
Chair

Justin Nadeau

Vice-Chair

Andy Ross



Board Members

Chris Nolan

Executive Director

Steven Strichman

**Audit & Finance Committee
Meeting**

April 1, 2022

9:00 a.m.

AGENDA

- I. Minutes from the September 29, 2021 Audit and Finance Committee meeting.
- II. 2021 Audit Presentation –Wojeski & Co., CPAs
- III. Adjournment

**TROY LOCAL DEVELOPMENT
CORPORATION**

**Financial Statements and
Independent Auditor's Report**

December 31, 2021 and 2020

DRAFT

TROY LOCAL DEVELOPMENT CORPORATION

December 31, 2021 and 2020

Financial Statements

| | |
|---|---|
| Independent Auditor’s Report | 1 |
| Statements of Net Position | 4 |
| Statements of Revenues, Expenses and Change in Net Position | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

Compliance Report

| | |
|---|----|
| 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 <i>Government Auditing Standards</i> | 15 |
|---|----|

DRAFT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Troy Local Development Corporation (the "Corporation") as of and for the years ending December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Corporation's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note B to the financial statements, the Corporation has experienced a negative change in net position and a significant decrease in cash over the past year and has negative net working capital that raise substantial doubt about the Corporation's continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note B. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, amount other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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 part of the basic financial statements, is required by the Government 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Annual Report of the Corporation as defined by Section 2800 of the New York State Public Authorities Law, *Annual Reports by Authorities*, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **REPORT DATE** 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 solely 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 effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.

Albany, New York
REPORT DATE

TROY LOCAL DEVELOPMENT CORPORATION

Statements of Net Position

| | December 31, | |
|--|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 103,478 | \$ 304,221 |
| Restricted cash | - | 50,000 |
| Grants receivable | - | 89,722 |
| Loans receivable - current portion, net | 9,825 | 42,356 |
| Prepaid expenses | <u>7,287</u> | <u>13,329</u> |
| TOTAL CURRENT ASSETS | 120,590 | 499,628 |
| NONCURRENT ASSETS | | |
| Capital assets, net | 527,629 | 532,458 |
| Property held for development and resale | 2,108,728 | 2,108,728 |
| Loan receivable, net | 40,017 | 18,268 |
| Security deposits | <u>614</u> | <u>614</u> |
| TOTAL ASSETS | <u>2,797,578</u> | <u>3,159,696</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Loan payable, current portion | 167,000 | 167,000 |
| Accounts payable and accrued expenses | 12,027 | 37,302 |
| Grants payable | - | 20,000 |
| Accrued interest | <u>18,104</u> | <u>21,618</u> |
| TOTAL CURRENT LIABILITIES | 197,131 | 245,920 |
| LONG-TERM LIABILITIES | | |
| Loan payable, long-term | <u>662,000</u> | <u>829,000</u> |
| TOTAL LIABILITIES | 859,131 | 1,074,920 |
| NET POSITION | | |
| Net investment in capital assets | 527,629 | 532,458 |
| Unrestricted | 1,410,818 | 1,502,318 |
| Restricted | <u>-</u> | <u>50,000</u> |
| TOTAL NET POSITION | <u>\$ 1,938,447</u> | <u>\$ 2,084,776</u> |

See accompanying notes to financial statements.

TROY LOCAL DEVELOPMENT CORPORATION

Statements of Revenues, Expenses and Change in Net Position

| | For the Year Ended December 31, | |
|--|---------------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| OPERATING REVENUES | | |
| Rental income | \$ 78,798 | \$ 77,848 |
| Grant income | 45,000 | 305,472 |
| Contribution income | 10,000 | - |
| Interest income | 8,488 | 4,725 |
| Other income | 102 | 279 |
| Contributed property | - | 72,500 |
| TOTAL OPERATING REVENUES | <u>142,388</u> | <u>460,824</u> |
| OPERATING EXPENSES | | |
| Economic development grants | 87,983 | 236,531 |
| Professional fees | 96,618 | 96,912 |
| Insurance | 19,364 | 17,841 |
| Repairs and maintenance | 15,232 | 11,090 |
| Property taxes | 9,088 | 9,337 |
| Depreciation | 4,829 | 4,829 |
| Utilities | 3,487 | 2,723 |
| Bad debts | 3,191 | - |
| Other expenses | 555 | 304 |
| TOTAL OPERATING EXPENSES | <u>240,347</u> | <u>379,567</u> |
| OPERATING INCOME | <u>(97,959)</u> | <u>81,257</u> |
| NON-OPERATING INCOME (EXPENSE) | | |
| Interest | (48,370) | (56,716) |
| Pass-through grant income | - | 75,000 |
| Pass-through grant expense | - | (75,000) |
| TOTAL NON-OPERATING INCOME (EXPENSES) | <u>(48,370)</u> | <u>(56,716)</u> |
| CHANGE IN NET POSITION | (146,329) | 24,541 |
| NET POSITION, beginning of year | <u>2,084,776</u> | <u>2,060,235</u> |
| NET POSITION, end of year | <u>\$ 1,938,447</u> | <u>\$ 2,084,776</u> |

