

**TROY LOCAL DEVELOPMENT CORPORATION**

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

**December 31, 2012 and 2011**

**TROY LOCAL DEVELOPMENT CORPORATION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Troy Local Development Corporation  
Troy, New York

### Report on the Financial Statements

We have audited the accompanying statements of net position of the Troy Local Development Corporation (TLDC), as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 financial position of the Troy Local Development Corporation as of December 31, 2012 and 2011, and the related changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis and budgetary comparison 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 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, 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 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 TLDC's internal control over financial reporting and compliance.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
March 29, 2013

**TROY LOCAL DEVELOPMENT CORPORATION**

**STATEMENTS OF NET POSITION**

	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,465,963	\$ 224,939
Cash and cash equivalents, restricted	437,176	722,492
Accounts receivable, net	18,705	29,269
Due from other governments	119,224	-
Loan receivable, current installments	200,000	10,137
Prepaid expense	28,609	2,991
Total current assets	3,269,677	989,828
<b>PROPERTY HELD FOR DEVELOPMENT AND RESALE, net</b>	2,791,766	2,639,660
<b>LOAN RECEIVABLE, less current installments</b>	229,837	225,526
	<b>\$ 6,291,280</b>	<b>\$ 3,855,014</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 155,280	\$ 13,981
Accrued interest	46,539	48,870
Due to other governments	6,037	-
Deferred grant revenue	274,870	388,997
Loan payable, current installments	167,000	167,000
Total current liabilities	649,726	618,848
<b>LOAN PAYABLE, less current installments</b>	2,165,000	2,332,000
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET POSITION</b>		
Restricted	437,176	722,492
Unrestricted	3,039,378	181,674
	3,476,554	904,166
	<b>\$ 6,291,280</b>	<b>\$ 3,855,014</b>

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

**TROY LOCAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGE IN NET POSITION**

	<b>Years Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES</b>		
State and federal grants	\$ 114,127	\$ 116,424
Rental income	189,961	112,500
	304,088	228,924
<b>OPERATING EXPENSES</b>		
Depreciation	5,759	4,709
Excise taxes and fees	-	2,728
Insurance	19,056	8,223
Office and general	100	28
Marketing	3,417	-
Permits	500	1,434
Professional fees, accounting	9,680	12,943
Professional fees, legal	28,577	49,588
Property taxes	54,723	-
Real estate taxes	2,237	1,582
Repairs and maintenance	2,105	-
Utilities	8,253	-
Miscellaneous	-	150
	134,407	81,385
<b>Operating income</b>	<b>169,681</b>	<b>147,539</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Pass-through grant proceeds	119,224	50,000
Pass-through grant expenses	(119,224)	(50,000)
Interest expense	(115,986)	(121,688)
Interest income	18,663	20,804
Remediation license	2,500,000	-
Miscellaneous	30	-
	2,402,707	(100,884)
<b>CHANGES IN NET POSITION</b>	<b>2,572,388</b>	<b>46,655</b>
<b>NET POSITION, beginning of year</b>	904,166	857,511
<b>NET POSITION, end of year</b>	<b>\$ 3,476,554</b>	<b>\$ 904,166</b>

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

**TROY LOCAL DEVELOPMENT CORPORATION**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 200,528	\$ 177,115
Payments to vendors	(128,488)	(155,178)
	<b>72,040</b>	<b>21,937</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Proceeds (issuance) of loan receivable, net	(194,174)	2,787
Proceeds of pass-through grant	-	50,000
Payments on pass-through grant	-	(50,000)
Interest income	18,693	20,804
	<b>(175,481)</b>	<b>23,591</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Decrease in restricted cash	285,316	291,061
Purchase of capital assets	(157,865)	-
Payment on loan payable	(167,000)	(167,000)
Interest expense	(115,986)	(121,688)
	<b>(155,535)</b>	<b>2,373</b>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Remediation license proceeds	<b>2,500,000</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,241,024</b>	<b>47,901</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>224,939</b>	<b>177,038</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 2,465,963</b>	<b>\$ 224,939</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ 169,681	\$ 147,539
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	5,759	4,709
Changes in operating assets and liabilities		
Accounts receivable	10,567	64,615
Prepaid expenses	(25,621)	(2,502)
Due from other governments	(119,224)	-
Accounts payable and accrued expenses	138,968	(76,000)
Deferred revenue	(114,127)	(116,424)
Due to other governments	6,037	-
	<b>\$ 72,040</b>	<b>\$ 21,937</b>

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

**TROY LOCAL DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

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

*a. Organization and Purpose*

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

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 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.

*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. Fair Value Measurement*

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

*e. Receivables*

Accounts receivable consist of amounts due from lessees based on rental agreements.

