# TROY LOCAL DEVELOPMENT CORPORATION

## Report to the Board

## For the Year Ended December 31, 2017

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MEMBER: AICPA, NYSSCPA

April 20, 2018

To the Board of
Troy Local Development Corporation

We have audited the financial statements of Troy Local Development Corporation ("TLDC") for the year ended December 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 29, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by TLDC are described in Note A to the financial statements. As described in Note J, prior period adjustments were made to correct the accounting for the following items:

- Accounting for Environmental Remediation Liabilities – In accordance with GASB 49, a governmental entity should record a liability for environmental remediation liabilities that the government is primarily responsible for and can be reasonably estimated. TLDC purchased the Kings Fuel Site in 2006, with full knowledge that the site would require environmental remediation related to ground level asbestos contamination. However, an estimated liability for the costs necessary to remediate the land were not recorded. TLDC has obtained an estimate of the expected costs and has corrected this error through a prior period adjustment to beginning net position.

- Capitalization of Costs Related to Environmental Remediation – In accordance with GASB 49, a governmental entity can capitalize costs related to environmental remediation projects as the costs are incurred as long as the related additions do not result in the carrying value of the property exceeding the estimated fair value of the property upon completion. TLDC has obtained appraisals on the properties that show that the carrying value, excluding the additions related to the environmental remediation, approximates the fair market value of the properties. Therefore, capitalizing the costs related to the environmental remediation caused the carrying value of the land to exceed the fair market value and the costs should not have been capitalized. This has been corrected retrospectively as a prior period adjustment to beginning net position.

We noted no transactions entered into by TLDC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting TLDC's financial statements were:

Management's estimate of the allowance for uncollectible loans is based on management’s evaluation of the collectability of the outstanding receivables, including historical loss experience and economic conditions.

Management’s estimate of the depreciable lives and estimated residual value of capital assets is based on the estimated useful length of individual assets and is estimated on a straight-line basis.

Management’s estimate of the pollution remediation obligation is based on 3rd party analysis and cost estimates.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements (see attached schedule).

*Disagreements with Management*

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 20, 2018.

*Management Consultation with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to TLDC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as TLDC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Troy Local Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wojeski & Co. CPAs, P.C.

Wojeski & Company CPAs, P.C.

Client: ***Troy Local Development Corporation***
Engagement: ***December 31, 2017***

| Account | Description | Debit | Credit |
|---|---|---|---|
| **Adjusting Journal Entries JE # 1** | | | |
| To establish an allowance for bad debts related to rents receivable. | | | |
| 1988.40 | Provision for uncollectible rec | 5,000.00 | |
| 390 | Allowance for uncollectible accounts | | 5,000.00 |
| **Total** | | **5,000.00** | **5,000.00** |
| **Adjusting Journal Entries JE # 2** | | | |
| To reclassify an expenditure related to decontaminating equipment not owned by the LDC. | | | |
| 404.2 | Bldg Repair/Maintenance | 2,932.00 | |
| 108.1 | Improvements Other Than Bldg King Fuels Site | | 2,932.00 |
| **Total** | | **2,932.00** | **2,932.00** |
| **Adjusting Journal Entries JE # 3** | | | |
| To adjust depreciation expense for the impact of the March depreciation entry being recorded multiple times. | | | |
| 112 | Accum Depr Building | 805.00 | |
| 400 | Depr and Amort - Allowable | | 805.00 |
| **Total** | | **805.00** | **805.00** |
| **Adjusting Journal Entries JE # 4** | | | |
| To adjust the allowance for uncollectible loans receivable. | | | |
| 2702 | Bad Debt Recoveries | 15,536.00 | |
| 10010 | Allowance for loans receivable | | 15,536.00 |
| **Total** | | **15,536.00** | **15,536.00** |
| **Adjusting Journal Entries JE # 5** | | | |
| To record the prior period adjustment for environmental remediation expenditures capitalized in prior periods that would cause the carrying value of the land to exceed the estimated fair market value of the land. | | | |
| 924 | Retained Earnings | 263,188.00 | |
| 108.1 | Improvements Other Than Bldg King Fuels Site | | 263,188.00 |
| **Total** | | **263,188.00** | **263,188.00** |
| **Adjusting Journal Entries JE # 6** | | | |
| To record the estimated environmental remediation liability for the King Fuels site. | | | |
| 924 | Retained Earnings | 965,000.00 | |
| 630 | Environmental Remediation Liability | | 965,000.00 |
| **Total** | | **965,000.00** | **965,000.00** |