See accompanying notes to financial statements.

TROY LOCAL DEVELOPMENT CORPORATION

Statements of Cash Flows

| | For the Year Ended December 31, | |
|--|---------------------------------|------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds from grants | \$ 111,531 | \$ 352,077 |
| Receipts from customers | 87,388 | 88,002 |
| Proceeds from contributions | 10,000 | - |
| Proceeds from loan repayments | 10,782 | 12,486 |
| Payments to vendors | (251,560) | (338,037) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (31,859) | 114,528 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Payment on loan payable | (167,000) | (167,000) |
| Interest paid | (51,884) | (60,168) |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | (218,884) | (227,168) |
| NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | (250,743) | (112,640) |
| Cash, cash equivalents and restricted cash at beginning of year | 354,221 | 466,861 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR | \$ 103,478 | \$ 354,221 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (97,959) | \$ 81,257 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 4,829 | 4,829 |
| Bad debts | 3,191 | - |
| Contributed land | - | (72,500) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | - | 5,150 |
| Grants receivable | 66,531 | 46,605 |
| Loans receivable | 10,782 | 12,486 |
| Prepaid expenses | 6,042 | 1,924 |
| Accounts payable and accrued expenses | (25,275) | 34,777 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$ (31,859) | \$ 114,528 |

See accompanying notes to financial statements.

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021 and 2020

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Troy Local Development Corporation (the "Corporation") 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 Corporation is a public instrumentality of and supporting organization for, but is separate and apart from, the City.

Basis of 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 (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 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 position. Net position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows, if applicable:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any related debt obligations and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in restricted net position.

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. The Corporation received \$50,000 with restrictions for it to be used on the Monument Square project.

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

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as needed.

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 U.S. GAAP 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.

Loans Receivable

Loans receivable are carried at their estimated collectible amounts. The Corporation 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.

Capital Assets

Acquisition of property and equipment are recorded at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation, maintenance, and repair costs are expensed as incurred. When property and equipment 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.

Property Held for Development and Resale

Property held for development and resale is recorded at cost and is carried at the lower of cost or fair value. Major additions, 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 any resultant gain or loss is credited or charged to the change in net position.

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 Corporation 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. During the years ended December 31, 2021 and 2020, no impairment loss has been recognized.

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

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

Revenue and Expense Recognition

Revenue consists of exchange revenue such as rental income and project fees and nonexchange revenue such as grants and contributions. Rental income is recognized on the straight-line basis over the lease term. Grant income is recognized as costs are incurred. Contribution revenue is recognized when received. 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 nonoperating revenues and expenses.

Income Taxes

The Corporation 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 Corporation 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 **DATE**.

NOTE B--GOING CONCERN

During 2021, the Corporation incurred an operating loss of \$97,959 and a negative change in net position of \$146,329. In addition, the Corporation had negative cash flows from operations of \$31,859 and has a negative net working capital balance of \$76,541. Management has determined that the factors raise substantial doubt about the Corporation's ability to continue as a going concern.

The following describes management's plans that are intended to mitigate the conditions and events that raise substantial doubt about the Company's ability to continue as a going concern. In February of 2022, the Corporation entered into an agreement to sell the Main Street Alamo site to the City of Troy for \$115,000. The Corporation also entered into a license agreement with National Grid (See Note J) that will generate monthly license fees revenue for the right to enter the Kings Fuel Site to undertake remediation efforts. In addition, the Corporation is negotiating with potential buyers for sale of the King's Fuel site. Further, the Corporation has the ability to obtain a short-term working capital loan from the Troy Capital Resource Corporation, a related party through common management, if necessary. The financial statements do not include any adjustments that might be necessary should the company be unable to continue as a going concern.