Loans receivable are carried at the original loan amount less payments of principal received. Accrued interest income is reported for loan interest earned but not received at year end.

The TLDC determines any allowance for doubtful accounts by regularly evaluating individual receivables and considering financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts is \$1,000 at both December 31, 2012 and 2011.

**TROY LOCAL DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

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

*f. Property Held for Development and Resale*

Property held for development and resale is recorded at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation, maintenance, and repair costs are expensed as incurred. When capital assets are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to the change in net 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 forty years.

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 years ended December 31, 2012 and 2011, no impairment loss is recognized.

*g. Revenue Recognition*

Revenues are recognized when earned, and expenses are recognized when incurred. The TLDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the TLDC. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deferred revenue represents funds passed through from the City as part of the City's Brownfield Economic Development Initiative (BEDI) Grant. Revenue is recognized as funds are expended in accordance with the BEDI program initiatives.

*h. Tax Status*

The TLDC is exempt from income taxes as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Accordingly, no provisions have been made for income taxes in these financial statements.

*i. Grant Activity*

The TLDC was a recipient of a pass-through grant in both 2012 and 2011. The Main Street Grant Program is administered by the New York State Housing Trust Fund, and grant proceeds are remitted to the TLDC and passed to eligible business for land and area improvements on a reimbursement basis. As of December 31, 2012 and 2011, \$119,224 and \$50,000, respectively, was awarded through the program. The funds related to 2012 were claimed by program participants during 2012; however, the funds were not received or paid by the TLDC until 2013. These amounts are recorded as Due from Other Governments and Accounts Payable on the Statement of Net Position, and as Pass-through Grant Revenue and Pass-through Grant Expense on the Statement of Revenues, Expenses, and Changes in Net Position.

*j. New Accounting Pronouncements*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, 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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The TLDC adopted GASB Statements No. 62 and No. 63 as of January 1, 2012, and there was no significant impact to the financial statements.

**TROY LOCAL DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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

*k. Reclassifications*

Certain 2011 balances have been reclassified to conform to the 2012 presentation.

*l. Subsequent Events*

The TLDC has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 29, 2013, the date the financial statements were available to be issued.

In December 2012, the TLDC passed a resolution approving the sale of 444 River Street. The sale is expected to close in 2013.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The TLDC's investment policies are governed by New York State statutes. In addition, the TLDC has its own written investment policy. TLDC monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The TLDC is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State and its localities.

Collateral is required for demand deposits and certificates of deposit. 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.

The TLDC considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents at December 31, 2012 and 2011, consisted of demand accounts of \$2,903,139 and \$947,431, respectively, which were fully insured or collateralized.

Restricted cash consists of BEDI funds held for use in acquiring property within the City, assistance with clean-up of environmental contamination, and preparation of sites for commercial redevelopment (Note 5).

**NOTE 3 - LOANS RECEIVABLE**

The TLDC has implemented an economic development loan program with the primary objective of stimulating the City's economic base in order to create new job opportunities. Loans are made to eligible borrowers meeting targeted economic criteria at market interest rates.

During 2012, the TLDC entered into a short-term loan agreement with Realex, LLC for \$200,000. The original maturity date of the loan was extended to December 2013. The loan requires monthly interest at 5% from February 1, 2013 through December 1, 2013. The loan is collateralized by security agreement on certain assets of the borrower.

During 2008, the TLDC entered into a loan agreement with Old World Provisions, Inc. for \$250,000 for renovations of its existing facility. The terms of the loan include monthly payments of \$1,900 for 20 years at 6.75% interest maturing January 2029. The loan is secured by machinery and equipment.

A summary of the loans receivable is as follows:

	December 31,	
	2012	2011
Loan receivable	\$ 429,837	\$ 235,663
Less current installments	200,000	10,137
	<u>\$ 229,837</u>	<u>\$ 225,526</u>

**TROY LOCAL DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 3 - LOANS RECEIVABLE - Continued**

A summary of the future maturities is as follows:

For the year ending December 31, 2013				\$ 207,827
	2014			8,372
	2015			8,955
	2016			9,579
	2017			10,246
Thereafter				184,858
				\$ 429,837

**NOTE 4 - PROPERTY HELD FOR DEVELOPMENT AND RESALE**

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

A summary of the changes in the TLDC's property held for development and resale is as follows:

