

July 11, 2008

Board of Directors  
City of Troy Industrial Development Authority  
City Hall  
One Monument Square  
Troy, New York 12180

Dear Members of the Board:

We are pleased to present this report related to our audit of the financial statements - statutory basis of the City of Troy Industrial Development Authority (Authority) for the year ended December 31, 2007. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Authority.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

William C. Freitag, Partner

WCF/dmc

**CITY OF TROY  
INDUSTRIAL DEVELOPMENT AUTHORITY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE  
Year Ended December 31, 2007**

The American Institute of Certified Public Accountants issued Statement on Auditing Standards titled, *The Auditor's Communication to Those Charged With Governance*, which requires that we communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

**Auditor's Responsibility Under Professional Standards**

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated February 18, 2008.

**Accounting Practices**

**Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

**Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Alternative Treatments Discussed with Management**

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

**Management's Judgments and Accounting Estimates**

Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Exhibit A, Summary of Accounting Estimates.

**Financial Statement Disclosures**

In our meetings with you, we discussed the following items as they relate to the neutrality, consistency, and clarity of the disclosures in the financial statements:

- Note A to the Authority's December 31, 2007, financial statements - statutory basis discusses the significant accounting policies used by the Authority.

**CITY OF TROY  
INDUSTRIAL DEVELOPMENT AUTHORITY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE  
Year Ended December 31, 2007**

**Audit Adjustments**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

**Uncorrected Misstatements**

There were no uncorrected misstatements noted during our audit of the financial statements - statutory basis.

**Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements - statutory basis.

**Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

**Significant Issues Discussed with Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

**Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management during the audit.

**Certain Written Communications Between Management and Our Firm**

Copies of certain written communications between our firm and the management of the Authority are attached as Exhibit B.

**Significant Deficiencies and Material Weaknesses**

In planning and performing our audit, we considered the Authority'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 the Authority's internal control over financial reporting. Therefore, our consideration of internal control 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 that we consider to be material weaknesses.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of continued service to you.

**CITY OF TROY  
INDUSTRIAL DEVELOPMENT AUTHORITY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE  
Year Ended December 31, 2007**

This letter is intended solely for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP



William C. Freitag, Partner

WCF/dmc

**CITY OF TROY  
INDUSTRIAL DEVELOPMENT AUTHORITY**

**SUMMARY OF ACCOUNTING ESTIMATES  
Year Ended December 31, 2007**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority's December 31, 2007, financial statements - statutory basis:

<b>Area</b>	<b>Accounting Policy</b>	<b>Estimation Process</b>
<b>Allowance for doubtful accounts</b>	Allowance is based on a review of the Authority's outstanding loan portfolio on a regular basis.	Management determines the allowance for doubtful accounts as loans become delinquent.

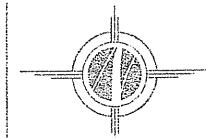
**CITY OF TROY  
INDUSTRIAL DEVELOPMENT AGENCY**

**CERTAIN WRITTEN COMMUNICATIONS BETWEEN  
MANAGEMENT AND OUR FIRM  
Year Ended December 31, 2007**

Arrangement Letter

Representation Letter

Management Letter



February 18, 2008

Ms. Deborah A. Witkowski, Treasurer  
City of Troy Industrial Development Authority  
City Hall  
One Monument Square  
Troy, New York 12180

Dear Deb:

This letter is to explain our understanding of the arrangements for the services we are to perform for the City of Troy Industrial Development Authority for the year ended December 31, 2007. We ask that you either confirm or amend that understanding.

We will perform an audit of the City of Troy Industrial Development Authority's Annual Financial Report as of and for the year ended December 31, 2007. Because the IDA has not prepared financial statements, we will first compile the financial statements from records and summaries provided. We understand that these financial statements will be prepared in accordance with accounting principles prescribed by the Office of the Comptroller of the State of New York. The objective of an audit of financial statements is to express an opinion on those statements. We understand that this engagement will not include conducting an audit in accordance with OMB Circular A-133.

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and *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, rather than absolute, assurance about whether the Annual Financial Report is free of material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets, may remain undetected. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Financial Report. As a result, an audit is not designed to detect errors or fraud that are immaterial to the Annual Financial Report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our report.

