

TROY LOCAL DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS - STATUTORY BASIS
and
INDEPENDENT AUDITOR'S REPORT**

December 31, 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Troy Local Development Corporation
Troy, New York

We were engaged to audit the accompanying statement of net assets - statutory basis of Troy Local Development Corporation (TLDC) for the year ended December 31, 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of TLDC's management.

In accordance with the terms of our engagement, we did not audit the statement of net assets as of December 31, 2007, and we did not review the consistency of application of accounting principles. Such statement of net assets includes amounts which enter materially into the determination of the results of operations, changes in net assets, and cash flows for the year ended December 31, 2008.

As discussed in Note A.5. to the financial statements, TLDC's management is unable to estimate the possible impairment to the historical cost of some of its real property. As discussed in Note G.2. TLDC's management is unable to estimate the future costs of pollution remediation obligations, if any, which may be necessary to make some of its real property useable. In our opinion, both of these estimates are required in order to conform with accounting practices as described in Note A.2. to the financial statements. The effects of this analysis and any resulting adjustment on TLDC's assets, net assets (deficit), and net loss for the year is not reasonably determinable.

As more fully described in Note A.2. to the financial statements, TLDC prepared these financial statements using statutory accounting practices prescribed by the New York State Office of the State Comptroller and the New York State Authority Budget Office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Because of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express an opinion on the financial statements as of and for the year ended December 31, 2008.

In accordance with *Government Auditing Standards*, we have issued our report dated December 9, 2009, on our consideration of TLDC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Members of the Board of Directors, TLDC management, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co. LLP

Albany, New York
December 9, 2009

TROY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS

December 31, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 173,961
Accounts receivable	37,500
Loan receivable, current installments	5,597
Prepaid expense	<u>14,392</u>
Total current assets	231,450

CAPITAL ASSETS, net 2,539,863

LOAN RECEIVABLE, less current installments 244,403

\$3,015,716

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 93,797
Loan payable, current installments	<u>167,000</u>
Total current liabilities	260,797

LOAN PAYABLE, less current installments 2,833,000

COMMITMENTS AND CONTINGENCIES

NET DEFICIT, unrestricted (78,081)

\$3,015,716

The accompanying Notes to Financial Statements are an integral part of these statements.

TROY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Year Ended December 31, 2008

OPERATING REVENUES

Grant revenue	\$ 55,000
Operating income	<u>150,675</u>
	<u>205,675</u>

OPERATING EXPENSES

Depreciation	2,721
Grants	40,000
Insurance	20,075
Office and general	6,140
Professional fees, accounting	2,725
Professional fees, legal	16,309
Miscellaneous	<u>11,202</u>
	<u>99,172</u>

Operating income

106,503

OTHER REVENUE (EXPENSE)

Interest expense	(132,749)
Interest income	<u>10,597</u>
	<u>(122,152)</u>

CHANGE IN NET ASSETS

(15,649)

NET DEFICIT, *unrestricted, beginning of year*

(62,432)

NET DEFICIT, *unrestricted, end of year*

\$ (78,081)

TROY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS Year Ended December 31, 2008

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES

Receipts from customers	\$ 173,800
Payments to vendors	<u>(135,298)</u>
	<u>38,502</u>

CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES

Interest income	10,597
Issuance of loan receivable	(250,000)
Interest expense	<u>(132,749)</u>
	<u>(372,152)</u>

Net decrease in cash **(333,650)**

CASH, beginning of year 507,611

CASH, end of year **\$ 173,961**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income	\$ 106,503
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Changes in operating assets and liabilities	
Accounts receivable	(31,875)
Prepaid expenses	1,622
Accounts payable and accrued expenses	(40,469)
Depreciation expense	<u>2,721</u>
	<u>\$ 38,502</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

TROY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. *Organization and Purpose*

The Troy Local Development Corporation (TLDC), a private not-for-profit corporation, was established in 1987 for the purposes of constructing, acquiring, rehabilitating, and improving buildings or sites in the City of Troy (City), or to assist financially in the construction, acquisition, rehabilitation, and improvement of buildings or sites within the City, and to foster employment opportunities for City residents, including business retention and attraction, and job creation and retention.

