

**TROY LOCAL DEVELOPMENT
CORPORATION
Financial Statements**

December 31, 2017

TROY LOCAL DEVELOPMENT CORPORATION

Financial Statements

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Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Troy Local Development Corporation
Troy, New York

We have audited the accompanying statement of net position of Troy Local Development Corporation (the "Organization") as of December 31, 2017, and the related statement of revenues, expenses and change in net position, and cash flows for the year 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.

Auditors' Responsibility

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 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 respective financial position of the Troy Local Development Corporation as of December 31, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis for the year ended December 31, 2017, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018 on our consideration of Troy Local Development 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 Organization's internal control over financial reporting and compliance.

Wojcik & Co. CPAs, P.C.

East Greenbush, New York
April 20, 2018

TROY LOCAL DEVELOPMENT CORPORATION

Statement of Net Position

December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 502,996
Accounts receivable, net	10,000
Loans receivable - current portion, net	126,863
Prepaid expenses	<u>19,367</u>

TOTAL CURRENT ASSETS 659,226

NONCURRENT ASSETS

Property held for development and resale, net	2,614,214
Loan receivable, net	153,820
Prepaid interest	46,755
Security deposits	<u>614</u>

TOTAL ASSETS 3,474,629

LIABILITIES

CURRENT LIABILITIES

Loan payable, current portion	139,167
Accounts payable and accrued expenses	8,962
Accrued interest	21,115
Grants payable	<u>15,000</u>

TOTAL CURRENT LIABILITIES 184,244

LONG-TERM LIABILITIES

Loan payable, long-term	1,108,333
Pollution remediation obligation	<u>965,000</u>
	<u>2,073,333</u>

TOTAL LIABILITIES 2,257,577

NET POSITION

Unrestricted	<u>1,217,052</u>
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TOTAL NET POSITION \$ 1,217,052

See accompanying notes to financial statements.

TROY LOCAL DEVELOPMENT CORPORATION

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended December 31, 2017

OPERATING REVENUES	
Rental income	\$ 86,172
Administrative fees	52,500
Interest income	25,608
Other income	43,789
TOTAL OPERATING REVENUES	<u>208,069</u>
OPERATING EXPENSES	
Professional fees	105,995
Provision for bad debts	20,536
Insurance	15,927
Property taxes	12,390
Depreciation	8,928
Repairs and maintenance	3,633
Utilities	3,154
Economic development grants	2,500
Other expenses	6,586
TOTAL OPERATING EXPENSES	<u>179,649</u>
OPERATING INCOME	28,420
NON-OPERATING EXPENSE	
Interest expense	<u>(81,092)</u>
CHANGE IN NET POSITION	(52,672)
NET POSITION, beginning of year - as restated (See Note J)	<u>1,269,724</u>
NET POSITION, end of year	<u>\$ 1,217,052</u>

See accompanying notes to financial statements.

TROY LOCAL DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 207,852
Payments to vendors	(263,563)
Payments for loan advances	(55,000)
Proceeds from loan repayments	<u>516,036</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	405,325
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment on loan payable	(139,166)
Interest paid	<u>(69,692)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(208,858)</u>
NET INCREASE CASH AND CASH EQUIVALENTS	196,467
Cash and cash equivalents at beginning of year	<u>306,529</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 502,996</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 28,420
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	8,928
Provision for bad debts	20,536
Changes in operating assets and liabilities:	
Accounts receivable	(8,205)
Loans receivable	461,036
Prepaid expenses	(1,010)
Other current assets	7,988
Accounts payable and accrued expenses	(464)
Grants payable	<u>(111,904)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 405,325</u>

See accompanying notes to financial statements.

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2017

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Troy Local Development Corporation ("TLDC") is a not-for-profit corporation that was established in 1987 for the purposes of constructing, acquiring, rehabilitating, and improving buildings or sites in the City of Troy, New York ("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.

Basis of 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 (U.S. GAAP). 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 position. Net position is classified into two components – restricted and unrestricted, as follows; if applicable:

Restricted net position: This component of net position represents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position: This component represents net position that does not meet the definition of "restricted".