Our report on internal control will include any reportable conditions and material structural or operational weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards identified above. Our report on compliance will address material errors, fraud; violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards identified above.

Technically, an audit is a checking function that does not envision making adjustments to the accounting records. Realistically, we recognize that you expect us to recommend any changes we believe may be necessary to align your Annual Financial Report with accounting principles prescribed by the Office of the Comptroller of the State of New York. The number of journal entries needed to align an Annual Financial Report with accounting principles prescribed by the Office of the Comptroller of the State of New York is a direct reflection of the quality of the accounting records which in turn has a direct effect on the time required to perform the audit and thus the cost of it.

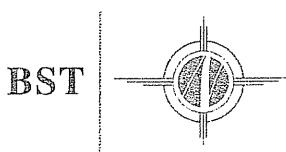
We understand that your accounting department personnel will assist us to the extent practicable in completing our audit. They will provide us with detailed trial balances, supporting schedules, and other information we deem necessary. A list of these schedules and other items of information will be furnished to you before we begin our audit.

We will make you aware of any accounting and bookkeeping assistance we find necessary for the preparation of the Annual Financial Report. We will arrange with you or your authorized employees a timeline for them to prepare the information or a separate engagement to prepare this information.

If circumstances arise relating to the condition of your records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the Annual Financial Report because of error, fraudulent financial reporting, or misappropriation of assets or noncompliance, which in our professional judgment prevent us from completing the audit, we retain the unilateral right to take any course of action permitted by professional standards, including withdrawal from the engagement.

As you know, management is responsible for the preparation of the City of Troy Industrial Development Authority's Annual Financial Report, establishing and maintaining effective internal control over financial reporting and safeguarding assets and internal control over compliance, properly recording transactions in the records, identifying and ensuring that the City of Troy Industrial Development Authority complies with the laws and regulations applicable to its activities, making all financial records and related information available to us, for adjusting the Annual Financial Report to correct material misstatements, following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and submitting the reporting package. At the conclusion of our audit, we will request certain written representations from management about the Annual Financial Report and all matters related thereto. We will also require that you affirm to us that the effects of any unposted adjustments aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Annual Financial Report taken as a whole.

The City of Troy Industrial Development Authority hereby indemnifies Bollam, Sheedy, Torani & Co. LLP, CPAs and its partners, principals, and employees and holds them harmless from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the City of Troy Industrial Development Authority's management, regardless of whether such person was acting in the City of Troy Industrial Development Authority's interest. This indemnification will survive termination of this letter.



*An Independent Member of the RSM McGladrey Network*

The working papers for this engagement are the property of Bollam, Sheedy, Torani & Co. LLP, CPAs. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. General Accounting Office shall have access to the audit working papers upon their request; and that we shall maintain the working papers for a period of at least three years after the date of the reports, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested workpapers will be provided under the supervision of Bollam, Sheedy, Torani & Co. LLP, CPAs' audit personnel and at a location designated by our Firm.

I will be in charge of all of the work we will perform for you, and it will be my responsibility to ensure that you receive quality service. I will call on others in the Firm for assistance, as necessary.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

In accordance with our records retention policy, we maintain all records including, but not limited to, correspondence, financial statements, and other regulatory filings for a period of seven years. Should circumstances require or you desire to maintain other records longer than seven years, we suggest that you retain copies. Copies of all financial reports and regulatory filings will be provided to you at the completion of the engagement.

Our fees for the services set forth in this letter, which will be based on the time required by personnel assigned to this engagement, will be rendered monthly and are payable upon receipt. Individual hourly rates vary according to the degree of responsibility involved and the professional skills required. If you believe any billings to be in error or if you have any concerns, please contact us.

Our audit will include several new requirements set forth by the AICPA in its Statements on Auditing Standards Nos. 104 through 111. The overall purposes of these new requirements are summarized in a separate letter (enclosed), and we have been advised by several organizations that on average this will add roughly 30% more hours to each audit engagement.