TLDC is a public instrumentality of and supporting organization for, but is separate and apart from, the City.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements.

2. *Basis of Accounting*

TLDC has elected to prepare its financial statements on the statutory basis permitted by the New York State Office of the State Comptroller and the New York State Authority Budget Office. This statutory basis varies from accounting principles generally accepted in the United States of America primarily because it does not reflect the adoption of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In preparing the financial statements on the statutory basis, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. *Fair Value Measurement*

TLDC adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurement*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The adoption of SFAS No. 157 did not have a material impact on the financial statements or results of operations of TLDC. SFAS No. 157 applies to all assets and liabilities that are measured and reported on fair value basis.

4. *Receivables*

Accounts receivable consist of amounts due from lessees based on rental agreements.

Loans receivable are carried at the original loan amount less payments of principal received. Accrued interest income is reported for loan interest earned but not received at year end.

TLDC considers all receivables to be fully collectible at December 31, 2008. TLDC determines any allowance for doubtful accounts by regularly evaluating individual receivables and considering financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

TROY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

5. *Capital Assets*

Capital assets are valued at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When capital assets are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to the change in net assets.

Recognition of impairment of capital assets is required when events and circumstances indicate that an entity will not be able to recover the carrying amount of these assets. The entity should recognize an impairment loss, equal to the amount by which the carrying amount of an asset exceeds its fair value, if the carrying amount of the asset is not recoverable, and the carrying amount of the asset exceeds its fair value. As of the year ended December 31, 2008, TLDC is unable to make a reasonable estimation of impairment, if any, on any of its capital assets.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis using an estimated life of forty years.

6. *Income Taxes*

TLDC is exempt from income taxes as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Accordingly, no provisions have been made for income taxes in these financial statements.

TLDC adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* - an interpretation of SFAS No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in the financial statements tax positions taken, or expected to be taken on a tax return, including positions that TLDC is exempt from income taxes or not subject to income taxes on unrelated business income. The adoption of FIN 48 did not have a material impact on the financial statements or results of operations of TLDC.

NOTE B - CASH

TLDC's investment policies are governed by New York State statutes. In addition, TLDC has its own written investment policy. TLDC monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. TLDC is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit in excess of FDIC coverage. Certificates of deposit purchased with a maturity of three months or less are considered cash equivalents. Obligations that may be pledged as collateral are obligations of the United States and its agencies or the State and its municipalities and school districts.

Cash at December 31, 2008, consisted of demand accounts of \$173,961, which were fully insured or collateralized.

TROY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE C - LOAN RECEIVABLE

TLDC has implemented an economic development loan program with the primary objective of stimulating the City's economic base in order to create new job opportunities. Loans are made to eligible borrowers meeting targeted economic criteria at market interest rates.

During 2008, TLDC entered into a loan agreement with Old World Provisions, Inc. for \$250,000 for renovations of their existing facility. The terms of the loan include monthly payments of \$1,900 for 20 years at 6.75% interest maturing January 2029. The loan is secured by machinery and equipment.

A summary of the loan receivable at December 31, 2008, is as follows:

Loan receivable	\$ 250,000
Less current installments	<u>5,597</u>
	<u>\$ 244,403</u>

A summary of the future maturities is as follows:

For the year ending December 31, 2009	\$ 5,597
2010	6,513
2011	6,966
2012	7,451
2013	7,970
Thereafter	<u>215,503</u>
	<u>\$ 250,000</u>

NOTE D - CAPITAL ASSETS

TLDC has acquired various parcels in the City to promote future economic growth and assist in revitalization of the City.

A summary of the capital assets as of December 31, 2008, is as follows:

Land	
King Fuel parcels	\$2,036,228
77 Water Street (Portec)	<u>397,500</u>
	2,433,728
Buildings	
77 Water Street (Portec)	<u>108,856</u>
	2,542,584
Less accumulated depreciation	<u>2,721</u>
	<u>\$2,539,863</u>

TLDC is actively seeking development for the land consistent with TLDC's purpose of encouraging economic growth within the City.

