

TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)

FINANCIAL STATEMENTS - STATUTORY BASIS
and
INDEPENDENT AUDITOR'S REPORT

December 31, 2009

**TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)**

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INDEPENDENT AUDITOR'S REPORT**

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Troy Local Development Corporation
Troy, New York

We were engaged to audit the accompanying statement of net assets - statutory basis of the Troy Local Development Corporation (TLDC) for the year ended December 31, 2009, and the related statements of revenues, expenses, and change in net assets - statutory basis, and cash flows - statutory basis for the year then ended. These financial statements are the responsibility of the TLDC's management.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As more fully described in Note 1b to the financial statements, the TLDC prepared these financial statements using statutory accounting practices prescribed by the New York State Office of the State Comptroller and the New York State Authority Budget Office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 1e to the financial statements - statutory basis, the TLDC's management is unable to estimate the possible impairment to the historical cost of some of its real property. In our opinion, this estimate is required in order to conform with accounting practices as described in Note 1b to the financial statements. The effects of this analysis and any resulting adjustment on the TLDC's assets, net assets (deficit), and net profit for the year are not reasonably determinable.

In our opinion, except for the possible impairment to the historical cost of real property, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the TLDC as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2010, on our consideration of the TLDC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Members of the Board of Directors, TLDC management, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
June 16, 2010

TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)

STATEMENT OF NET ASSETS - STATUTORY BASIS

December 31,
2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 85,678
Cash and cash equivalents, restricted	1,334,734
Accounts receivable	66,100
Loan receivable, current installments	5,987
Prepaid expense	13,011
Total current assets	<u>1,505,510</u>

CAPITAL ASSETS, net

2,588,599

LOAN RECEIVABLE, less current installments

237,890

\$ 4,331,999

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 10,217
Accrued interest	53,388
Deferred grant revenue	633,894
Loan payable, current installments	167,000
Total current liabilities	<u>864,499</u>

LOAN PAYABLE, less current installments

2,666,000

COMMITMENTS AND CONTINGENCIES

NET ASSETS, unrestricted

801,500

\$ 4,331,999

TROY LOCAL DEVELOPMENT CORPORATION
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**STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET ASSETS - STATUTORY BASIS**

	Year Ended December 31, <u>2009</u>
OPERATING REVENUES	
Administrative fees	\$ 350,000
Rental income	<u>131,800</u>
	<u>481,800</u>
 OPERATING EXPENSES	
Depreciation	3,088
Engineering fees	4,411
Excise taxes and fees	6,479
Insurance	18,059
Office and general	149
Professional fees, accounting	11,465
Professional fees, legal	77,200
Real estate taxes	9,491
Remediation	725,945
Miscellaneous	<u>3,208</u>
	<u>859,495</u>
Operating loss	<u>(377,695)</u>
 OTHER REVENUE (EXPENSE)	
Grant revenue	1,366,106
Interest expense	(131,829)
Interest income	<u>22,999</u>
	<u>1,257,276</u>
 CHANGE IN NET ASSETS	 879,581
 NET ASSETS (DEFICIT), unrestricted, beginning of year	 <u>(78,081)</u>
 NET ASSETS, unrestricted, end of year	 <u>\$ 801,500</u>

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

TROY LOCAL DEVELOPMENT CORPORATION
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STATEMENT OF CASH FLOWS - STATUTORY BASIS

	Year Ended December 31, 2009
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Receipts from customers	\$ 453,200
Payments to vendors	<u>(757,577)</u>
	<u>(304,377)</u>
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Proceeds of loan receivable	6,123
Interest income	<u>22,999</u>
	<u>29,122</u>
 CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	
Proceeds from grants	<u>1,892,349</u>
 CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(51,824)
Payment on loan payable	(167,000)
Interest expense	<u>(151,819)</u>
	<u>(370,643)</u>
Net increase in cash and cash equivalents	1,246,451
 CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	 <u>173,961</u>
 CASH AND CASH EQUIVALENTS, <i>end of year</i>	 <u><u>\$ 1,420,412</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$ (377,695)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation	3,088
City payment on behalf of the TLDC	107,650
Changes in operating assets and liabilities	
Accounts receivable	(28,600)
Prepaid expenses	1,381
Accounts payable and accrued expenses	<u>(10,201)</u>
	<u><u>\$ (304,377)</u></u>

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

TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2009

NOTE 1 - SUMMARY OF 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 (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 - statutory basis follows.

b. Basis of Accounting

The TLDC has elected to prepare its financial statements on the statutory basis permitted by the New York State Office of the State Comptroller and the New York State Authority Budget Office. This statutory basis varies from accounting principles generally accepted in the United States of America primarily because it does not reflect the adoption of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In preparing the financial statements on the statutory basis, management is required 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.

c. Fair Value Measurement

The TLDC reports certain assets and liabilities at fair value. 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.

d. 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 considers all receivables to be fully collectible at December 31, 2009. 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.