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE C--CASH AND CASH EQUIVALENTS

The Corporation's investment policies are governed by New York State statutes and the Corporation's own written investment policy. The Corporation 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.

All cash of the Corporation 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. The Corporation's uninsured deposits are collateralized by accounts held by the pledging financial institution agent in the Corporation's name. The Corporation had no uninsured deposits for the year ended December 31, 2021.

NOTE D--LOANS RECEIVABLE

The Corporation 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 4.25% to 5.75%.

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:

| | 2021 | 2020 |
|-------------------------------------|------------------|------------------|
| Loans receivable | \$ 62,576 | \$ 91,466 |
| Allowance for doubtful accounts | (12,734) | (30,842) |
| | <u>\$ 49,842</u> | <u>\$ 60,624</u> |
| Loans receivable, beginning of year | \$ 91,466 | \$ 103,952 |
| Advances | - | - |
| Less - repayments | (10,782) | (12,486) |
| Less - write offs | (18,108) | - |
| | <u>\$ 62,576</u> | <u>\$ 91,466</u> |

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE E--CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021 is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Subtractions</u> | <u>Ending Balance</u> |
|----------------------------|------------------------------|-------------------|---------------------|---------------------------|
| Land | \$ 397,501 | \$ - | \$ - | \$ 397,501 |
| Buildings and improvements | 191,051 | - | - | 191,051 |
| | <u>588,552</u> | <u>-</u> | <u>-</u> | <u>588,552</u> |
| Accumulated depreciation | <u>(56,094)</u> | <u>(4,829)</u> | <u>-</u> | <u>(60,923)</u> |
| Total, net | <u>\$ 532,458</u> | <u>\$ (4,829)</u> | <u>\$ -</u> | <u>\$ 527,629</u> |

Capital assets activity for the year ended December 31, 2020 is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Subtractions</u> | <u>Ending Balance</u> |
|----------------------------|------------------------------|-------------------|---------------------|---------------------------|
| Land | \$ 397,501 | \$ - | \$ - | \$ 397,501 |
| Buildings and improvements | 191,051 | - | - | 191,051 |
| | <u>588,552</u> | <u>-</u> | <u>-</u> | <u>588,552</u> |
| Accumulated depreciation | <u>(51,265)</u> | <u>(4,829)</u> | <u>-</u> | <u>(56,094)</u> |
| Total, net | <u>\$ 537,287</u> | <u>\$ (4,829)</u> | <u>\$ -</u> | <u>\$ 532,458</u> |

NOTE F--PROPERTY HELD FOR DEVELOPMENT OR RESALE

Property held for development of resale consisted of the following as of December 31:

| | <u>2021</u> | <u>2020</u> |
|---------------------|--------------------|--------------------|
| King Fuels Sites | \$1,921,228 | \$1,921,228 |
| Main Street - Alamo | 115,000 | 115,000 |
| Federal Street | 59,000 | 59,000 |
| 16 Northern Drive | 13,500 | 13,500 |
| | <u>\$2,108,728</u> | <u>\$2,108,728</u> |

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE G--LOAN PAYABLE

During 2006, the Corporation 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"). The loan matures in August 2026 and is collateralized by a mortgage on real property. The loan contains a provision that in an event of default, outstanding principal amounts together with accrued and unpaid interest will become immediately due.

Activity in loans payable for the year ended December 31, 2021, was as follows:

| | Principal Outstanding at 12/31/2020 | Additions | Redemptions | Principal Outstanding at 12/31/2021 |
|----------------------|---|-----------|--------------|---|
| Loan payable | \$ 996,000 | \$ - | \$ (167,000) | \$ 829,000 |
| Less current portion | | | | 167,000 |
| | | | | <u>\$ 662,000</u> |

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

| Year Ending December 31, | Bond Principal | Bond Interest | Total Debt Service Requirements |
|--------------------------|-------------------|-------------------|---------------------------------------|
| 2022 | \$ 167,000 | \$ 43,450 | \$ 210,450 |
| 2023 | 167,000 | 34,883 | 201,883 |
| 2024 | 167,000 | 26,216 | 193,216 |
| 2025 | 167,000 | 17,448 | 184,448 |
| Thereafter | 161,000 | 8,597 | 169,597 |
| | <u>\$ 829,000</u> | <u>\$ 130,594</u> | <u>\$ 959,594</u> |

NOTE H--RENTAL INCOME

The Corporation has an active lease agreement arising from the leasing of property owned by the Corporation. The lease agreement requires monthly lease payments of approximately \$5,700 and expires in December 2023. In addition, the lease agreement requires a \$10,000 annual road remediation fee. The lease includes renewal options.

