

TROY CAPITAL RESOURCE CORPORATION

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

December 31, 2012 and 2011

TROY CAPITAL RESOURCE CORPORATION

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

December 31, 2012 and 2011

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6-8
SUPPLEMENTAL INFORMATION	
Statement of Indebtedness	9
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	10-11
Schedule of Findings and Responses	12-13

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Troy Capital Resource Corporation
Troy, New York

Report on the Financial Statements

We have audited the accompanying statements of net position of the Troy Capital Resource Corporation (Corporation), as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes 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.

Auditor's Responsibility

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 audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Troy Capital Resource Corporation as of December 31, 2012 and 2011, and the related 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 the management's discussion and analysis and budgetary comparison information 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 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. Our opinion on the basic financial statements is not affected by this missing information

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the Corporation's basic financial statements. The schedule of indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of indebtedness is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of indebtedness is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, 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.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 29, 2013

TROY CAPITAL RESOURCE CORPORATION

STATEMENTS OF NET POSITION

	December 31,	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	<u>\$ 294,790</u>	<u>\$ 301,561</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 1,820
NET POSITION, unrestricted	<u>294,790</u>	<u>299,741</u>
	<u>\$ 294,790</u>	<u>\$ 301,561</u>

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

TROY CAPITAL RESOURCE CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

	Years Ended December 31,	
	2012	2011
OPERATING REVENUES		
Refund of prior year expenses	\$ -	\$ 1,207
OPERATING EXPENSES		
Professional fees, audit	5,100	7,420
Operating loss	(5,100)	(6,213)
OTHER REVENUES		
Interest income	149	209
CHANGE IN NET POSITION	(4,951)	(6,004)
NET POSITION, unrestricted, <i>beginning of year</i>	299,741	305,745
NET POSITION, unrestricted, <i>end of year</i>	\$ 294,790	\$ 299,741

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

TROY CAPITAL RESOURCE CORPORATION

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2012	2011
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Payments to vendors	\$ (6,920)	\$ (5,600)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income	149	209
Net decrease in cash	(6,771)	(5,391)
CASH, beginning of year	301,561	306,952
CASH, end of year	\$ 294,790	\$ 301,561
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (5,100)	\$ (6,213)
Changes in operating assets and liabilities		
Accounts payable	(1,820)	613
	\$ (6,920)	\$ (5,600)

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

TROY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Purpose

The Troy Capital Resource Corporation (Corporation) was created during 2009 under Section 1411 of the New York State Not-For-Profit Corporation Law. The Corporation, although established by the City Council of the Troy, New York (City), is a separate public benefit corporation and operates independently of the City.

The Corporation was established to promote community and economic development for the citizens of the City by developing and providing programs to access low interest tax-exempt and non-tax exempt financing for eligible projects and undertaking projects and activities within the City for the purpose of relieving and reducing unemployment, improving job opportunities, attracting new industry, or encouraging the development of, or retention of, industry in the City. In return for its efforts, the Corporation receives application and closing fees related to this financing.

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

b. Basis of Accounting and Financial Statement Presentation

The Corporation'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.

The accounting and financial reporting treatment applied to the Corporation is determined by its measurement focus. The transactions of the Corporation 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.

c. Use of Estimates

The preparation of financial statements requires management 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

d. Tax Status

The Corporation is exempt from federal, state, and local income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law.

e. Revenue Bonds

Revenue bonds issued by the Corporation are secured by property which is leased to companies and is retired by these payments. The bonds are not obligations of the Corporation or New York State. The Corporation does not record the assets or liabilities resulting from completed bonds issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond holders, and funds arising there from are controlled by trustees or banks as fiscal agents. For providing this service, the Corporation receives bond administration fees from the borrowing companies. Such administration fees are recognized immediately upon issuance of the bonds.

At December 31, 2012 and 2011, the original issue value and outstanding balance of bonds issued aggregated \$358,810,000.

f. Revenue Recognition

Revenues are recognized when earned, and expenses are recognized when incurred. The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Corporation. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TROY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

g. New Accounting Pronouncements

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB No. 63). GASB No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Corporation adopted GASB Statements No. 62 and No. 63 as of January 1, 2012, and there was no significant impact to the financial statements.

h. Subsequent Events

The Corporation has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 29, 2013, the date the financial statements were available to be issued.