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers as cash all demand deposits and all highly liquid investments which are readily convertible to cash.

Receivables

Accounts receivable are non-interest bearing and are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on a review of outstanding receivables, historical collection information and current economic conditions.

Loans Receivable

Loans receivable are carried at their estimated collectible amounts. The TLDC determines its allowance for doubtful accounts by regularly evaluating individual receivables and considering collateral value, 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 allowance for doubtful accounts was \$80,536 at December 31, 2017.

Property Held for Development and Resale

Property held for development and resale is recorded at cost and is carried at the lower of depreciated cost or fair value less costs to sell. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation, maintenance, and repair costs are expensed as incurred. When property held for development or resale is sold 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 position.

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 40 years.

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

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

Property Held for Development and Resale--Continued

Recognition of impairment of property held for development and resale is required when events and circumstances indicate that an entity will not be able to recover the carrying amount of these assets. The TLDC recognizes 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. During the year ended December 31, 2017, no impairment loss is recognized.

Revenue and Expense Recognition

Rental income is recognized on the straight-line basis over the lease term. Grant income is recognized as costs as incurred. Expenses are recognized when incurred. TLDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by TLDC. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Income Taxes

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.

Subsequent Events

The TLDC evaluates transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on April 20, 2018.

NOTE B--CASH AND CASH EQUIVALENTS

TLDC's investment policies are governed by New York State statutes. In addition, TLDC has its own written investment policy. TLDC is authorized to use demand deposit accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and those of New York State and its municipalities and school districts.

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE B--CASH AND CASH EQUIVALENTS--Continued

All cash of TLDC is maintained in accounts covered by the Federal Deposit Insurance Corporation (FDIC). In accordance with state law, collateral is required for demand deposits and certificates of deposit not covered by FDIC insurance. TLDC's uninsured deposits are collateralized by accounts held by the pledging financial institution agent in TLDC's name.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31, 2017:

Rents receivable	\$ 15,000
Allowance for doubtful accounts	<u>(5,000)</u>
	<u>\$ 10,000</u>

NOTE D--LOANS RECEIVABLE

TLDC administers 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, ranging from 4% to 6%.

Loans made under the program are generally collateralized by machinery, equipment, or real property of the borrower. Certain loans require fixed monthly payments while others are due in one lump sum payment. A summary of loans receivable is as follows:

Loans receivable	\$ 361,219
Allowance for doubtful accounts	<u>(80,536)</u>
	<u>\$ 280,683</u>
Loans receivable, beginning of year	\$ 822,255
Advances	55,000
Repayments	<u>(516,036)</u>
	<u>\$ 361,219</u>

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE E--PROPERTY HELD FOR DEVELOPMENT AND RESALE

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

A summary of property held for development and resale as of December 31, 2017, is as follows:

	Beginning Balance	Additions	Subtractions	Ending Balance
Land - as restated (See Note J)	\$ 2,441,228	\$ -	\$ -	\$ 2,441,228
Buildings and improvements	206,052	-	-	206,052
Equipment	20,495	-	-	20,495
	<u>2,667,775</u>	<u>-</u>	<u>-</u>	<u>2,667,775</u>
Less: accumulated depreciation:				
Buildings and improvements	36,777	4,829	-	41,606
Equipment	7,856	4,099	-	11,955
	<u>44,633</u>	<u>8,928</u>	<u>-</u>	<u>53,561</u>
Total, net	<u>\$ 2,623,142</u>	<u>\$ (8,928)</u>	<u>\$ -</u>	<u>\$ 2,614,214</u>

NOTE F--LOAN PAYABLE

During 2006, TLDC entered into a loan agreement with the City for \$3,000,000 to be used for property acquisition and economic development. The agreement requires semi-annual interest payments at 5% 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 Brownfields Economic Development Initiative ("BEDI"). During 2015, TLDC made a \$400,354 payment to the City - \$305,167 was applied to the loan principal and \$95,187 was prepaid interest. The prepaid interest is being amortized over the remaining term of the loan. The loan matures in August 2026 and is secured by a mortgage on real property. Activity in loans payable for the year ended December 31, 2017, was as follows:

