

TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

December 31, 2010

**TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)**

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Troy Local Development Corporation
Troy, New York

We have audited the accompanying statement of net assets of the Troy Local Development Corporation (TLDC) for the year ended December 31, 2010, and the related statements of revenues, expenses, and change in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the TLDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted 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 assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 our audit provides a reasonable basis for our opinion.

As discussed in Note 1e to the financial statements, the TLDC's management is unable to estimate the possible impairment to the historical cost of some of its real property. In our opinion, this estimate is required in order to conform with accounting practices as described in Note 1b to the financial statements. The effects of this analysis and any resulting adjustment on the TLDC's assets, net assets, and net profit for the year are not reasonably determinable.

In our opinion, except for the possible impairment to the historical cost of real property, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the TLDC as of December 31, 2010, and the results of its operations and its cash flows for the year 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 August 1, 2011, on our consideration of the TLDC's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Management has omitted the management's discussion and analysis and budgetary comparison information. Such information is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America.

Bollam Sheedy Torani & Co. LLP

Albany, New York
August 1, 2011

TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)

STATEMENT OF NET ASSETS

December 31,
2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 177,038
Cash and cash equivalents, restricted	1,013,553
Accounts receivable	93,884
Loan receivable, current installments	7,526
Prepaid expense	489
Total current assets	<u>1,292,490</u>

CAPITAL ASSETS, net

2,644,369

LOAN RECEIVABLE, less current installments

230,924

\$ 4,167,783

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 87,609
Accrued interest	51,242
Deferred grant revenue	505,421
Loan payable, current installments	<u>167,000</u>
Total current liabilities	811,272

LOAN PAYABLE, less current installments

2,499,000

COMMITMENTS AND CONTINGENCIES

NET ASSETS, unrestricted

857,511

\$ 4,167,783

TROY LOCAL DEVELOPMENT CORPORATION
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**STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET ASSETS**

	Year Ended December 31, 2010
OPERATING REVENUES	
State and federal grants	\$ 166,082
Rental income	118,500
	284,582
OPERATING EXPENSES	
Depreciation	4,629
Excise taxes and fees	1,139
Grants	30,694
Insurance	13,108
Office and general	25
Professional fees, accounting	13,870
Professional fees, legal	32,240
Real estate taxes	1,150
Remediation	24,926
Miscellaneous	275
	122,056
Operating income	162,526
NONOPERATING REVENUE (EXPENSE)	
Interest expense	(127,109)
Interest income	20,594
	(106,515)
CHANGE IN NET ASSETS	56,011
NET ASSETS, beginning of year	801,500
NET ASSETS, end of year	\$ 857,511

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

TROY LOCAL DEVELOPMENT CORPORATION
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STATEMENT OF CASH FLOWS

	Year Ended December 31, 2010
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Receipts from customers	\$ 128,325
Payments to vendors	(29,659)
	<u>98,666</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Proceeds of loan receivable	5,427
Interest income	20,594
	<u>26,021</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Decrease in restricted cash	321,181
Purchase of capital assets	(60,399)
Payment on loan payable	(167,000)
Interest expense	(127,109)
	<u>(33,327)</u>
Net increase in cash and cash equivalents	91,360
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>85,678</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u><u>\$ 177,038</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 162,526
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	4,629
Changes in operating assets and liabilities	
Accounts receivable	(27,784)
Prepaid expenses	12,522
Accounts payable and accrued expenses	75,246
Deferred revenue	(128,473)
	<u><u>\$ 98,666</u></u>

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

TROY LOCAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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.

The 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.

b. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The TLDC's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) for public authorities. 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 TLDC is determined by its measurement focus. The transactions of the TLDC 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 assets.

Revenues are recognized when earned and expenses are recognized when incurred. The TLDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the TLDC. 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.

c. Use of Estimates

In preparing the financial statements, 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.

d. 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.

The 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. The TLDC considers all receivables to be fully collectible at December 31, 2010.

TROY LOCAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Capital Assets

Capital assets are valued at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation, 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.

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.

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, 2010, the TLDC is unable to make a reasonable estimation of impairment, if any, on any of its capital assets.

f. Revenue Recognition

Grant revenue is recognized when received. Deferred revenue represents funds received from the City of Troy as part of the Brownfield's Economic Development Initiative.

g. Tax Status

The 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.

h. Subsequent Events

In preparing the financial statements - statutory basis and notes thereto, the TLDC has considered subsequent events through August 1, 2011, the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Restricted cash consists of Brownfield's Economic Development Initiative (BEDI) funds held for use in acquiring property within the City, assistance with clean-up of environmental contamination, and preparation of sites for commercial redevelopment.

The TLDC's investment policies are governed by New York State statutes. In addition, the 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. The 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 and 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, 2010, consisted of demand accounts of \$1,190,591, which were fully insured or collateralized.