TROY LOCAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - Continued

e. Capital Assets

Capital assets are valued 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 assets.

Recognition of impairment of capital assets is required when events and circumstances indicate that an entity will not be able to recover the carrying amount of these assets. The entity should recognize 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. As of the year ended December 31, 2009, the TLDC is unable to make a reasonable estimation of impairment, if any, on any of its capital assets.

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.

f. 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.

g. Subsequent Events

In preparing the financial statements - statutory basis and notes thereto, the TLDC considered subsequent events through June 16, 2010, the date the financial statements were issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Restricted cash consists of Brownfield's Economic Development Initiative (BEDI) funds held for use in acquiring property within the City, assistance with clean-up of environmental contamination, and preparation of sites for commercial re-development.

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 or its localities.

Collateral is required for demand deposits and certificates of deposit in excess of FDIC coverage. Certificates of deposit purchased with a maturity of three months or less are considered cash equivalents. Obligations that may be pledged as collateral are obligations of the United States and its agencies or the State and its municipalities and school districts.

Cash at December 31, 2009, consisted of demand accounts of \$1,420,412, which were fully insured or collateralized.

TROY LOCAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2009

NOTE 3 - LOAN 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 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 loan receivable is as follows:

	December 31, 2009
Loan receivable	\$ 243,877
Less current installments	<u>5,987</u>
	<u><u>\$ 237,890</u></u>

A summary of the future maturities is as follows:

For the year ending December 31,	2010	\$ 5,987
	2011	6,966
	2012	7,451
	2013	7,970
	2014	8,525
Thereafter		<u>206,978</u>
		<u><u>\$ 243,877</u></u>

NOTE 4 - CAPITAL ASSETS

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 capital assets is as follows:

	December 31, 2009
Land	\$ 2,467,932
Buildings	<u>126,476</u>
	2,594,408
Less accumulated depreciation	<u>5,809</u>
Capital assets, net	<u><u>\$ 2,588,599</u></u>

TROY LOCAL DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2009

NOTE 4 - CAPITAL ASSETS - Continued

The TLDC is actively seeking development for the land consistent with the TLDC's purpose of encouraging economic growth within the City.

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 Brownfield's Economic Development Initiative. The agreement charges interest at LIBOR plus .2% (1.635% at December 31, 2009) as billed by HUD and matures August 2028.

A summary of the loan payable is as follows:

Loan payable	\$ 2,833,000
Less current installments	<u>167,000</u>
	<u><u>\$ 2,666,000</u></u>

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

	Principal	Interest
For the year ending December 31, 2010	\$ 167,000	\$ 129,255
2011	167,000	124,061
2012	167,000	118,316
2013	167,000	111,937
2014	167,000	105,257
For the years ending December 31, 2015 through 2019	835,000	417,401
2020 through 2024	835,000	216,600
2025 through 2026	<u>328,000</u>	<u>26,046</u>
	<u><u>\$ 2,833,000</u></u>	<u><u>\$ 1,248,873</u></u>

Interest expense for the year ended December 31, 2009, was \$131,829. Interest paid for the year ended December 31, 2009, was \$151,819.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

a. Rental Income

The TLDC has two active lease agreements arising from the leasing of property owned by the TLDC. Monthly lease payments are \$4,000 and \$5,000 and terms are 15 years with two five-year options to renew and five years with one five-year option to renew, respectively.

TROY LOCAL DEVELOPMENT CORPORATION
(A New York Public Authority)

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2009

NOTE 6 - COMMITMENTS AND CONTINGENCIES - Continued

a. Rental Income - Continued

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

For the year ending December 31, 2010	\$ 110,000
2011	114,000
2012	90,000
2013	66,000
2014	66,000
Thereafter	<u>594,000</u>
	<u>\$ 1,040,000</u>

Rental income was \$131,800 for the year ended December 31, 2009.

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 from the Brownfield's Economic Development Initiative in grant and loan funds.

The TLDC is in the process of negotiating an agreement with National Grid for additional financial assistance on the King Fuel parcels for reimbursement of TLDC funds, demolition, and site development.

**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 were engaged to audit the financial statements - statutory basis of the Troy Local Development Corporation (TLDC) as of and for the year ended December 31, 2009, and have issued our report thereon dated June 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements - statutory basis will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TLDC's financial statements - statutory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including compliance with *Investment Guidelines for Public Authorities*, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of members and management of the TLDC, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
June 16, 2010