	Balance at December 31, 2011	Additions	Disposals	Balance at December 31, 2012
Land	\$ 2,467,932	\$ 30,136	\$ -	\$ 2,498,068
Buildings	186,875	127,729	-	314,604
Total property held for development and resale	2,654,807	157,865	-	2,812,672
Accumulated depreciation	(15,147)	(5,759)	-	(20,906)
Net book value	\$ 2,639,660	\$ 152,106	\$ -	\$ 2,791,766
	Balance at December 31, 2010	Additions	Disposals	Balance at December 31, 2011
Land	\$ 2,467,932	\$ -	\$ -	\$ 2,467,932
Buildings	186,875	-	-	186,875
Total property held for development and resale	2,654,807	-	-	2,654,807
Accumulated depreciation	(10,438)	(4,709)	-	(15,147)
Net book value	\$ 2,644,369	\$ (4,709)	\$ -	\$ 2,639,660

**NOTE 5 - LOAN PAYABLE**

During 2008, the TLDC entered into a loan agreement with the City for \$3,000,000 to be used for property acquisition and economic development. The agreement calls for semi-annual interest payments and annual principal payments to the City as billed by the United States Department of Housing and Urban Development (HUD) Section 108 loan authorization pursuant to the BEDI. The loan matures in August 2026.

A summary of the loan payable is as follows:

Loan payable	\$ 2,332,000
Less current installments	167,000
	\$ 2,165,000

**TROY LOCAL DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**NOTE 5 - LOAN PAYABLE - Continued**

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

	Principal	Interest
For the year ending December 31, 2013	\$ 167,000	\$ 111,937
2014	167,000	105,257
2015	167,000	98,343
2016	167,000	91,112
2017	167,000	83,631
2018 through 2022	835,000	299,816
2023 through 2026	662,000	87,145
	\$ 2,332,000	\$ 877,241

Interest expense for the years ended December 31, 2012 and 2011, was \$115,986 and \$121,688, respectively. Interest paid for the years ended December 31, 2012 and 2011, was \$118,316 and \$124,061, respectively.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

*a. Rental Income*

The TLDC has three active lease agreements arising from the leasing of property owned by the TLDC. Monthly lease payments are between \$1,000 and \$5,500 per month and terms range from 5 to 15 years with renewal options.

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

For the year ending December 31, 2013	\$ 162,000
2014	174,000
2015	186,000
2016	192,000
2017	66,000
Thereafter	396,000
	\$ 1,176,000

Rental revenue in 2012 includes approximately \$6,000 related to reimbursements by tenants for property taxes incurred by the TLDC.

*b. Environmental Risks*

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

During 2012, the TLDC negotiated a remediation license agreement for \$2,500,000 with National Grid. The agreement provides the TLDC with financial assistance on the King Fuel parcels for reimbursement of TLDC funds, demolition, and site development.

**TROY LOCAL DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**NOTE 7 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED**

During March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

During March 2012, GASB issued Statement No. 66, *Technical Corrections - an Amendment of Statements No. 10 and No. 62*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

During June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

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

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Troy Local Development Corporation  
Troy, New York

We have audited, 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, the statement of net position of the Troy Local Development Corporation (TLDC), as of December 31, 2012, and the related statements of revenues, expenses, and changes 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 March 29, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the TLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the TLDC's financial statements are free from 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 12-01 through 12-03.

### **The TLDC's Response to Findings**

The TLDC's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 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 the TLDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ballam Sheedy Tarami & Co. LLP*

Albany, New York  
March 29, 2013

**TROY LOCAL DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND RESPONSES**

**Year Ended December 31, 2012**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Qualified

Internal control over financial reporting:

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

Noncompliance material to financial statements? \_\_\_\_\_ Yes      X   No

**Section II - Financial Statement Findings**

None.

**Section III - Compliance Findings**

**12-01. 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 TLDC was not in compliance with Section 2800 of Public Authorities Law.

*Effect:* The TLDC's December 31, 2011, annual report was not filed and available to the public when required.

*Cause:* The TLDC did not update and certify the annual report in PARIS by the due date of March 31, 2012. The audited financial statements for December 31, 2011, were not completed until May 2012.

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

*View of Responsible Officials:* The TLDC was understaffed and unable to complete the annual report until after the filing deadline. Management filed the December 31, 2011 annual report in May 2012.

**12-02. Budget Report Filed in the Public Authorities Reporting Information System (PARIS)**

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

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

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

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

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

*View of Responsible Officials:* Management has filed and certified the 2013 budget in PARIS.

**TROY LOCAL DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND RESPONSES**

**Year Ended December 31, 2012**

**Section III - Compliance Findings - Continued**

**12-03. 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 public authorities are required to make certain information available to the public through the internet.

*Condition:* The TLDC is not in compliance with PARA requirements.

*Effect:* The TLDC is missing specific information required by PARA.

*Cause:* The TLDC did not oversee proper maintenance of a shared website.

*Recommendation:* Using available ABO guidance, the TLDC 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 TLDC will review the guidance of required documentation and will update missing items.