A summary of the Firm's 2008 hourly rates by staff classification is as follows:

Partner	\$225 - 235
Senior Manager	165 - 210
Manager	145 - 180
Senior Technical Consultant	115 - 150
Associate	90 - 145
Paraprofessional	135
Support staff	65

In the event we are requested or authorized by the City of Troy Industrial Development Authority or are required by government regulation, subpoena, or other legal process to produce



our documents or our personnel as witnesses with respect to our engagements for the City of Troy Industrial Development Authority, the City of Troy Industrial Development Authority will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts will be discussed and coordinated with you. As mentioned previously, the timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

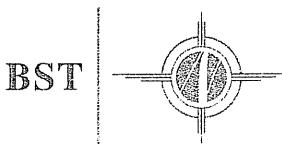
We will assist in drafting the City of Troy Industrial Development Authority's Annual Financial Report and propose adjustments to the trial balance which are reviewed and approved by management. The draft and the adjustments are the responsibility of management.

The two overarching principles of the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the work and, therefore, has a responsibility and is able to make an informed judgment on the results of the services described above. Accordingly, the City of Troy Industrial Development Authority agrees to the following:

1. Deborah A. Witkowski, Treasurer, will be accountable and responsible for overseeing the preparation of the draft of the Annual Financial Report and related trial balance adjustments.
2. The IDA's management will establish and monitor the procedures to ensure that the draft of the Annual Financial Report and related trial balance adjustments meet management's objectives.
3. The IDA's management will make any decisions that involve management functions related to the draft of the Annual Financial Report and trial balance adjustments and accepts full responsibility for such decisions.
4. The IDA's management will evaluate the adequacy of services performed and any findings that result.

Our report on the Annual Financial Report is not to be included in an official statement or other document involved with the sale of debt instruments without our prior consent. Additionally, if you intend to publish or otherwise reproduce the Annual Financial Report and/or make reference to us or our audit, you agree to provide us with printer's proofs or master for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed. Our fees for any additional services that may be required under our quality assurance system as a result of the above will be established with you at the time such services are determined to be necessary.

It is agreed by the City of Troy Industrial Development Authority and Bollam, Sheedy, Torani & Co. LLP, CPAs or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the City of Troy Industrial Development Authority shall be



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City of Troy Industrial Development Authority  
February 18, 2008  
Page 5

asserted more than two years after the date of the last audit report issued by Bollam, Sheedy, Torani & Co. LLP, CPAs.

This letter constitutes the complete and exclusive statement of agreement between Bollam, Sheedy, Torani & Co. LLP, CPAs and the City of Troy Industrial Development Authority, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed for your information.

We appreciate the opportunity to be of continued service to the City of Troy Industrial Development Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. We appreciate your business.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP, CPAs

*Will Reynolds*

Willard G. Reynolds

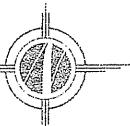
WGR/dmc  
Enclosures

The foregoing letter fully describes our understanding and is accepted by us.

For the CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

By: Deborah A. Witkowsky Date: 4/4/08  
Deborah A. Witkowsky, Treasurer

BST



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TROY INDUSTRIAL DEVELOPMENT AUTHORITY  
TROY CITY HALL

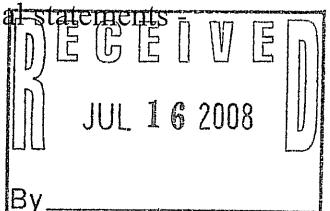
July 11, 2008

Bollam, Sheedy, Torani & Co. LLP  
26 Computer Drive West  
Albany, New York 12205

In connection with your audit of the statement of net assets - statutory basis of the City of Troy Industrial Development Authority (Authority) as of December 31, 2007, and the related statements of revenues, expenses, and changes in net assets - statutory basis), and cash flows - statutory basis for the year then ended, we confirm, that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the statutory basis of accounting required by the New York State Office of the State Comptroller for Annual Reports. We acknowledge that we have provided you the supplemental information attached to the financial statements - statutory basis, which agrees to our records. We understand that the supplemental information is not audited and is not a required part of the basic financial statements, and such information has been subjected to the auditing procedures applied in relation to the basic financial statements - statutory basis taken as a whole.