NOTE 2 - CASH

The Corporation's investment policies are governed by New York State statutes. In addition, the Corporation has its own written investment policy. Corporation monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Corporation 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. 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, 2012 and 2011, was fully collateralized.

NOTE 3 - RELATED PARTY

The Corporation's current Board of Directors is the same as that of the Troy Industrial Development Authority (IDA). There were no transactions during 2012 or 2011 between the Corporation and the IDA.

NOTE 4 - ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

TROY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 4 - ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED - Continued

In March 2012, GASB issued Statement No. 66, *Technical Corrections - an Amendment of Statements No. 10 and No. 62*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

During June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

Management has not estimated the extent of the potential impact of these statements on the Corporation's financial statements.

TROY CAPITAL RESOURCE CORPORATION

SCHEDULE OF INDEBTEDNESS

Year Ended December 31, 2012

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Original Bond Issued</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2012</u>	<u>Issued During 2012</u>	<u>Principal Payments 2012</u>	<u>Outstanding December 31, 2012</u>	<u>Final Maturity Date</u>
Rensselaer Polytechnic Institute	04/10	\$ 311,630,000	Varies	\$ 311,630,000	\$ -	\$ -	\$ 311,630,000	09/40
Rensselaer Polytechnic Institute	06/10	47,180,000	3.00%	47,180,000	-	1,005,000	46,175,000	09/21
		<u>\$ 358,810,000</u>		<u>\$ 358,810,000</u>	<u>\$ -</u>	<u>\$ 1,005,000</u>	<u>\$ 357,805,000</u>	

**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
Troy Capital Resource Corporation
Troy, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the Troy Capital Resource Corporation (Corporation), as of December 31, 2012, and the related statement of revenues, expenses, and changes 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 March 29, 2013.

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 opinion 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 the 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 a 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 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. 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 from 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 12-01 through 12-03.

The Corporation's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 29, 2013

TROY CAPITAL RESOURCE CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?
Significant deficiencies identified that are not considered to be material weaknesses?

Noncompliance material to financial statements?

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

12-01. Posting and Maintaining Reports on Public Authority Websites

Criteria: The New York State Authority Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to The Public Authorities Reform Act (PARA) of 2009.

Condition: The Corporation is not in compliance with PARA requirements.

Effect: The Corporation is missing specific information required by PARA.

Cause: The Corporation did not oversee proper maintenance of a shared website.

Recommendation: Using available ABO guidance, the Corporation should update its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

View of Responsible Officials: The Corporation will review the guidance of required documentation and will update missing items by March 31, 2013.

12-02. Acknowledgement of Fiduciary Duty

Criteria: In accordance with Section 2824 of Public Authorities Law, every Board Member of a Public Authority is required to sign an acknowledgement of fiduciary duty at the time he or she takes the oath of office.

Condition: The Corporation was not in compliance with Section 2824 of Public Authorities Law.

Effect: The Corporation does not have a signed acknowledgement from a Board Member appointed in 2011.

Cause: The Corporation did not provide the new Board Member with the necessary acknowledgement.

Recommendation: The Corporation should provide new Board Members with the necessary acknowledgement and ensure that all documents have been properly executed at the time of appointment.

View of Responsible Officials: The Corporation is in the process of reviewing and obtaining acknowledgements from all current Board Members.

TROY CAPITAL RESOURCE CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2012

Section III - Compliance Findings - Continued

12-03. Performance Measurement Report

Criteria: Section 2824 of Public Authorities Law states that all local authorities are to develop performance measures to assist the authority in determining how well it is carrying out its mission. Each year the authority is required to publish its performance measurement report.

Condition: The Corporation has not prepared a performance measurement report.

Effect: The Corporation was not in compliance with Section 2824 of Public Authorities Law.

Cause: The Corporation has not developed performance measures.

Recommendation: The Corporation should develop performance measurements and evaluate the Corporation based on these measurements on an annual basis.

View of Responsible Officials and Planned Corrective Actions: The Authority will review the guidance of the required documentation and will update missing items by March 31, 2013.