TROY LOCAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 - LOAN RECEIVABLE

The 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, the TLDC entered into a loan agreement with Old World Provisions, Inc. for \$250,000 for renovations of its 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 is as follows:

	<u>December 31, 2010</u>
Loan receivable	\$ 238,450
Less current installments	<u>7,526</u>
	<u><u>\$ 230,924</u></u>

A summary of the future maturities is as follows:

For the year ending December 31, 2011	\$ 7,526
2012	7,451
2013	7,970
2014	8,525
2015	9,119
Thereafter	<u>197,859</u>
	<u><u>\$ 238,450</u></u>

NOTE 4 - CAPITAL ASSETS

The 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 is as follows:

	<u>December 31, 2010</u>
Land	\$ 2,467,932
Buildings	<u>186,875</u>
	2,654,807
Less accumulated depreciation	<u>10,438</u>
Capital assets, net	<u><u>\$ 2,644,369</u></u>

TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 - LOAN PAYABLE

During 2008, the 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, 2010) as billed by HUD and matures August 2026.

A summary of the loan payable is as follows:

Loan payable	\$ 2,666,000
Less current installments	<u>167,000</u>
	<u><u>\$ 2,499,000</u></u>

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

	Principal	Interest
For the year ending December 31, 2011	\$ 167,000	\$ 124,061
2012	167,000	118,316
2013	167,000	111,937
2014	167,000	105,257
2015	167,000	98,343
2016 through 2020	835,000	379,225
2021 through 2025	835,000	173,882
2026	<u>161,000</u>	<u>8,597</u>
	<u><u>\$ 2,666,000</u></u>	<u><u>\$ 1,119,618</u></u>

Interest expense for the year ended December 31, 2010, was \$127,109. Interest paid for the year ended December 31, 2010, was \$129,255.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

a. Rental Income

The TLDC has three active lease agreements arising from the leasing of property owned by the TLDC. Monthly lease payments between \$1,000 and \$5,000 per month and terms range from 5 to 15 years with renewal options.

TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 6 - COMMITMENTS AND CONTINGENCIES - Continued

a. Rental Income - Continued

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

For the year ending December 31, 2011	\$ 125,500
2012	102,000
2013	78,000
2014	78,000
2015	69,000
Thereafter	<u>528,000</u>
	<u><u>\$ 980,500</u></u>

b. Environmental Risks

The TLDC is developing and implementing a plan for pollution remediation and site development on the King Fuel properties with assistance from the New York State Department of Environmental Conservation and National Grid. Preliminary testing and clean-up efforts began in late 2007 and are expected to continue for several years. TLDC funding assistance has been provided from the Brownfield's Economic Development Initiative in grant and loan funds.

The TLDC is in the process of negotiating an agreement with National Grid for additional financial assistance on the King Fuel parcels for reimbursement of TLDC funds, demolition, and site development.

NOTE 7 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED

In December 2010, GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The objective of this statement is to incorporate 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.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The TLDC has not yet adopted this statement.

**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 Local Development Corporation
Troy, New York

We have audited the financial statements of the Troy Local Development Corporation (TLDC) as of and for the year ended December 31, 2010, and have issued our report thereon dated August 1, 2011. Our report was qualified as management could not estimate the impairment, if any, on capital assets. 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 *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 the 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 the TLDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TLDC's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not 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 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, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 10-01 through 10-03.

We noted certain matters that we reported to management of the TLDC in a separate letter dated August 1, 2011.

This report is intended solely for the information and use of members and management of the 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.

Bollam Sheedy Torani & Co LLP

Albany, New York
August 1, 2011

TROY LOCAL DEVELOPMENT CORPORATION

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None

Noncompliance material to financial statements? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Compliance Findings

10-01. Acknowledgement of Fiduciary Duty

Criteria: The ABO issued Policy Guidance on March 1, 2010, stating that Board members appointed to their positions prior to the effectiveness of PARA and the implementation of this new requirement are required to execute an Acknowledgement of Fiduciary Duty by May 1, 2010.

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

Effect: The TLDC did not have the acknowledgement executed by the required date.

Cause: The TLDC management did not provide Board members with the necessary acknowledgement.

Recommendation: The TLDC should provide Board members with the necessary acknowledgement and ensure that all documents have been properly executed.

View of Responsible Officials: The TLDC is in the process of obtaining all acknowledgements from Board members.

10-02. Budget Report Filed in the Public Authorities Reporting Information System (PARIS)

Criteria: In accordance with Section 2801 of Public Authorities Law, local authorities must file a budget report 60 days prior to the start of the fiscal year.

Condition: The TLDC was not in compliance with Section 2801 of Public Authorities Law.

Effect: The TLDC budget information was not available to the public when required.

Cause: The TLDC did not update and certify the budget in PARIS.

Recommendation: The TLDC should approve its budget and assign an individual to file the report prior to the ABO deadline.

View of Responsible Officials: The TLDC did not receive final Board approval of the budget until after the ABO filing deadline. The budget report will be filed in 2011.

TROY LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2010

Section III - Compliance Findings - Continued

10-03. Annual Report Filed in the Public Authorities Reporting Information System (PARIS)

Criteria: In accordance with Section 2800 of Public Authorities Law, local authorities must file an annual report 90 days of end of fiscal year.

Condition: The TLDC was not in compliance with Section 2800 of Public Authorities Law.

Effect: The TLDC annual report was not filed and available to the public when required.

Cause: The TLDC did not update and certify the annual report in PARIS.

Recommendation: The TLDC should file its annual report as soon as possible and assign an individual to complete and file the report prior to the ABO deadline in the future.

View of Responsible Officials: The TLDC was understaffed and unable to complete the annual report until after the ABO filing deadline. The annual report will be filed upon receipt of the certified financial audit.