TROY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE E - LOAN PAYABLE

During 2008, TLDC entered into a loan agreement with the City for \$3,000,000 to be used for property acquisition and economic development. The agreement calls for semi-annual interest payments and annual principal payments to the City as billed by the United States Department of Housing and Urban Development (HUD) Section 108 loan authorization pursuant to the Brownfield's Economic Development Initiative. The agreement charges interest at LIBOR plus .2% (1.635% at December 31, 2008) as billed by HUD and matures August 2028.

A summary of the loan payable is as follows:

Loan payable	\$ 3,000,000
Less current installments	<u>167,000</u>
	<u>\$ 2,833,000</u>

A summary of future principal payments and estimated interest payments is as follows:

	<u>Principal</u>	<u>Interest</u>
For the year ending December 31, 2009	\$ 167,000	\$ 151,819
2010	167,000	129,255
2011	167,000	124,061
2012	167,000	118,316
2013	167,000	111,937
For the years ending December 31, 2014 through 2018	835,000	454,358
2019 through 2023	835,000	258,684
2024 through 2026	<u>495,000</u>	<u>52,262</u>
	<u>\$ 3,000,000</u>	<u>\$ 1,400,692</u>

Interest expense for the year ended December 31, 2008, was \$132,749. Interest paid for the year ended December 31, 2008, was \$171,551.

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Rental Income

TLDC has several lease agreements arising from the leasing of property owned by TLDC. Monthly lease payments range from \$900 to \$7,500 and terms range from month-to-month to 15 years with two five-year options to renew.

TROY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE F - COMMITMENTS AND CONTINGENCIES - Continued

1. *Rental Income* - Continued

A summary of future minimum rental payments due to TLDC under operating lease agreements is as follows:

For the year ending December 31, 2009	\$ 54,000
2010	60,000
2011	66,000
2012	66,000
2013	66,000
Thereafter	<u>660,000</u>
	<u>\$972,000</u>

Rental income was \$148,800 for the year ended December 31, 2008.

2. *Environmental Remediation*

TLDC is developing and implementing a plan for pollution remediation on the King Fuel properties. Preliminary testing and clean-up efforts began in late 2007 and are expected to continue for several years. Funding assistance has been provided from the Brownfield's Economic Development Initiative in grant and loan funds.

TLDC is in the process of negotiating a remediation plan with the New York State Department of Environmental Conservation and National Grid for the King Fuel parcels. TLDC's management is unable to reasonably estimate the potential effects, if any, on the financial position of TLDC as of the date of this report.

3. *Subsequent Events*

During 2009, TLDC entered into an agreement to purchase a property in the City (The Rice Building) at a cost of approximately \$51,000. TLDC plans on renovating and leasing the building.

During 2009, TLDC received approximately \$1.9 million from the City to administer Brownfield's Economic Development Initiative grant funds.

During 2009, TLDC authorized the emergency demolition of structures on the King Fuel site due to unsafe conditions. The costs of the demolition and removal of material is estimated at approximately \$600,000.

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

Board of Directors
Troy Local Development Corporation
Troy, New York

We were engaged to audit the financial statements of Troy Local Development Corporation (TLDC) as of and for the year ended December 31, 2008, and have issued our report thereon dated December 9, 2009. Because we did not audit the statement of net assets as of December 31, 2007, and management was not able to estimate possible impairment to its real property, the scope of our work was not sufficient to enable us to express an opinion on the financial statements as of and for the year ended December 31, 2008. We conducted our audit in accordance with standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects TLDC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of TLDC's financial statements that is more than inconsequential will not be prevented or detected by TLDC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by TLDC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

As part of obtaining reasonable assurance about whether TLDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including compliance with *Investment Guidelines for Public Authorities*, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of members and management of TLDC, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

Ballam Sheedy Tarami & Co LLP

Albany, New York
December 9, 2009