We confirm to the best of our knowledge and belief, as of the date of your auditor's report, the following representations made to you during your audit.

1. The financial statements - statutory basis referred to above are fairly presented in conformity with the statutory basis of accounting required by the New York State Office of the State Comptroller and the New York State Authority Budget Office for Annual Reports, as described in Note A2 to the financial statements - statutory basis, and there have been no changes during the year ended December 31, 2007, in the Authority's accounting principles and practices.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
  - a. Component units.
  - b. Other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements - statutory basis to be misleading or incomplete.
  - c. Jointly governed organizations in which we participated.



ONE MONUMENT SQUARE, TROY, NEW YORK  
Phone: (518) 270-4631 Fax: (518) 270-4650

3. We have made available to you all:

- a. Financial records and related data.
- b. Minutes of the meetings of the governing board and committees of Board members or summaries of actions of recent meetings for which minutes have not yet been prepared.

4. There has been no:

- a. Fraud involving management or employees who have significant roles in internal control.
- b. Fraud involving other employees that could have a material effect on the financial statements - statutory basis.
- c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements - statutory basis.

5. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

6. Related party transactions, including those as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transactions have been properly reflected and/or disclosed in the financial statements - statutory basis.

7. We are responsible for making the accounting estimates included in the financial statements - statutory basis. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made to reduce receivables to their estimated net collectible amounts.

8. There are no:

- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
- c. Guarantees, whether written or oral, under which the Authority is contingently liable.

- d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
- e. Agreements to repurchase assets previously sold.
- f. Security agreements in effect under the Uniform Commercial Code.
- g. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- h. Contractual obligations for plant construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- i. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- j. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- k. Debt issue provisions.
- l. Leases or material amounts of rental obligations under long-term leases.
- m. Authorized but unissued bonds or notes.
- n. Risk financing activities.
- o. Fair values of investments.
- p. Obsolete, damaged, or excess inventories.
- q. Investments, intangibles, or other assets.
- r. Uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2007, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2007.
- s. Material losses to be sustained as a result of purchase commitments.
- t. Environmental clean up obligations.

9. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

10. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statements - statutory basis.

11. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements - statutory basis.

12. We have satisfactory title to all owned assets.
13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining if we are subject to the requirements of the Single Audit Act and OMB Circular A-133. We have not received, expended, or otherwise been the beneficiary of any federal awards over \$500,000 during the period of this audit.
14. No events or transactions other than those disclosed in the financial statements - statutory basis have occurred subsequent to the statement of net assets date that would require adjustment to, or disclosure in, the financial statements - statutory basis.
15. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance. We are not aware of any material internal control weaknesses or reportable conditions that should be reported.
16. We have responded fully to all inquiries made to us by you during your audit.
17. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
18. Deborah A. Witkowski has overseen the services provided by BST Advisors, LLC, as listed below, and has established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services including drafting of financial statements - statutory basis.

Very truly yours,

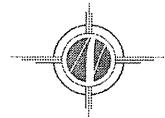
*CITY OF TROY INDUSTRIAL DEVELOPMENT  
AUTHORITY*



David Stackrow, Vice-Chairman



Deborah A. Witkowski, Treasurer



July 11, 2008

Board of Directors  
City of Troy Industrial Development Authority  
City Hall  
One Monument Square  
Troy, New York 12180

Dear Members of the Board:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the City of Troy, Industrial Development Authority (Authority) for the year ended December 31, 2007. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

#### **Review of Bank Reconciliations**

Comment: Accounting personnel perform the bank reconciliation function. However, there is currently no procedure in place to review the bank reconciliation after it is completed. This practice would greatly enforce the checks and balances necessary for strong controls over cash.

Recommendation: We suggest that a member of management, such as the City Comptroller or Deputy Comptroller, review the bank reconciliations for any unusual items, investigate and fully resolve any such items, and document his or her approval by initialing the form. This letter is solely for the information and use of the Authority's Board, management, and others within the Authority and is not intended to be and should not be used by anyone other than the specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

William C. Freitag, Partner

WCF/dmc