,299	(421,901)
Total bonds payable	<u>\$ 28,526,800</u>	<u>\$ -</u>	<u>\$ 1,186,299</u>	<u>\$ 27,403,099</u>

Principal repayments amounted to \$1,155,000 and \$1,080,000 during the years ended December 31, 2010 and 2009, respectively. Interest expense for the years ended December 31, 2010 and 2009 amounted to \$1,455,559 and \$1,925,066, respectively.

Costs relating to issuance of the 2009 Leasehold Mortgage Revenue Refunding Bonds Series 2009A and 2009B totaled \$469,489. These costs of issuance are being amortized over the remaining life of the debt, using the straight line method. Amortization of these costs amounted to \$31,299 and \$16,289 for the years ended December 31, 2010 and 2009, respectively.

Future principal and interest payments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,235,000	\$ 1,382,456
2012	1,315,000	1,331,456
2013	1,410,000	1,276,956
2014	1,505,000	1,218,656
2015	1,610,000	1,148,306
2016 - 2020	9,875,000	4,362,061
2021 - 2025	<u>10,875,000</u>	<u>1,215,217</u>
Total	27,825,000	<u>\$ 11,935,108</u>
Less: current protion	<u>(1,235,000)</u>	
Total long-term debt, excluding current installments	<u>\$ 26,590,000</u>	

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:

<u>Fund</u>	<u>2010</u>	<u>2009</u>
Bond fund	\$ 2	\$ 3,441
Debt service reserve fund	<u>2,898,361</u>	<u>2,898,062</u>
	<u>\$ 2,898,363</u>	<u>\$ 2,901,503</u>

3. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2011, 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 AUDITOR'S 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 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, 2010, and have issued our report thereon dated March 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

This report is intended solely for the information and use of the Corporation's Board of Directors and its management and is not intended to be and should not be used by anyone other than these specified parties.

March 28, 2011