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE H--RENTAL INCOME--Continued

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

| | | |
|----------------------------------|------|-------------------|
| For the year ending December 31, | | |
| | 2022 | \$ 78,798 |
| | 2023 | <u>78,798</u> |
| | | <u>\$ 157,596</u> |

NOTE I--COMMITMENTS AND CONTINGENCIES

Environmental Risks

The Corporation is developing and implementing a plan for environmental 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. The Corporation funding assistance has been provided through the BEDI grant and loan funds.

Program Grant and Loan Commitments

The Corporation has 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.

NOTE J--NATIONAL GRID LICENSE AGREEMENT

In December of 2021, the Corporation entered into a license agreement with National Grid that grants National Grid an exclusive right to enter the Kings Fuel site for the exclusive purpose of undertaking an environmental remediation project. The term of the agreement runs through December 31, 2026 and can be extended if necessary. The agreement calls for monthly license fees that decrease over the term of the agreement as each phase of the remediation project is completed. The monthly license fees shall be payable to the Corporation as follows:

| | |
|-----------|----------------|
| Phase I | \$10,765/month |
| Phase II | \$9,921/month |
| Phase III | \$7,894/month |

In addition, the agreement requires National Grid to pay the Corporation a Road and Parking Lot Paving Credit in the amount of \$239,400. The credit shall be payable to the Corporation in three equal installments of \$79,800 payable with the first monthly license fee payment for Phase II, Phase III and with the final monthly license fee payment upon completion of the Remediation project

TROY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements--Continued

NOTE K--RELATED PARTY TRANSACTIONS

City of Troy

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

Troy Industrial Development Authority

During the year ended December 31, 2017, the Corporation and the Troy Industrial Development Authority (IDA) entered into a fee sharing agreement. Under the agreement, the IDA will provide the Corporation a portion of the administration fee for board approved projects that include the Corporation involvement. During both of the years ended December 31, 2021 and 2020, the Corporation received no administrative fees from the IDA pursuant to this agreement.

Troy Capital Resource Corporation

The Troy Capital Resource Corporation, a related party through common management, provided to the Corporation assistance the totaled \$30,000 and \$160,000 for the years ended December 31, 2021 and 2020, respectfully.

DRAFT

COMPLIANCE REPORT

DRAFT

**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**

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 ("Corporation"), which comprise the statement of net position as of December 31, 2021, 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 **DATE**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Corporation'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 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 or significant deficiencies may exist that were not identified.

Report Compliance and Other Matters

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

Albany, New York
REPORT DATE

DRAFT

TROY LOCAL DEVELOPMENT CORPORATION

Report to the Board

For the Year Ended December 31, 2021

DRAFT

DATE

To the Board of
Troy Local Development Corporation

We have audited the financial statements of Troy Local Development Corporation (the "Corporation") for the year ended December 31, 2021, and we will issue our report thereon dated **DATE**. 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 February 15, 2022. 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 the Corporation are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Corporation 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 the Corporation'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 value of the King's Fuel and Alamo Sites included in land held for development and the lack of impairment thereof, is based on an appraisal by a third-party appraiser.

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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements was:

The disclosure of the carrying value of land held for development in Note E to the financial statements is sensitive because it is possible that the value of the land may not be recoverable by the Corporation.

The financial statement disclosures are neutral, consistent, and clear.

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. There were no such misstatements.

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 **DATE**.

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 the Corporation'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 the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The financial statements of the Corporation have been prepared in accordance with the going concern basis of accounting. However, the current financial condition of the Corporation raises significant doubt about the Corporation's ability to meet its financial obligations as they become due and continue as a going concern. We have considered the factors and assumptions used in management's evaluation of the events and conditions related to this matter as well as management's plans to mitigate this matter in determining that it is reasonable and appropriate for the Corporation to use the going concern basis of accounting. Our opinion on the basic financial statements is not modified with respect to this matter.

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.

We were not engaged to report on the Agency's annual report that is defined by Section 2800 of the New York State Public Authorities Law, *Annual Reports by Authorities*. Our responsibility under professional standards is to consider whether a material inconsistency exists between the annual report and the audited financial statements that includes our report thereon. The annual report has not been subjected to the auditing procedures applied to the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the information and 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.