	Principal Outstanding at 12/31/2016	Additions	Redemptions	Principal Outstanding at 12/31/2017
Loan payable	<u>\$ 1,386,666</u>	<u>\$ -</u>	<u>\$ (139,166)</u>	\$ 1,247,500
Less current portion				<u>139,167</u>
				<u>\$ 1,108,333</u>

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE F--LOAN PAYABLE--Continued

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

<u>Year Ending December 31,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total Debt Service Requirements</u>
2018	\$ 139,167	\$ 63,346	\$ 202,513
2019	139,167	56,917	196,084
2020	139,167	50,139	189,306
2021	139,167	43,237	182,404
2022	139,167	36,208	175,375
Thereafter	551,665	72,621	624,286
	<u>\$ 1,247,500</u>	<u>\$ 322,468</u>	<u>\$ 1,569,968</u>

Interest expense for the year ended December 31, 2017 was \$81,092. and cash paid for interest was \$69,692.

NOTE G--RENTAL INCOME

TLDC has two active lease agreements arising from the leasing of property owned by TLDC. The first lease agreement requires monthly lease payments of approximately \$5,500 and expires in December 2023. The lease includes renewal options. The second lease agreement is month-to-month and requires monthly lease payments of approximately \$3,000.

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

For the year ending December 31,	
2018	\$ 66,672
2019	66,672
2020	66,672
2021	66,672
2022	66,672
Thereafter	66,672
	<u>\$ 400,032</u>

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE H--COMMITMENTS AND CONTINGENCIES

Environmental Risks

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 through the BEDI grant and loan funds. TLDC evaluates its pollution remediation obligations by updating its estimate of future cash outlays as well as recoveries on at least an annual basis, or as events occur that would cause TLDC to re-estimate its liability and recovery calculations. In addition, any adjustments to the liabilities are reported as more information becomes available. Total estimated future outlays for these sites as of December 31, 2017, totaled \$965,000.

Program Grant and Loan Commitments

During 2017, TLDC approved various applications for funding under its loan and grant programs. Funding of the approved amounts is dependent upon the applicant meeting various documentation requirements.

Loss Contingencies

TLDC has been served a demand letter seeking \$50,000 in relation to a dispute with a contractor over the decontamination and disposal of an excavator in accordance with a settlement agreement. TLDC contends that it did not breach the settlement agreement and no damages are due.

NOTE I--RELATED PARTY TRANSACTIONS

City of Troy

The City of Troy provides staff support and office space to TLDC without compensation.

Troy Industrial Development Authority

During the year ended December 31, 2017, TLDC and the Troy Industrial Development Authority (IDA) entered into a fee sharing agreement. Under the agreement, the IDA will provide TLDC a portion of the administration fee for board approved projects that include TLDC involvement. During the year ended December 31, 2017, TLDC received administration fees totaling \$52,500 from the IDA pursuant to this agreement.

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE J--PRIOR PERIOD ADJUSTMENT

Net position at the beginning of the year has been adjusted to make corrections to amounts reported in previous years. A summary of the corrections and the related impact on beginning of the year net position and the change in net position for the year ended December 31, 2016, are as follows:

	<u>Net Position</u>	<u>Change in Unrestricted Net Position</u>
Balance as of December 31, 2016, as previously stated	\$ 2,497,912	\$ (221,029)
To record the accrual of a contingent liability for a pollution remediation obligation (See Note H).	(965,000)	-
To correct the improper capitalization of pollution remediation costs as land improvements in prior years.	<u>(263,188)</u>	<u>(2,399)</u>
Balance as of December 31, 2016, as restated	<u>\$ 1,269,724</u>	<u>\$ (223,428)</u>

COMPLIANCE REPORT



**INDEPENDENT AUDITORS' 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***

To the Board of Directors
Troy Local Development Corporation
Troy, New York

We have audited, in accordance with the 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 financial statements of Troy Local Development Corporation ("TLDC"), which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses and change 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 April 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TLDC'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 TLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of TLDC'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 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 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 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 Troy Local Development 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 TLDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TLDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wojcik & Co. CPAs, P.C.

East Greenbush, New York
April 20, 2018