

CITY OF TROY CAPITAL RESOURCE CORPORATION

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

December 31, 2011

CITY OF TROY CAPITAL RESOURCE CORPORATION

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Troy Capital Resource Corporation
Troy, New York

We have audited the accompanying statement of net assets of the City of Troy Capital Resource Corporation (Corporation) as of December 31, 2011, 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 the Corporation'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2011, and its changes in net assets 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 March 27, 2012, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management has omitted the Management's Discussion and Analysis 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented on page 7 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 27, 2012

CITY OF TROY CAPITAL RESOURCE CORPORATION

STATEMENT OF NET ASSETS

**December 31,
2011**

ASSETS

CURRENT ASSETS

Cash

\$ 301,561

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable

\$ 1,820

NET ASSETS, unrestricted

299,741

\$ 301,561

CITY OF TROY CAPITAL RESOURCE CORPORATION

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

	Year Ended December 31, 2011
OPERATING REVENUES	
Refund of prior year expenses	\$ 1,207
OPERATING EXPENSES	
Professional fees, audit	<u>7,420</u>
Operating loss	(6,213)
OTHER REVENUES	
Interest income	<u>209</u>
CHANGE IN NET ASSETS	(6,004)
NET ASSETS, unrestricted, beginning of year	<u>305,745</u>
NET ASSETS, unrestricted, end of year	<u>\$ 299,741</u>

CITY OF TROY CAPITAL RESOURCE CORPORATION

STATEMENT OF CASH FLOWS

	Year Ended December 31, 2011
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Payments to vendors	\$ (5,600)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Interest income	209
Net decrease in cash	(5,391)
CASH, beginning of year	306,952
CASH, end of year	<u>\$ 301,561</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$ (6,213)
Changes in operating assets and liabilities	
Accounts payable	613
	<u>\$ (5,600)</u>

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

CITY OF TROY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Purpose

The City of 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 City of 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 assets.

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

Certain 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 fee income is recognized immediately upon issuance of the bonds.

At December 31, 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.

CITY OF TROY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

g. Subsequent Events

The Corporation has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 27, 2012, 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, 2011, was fully collateralized.

NOTE 3 - RELATED PARTY

The Corporation's current Board of Directors is the same as the Board of Directors of the City of Troy Industrial Development Authority.

NOTE 4 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

During December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This statement 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.

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. This statement No. 62 is effective for financial statements for periods beginning after December 15, 2011

During June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

During June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This statement is effective for periods beginning after June 15, 2011, with earlier application encouraged.

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

CITY OF TROY CAPITAL RESOURCE CORPORATION

STATEMENT OF INDEBTEDNESS

Year Ended December 31, 2011

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Original Bond Issued</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2011</u>	<u>Issued During 2011</u>	<u>Principal Payments 2011</u>	<u>Outstanding December 31, 2011</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	<u>47,180,000</u>	3.00%	<u>47,180,000</u>	<u>-</u>	<u>-</u>	<u>47,180,000</u>	09/21
		<u>\$ 358,810,000</u>		<u>\$ 358,810,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,810,000</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
City of Troy Capital Resource Corporation
Troy, New York

We have audited the financial statements of the City of Troy Capital Resource Corporation (Corporation) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 27, 2012. 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

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

A deficiency in internal 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

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 11-01 through 11-06.

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of members and management of the Corporation, 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
March 27, 2012

CITY OF TROY CAPITAL RESOURCE CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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 Reported
- Noncompliance material to financial statements? Yes X No

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

11-01. 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 Corporation was not in compliance with Section 2800 of Public Authorities Law.

Effect: The Corporation's December 31, 2010, annual report was not filed and available to the public when required.

Cause: The Corporation did not update and certify the annual report in PARIS by the due date of March 31, 2011. The audited financial statements for December 31, 2011, were not completed until August 2011.

Recommendation: The Corporation 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 Corporation was understaffed and unable to complete the annual report until after the ABO filing deadline. Management plans to file and certify the December 31, 2011 and 2010, annual reports by March 31, 2012.

11-02. 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 Corporation was not in compliance with Section 2801 of Public Authorities Law.

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

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

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

View of Responsible Officials: Due to a change in management near year-end, the Corporation did not receive Board approval of the budget until after the ABO filing deadline. Management plans to file and certify the 2012 budget in PARIS by March 31, 2012.

CITY OF TROY CAPITAL RESOURCE CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2011

Section III - Compliance Findings - Continued

11-03. 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. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

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

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

Cause: The Corporation did not oversee proper maintenance of the 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, 2012.

11-04. 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.

11-05. Board Member Training

Criteria: Section 2824(2) of Public Authorities Law requires Board Members to “participate in State approved training regarding their legal, fiduciary, financial and ethical responsibilities as Board Members of an authority within one year of appointment to a Board.”

Condition: The Corporation was not in compliance with Sections 2824(2) of Public Authorities Law.

Effect: The most recent Board appointment has not completed the required training.

Cause: The training was not completed within one year of appointment.

Recommendation: The Corporation and Board Member should schedule the required training in order to be in compliance with Public Authorities Law.

View of Responsible Officials: The Corporation is in the process of scheduling the required training with the Board Member.

CITY OF TROY CAPITAL RESOURCE CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2011

Section III - Compliance Findings - Continued

11-06. Annual Disclosure Statements

Criteria: Board Members, officers, and employees of a local public authority are required to file annual financial disclosure statements with the County Board of ethics for the county in which the local public authority has its primary office pursuant to article eighteen of the general municipal law.

Condition: The Corporation was not in compliance with article eighteen of the general municipal law.

Effect: The Corporation's members have not completed the required annual financial disclosure statements.

Cause: The annual financial disclosure statements were not provided to Members.

Recommendation: The Corporation should follow-up with members to ensure the annual financial disclosure statements have been filed.

View of Responsible Officials: The Corporation is in the process of providing the necessary documentation to Members in order for them to complete and file the financial disclosure statements.