

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

FINANCIAL REPORT

December 31, 2010 and 2009

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

FINANCIAL REPORT

December 31, 2010 and 2009

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-3
FINANCIAL STATEMENTS	
Statement of Net Assets (Deficit) and Governmental Fund Balance Sheet, December 31, 2010	4
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, December 31, 2010	5
Statement of Net Assets (Deficit) and Governmental Fund Balance Sheet, December 31, 2009	6
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, December 31, 2009	7
Notes to the Basic Financial Statements	8-15
SUPPLEMENTAL INFORMATION	
Debt Service Funding Requirements	16
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>	17
Schedule of Findings and Responses	18

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Municipal Assistance Corporation for the City of Troy
New York, New York

We have audited the accompanying financial statements of the governmental activities and each major fund for the Municipal Assistance Corporation for the City of Troy (Corporation) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Corporation's management. 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 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2010 and 2009, and the changes in financial position for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, 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 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.

Management's discussion and analysis on pages 2 and 3 and Exhibit 1 on page 16 are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 24, 2011

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010 and 2009

This section of the report presents a discussion and analysis of the financial performance of the Municipal Assistance Corporation for the City of Troy (Corporation) for the fiscal years ended December 31, 2010 and 2009. Please read it in conjunction with the basic financial statements that appear on pages 4 through 15 of this report.

Overview of the Financial Statements

This financial report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and other supplemental information. The basic financial statements consist of two statements that present different views of the Corporation:

- The governmental fund financial statements that focus on individual activities of the Corporation and report how its operations were financed in the short term as well as what remains available for future spending.
- The government-wide financial statements that provide both long-term and short-term information about the Corporation's overall financial status.

For most governmental entities, the two types of financial statements are presented separately. However, for financial reporting purposes, the Corporation is considered to be a special purpose government engaged in a single governmental program. As permitted by accounting principles generally accepted in the United States of America, the two kinds of financial statements of the Corporation are presented together and include a reconciliation of the amounts reported in each. The financial report also includes notes that explain some of the information in the financial statements in more detail.

Financial Analysis of the Corporation

The deficit decreased by approximately \$3,229,000 and \$3,528,000 for the years ended December 31, 2010 and 2009, respectively, as follows:

	(In Thousands)		
	December 31,		
	2010	2009	% Change
Current assets	\$ 11,361	\$ 11,466	-0.90%
Long-term assets	176	176	0.00%
Total assets	<u>\$ 11,537</u>	<u>\$ 11,642</u>	-0.90%
Current liabilities	\$ 5,827	\$ 5,803	0.40%
Long-term liabilities	47,446	50,804	-6.60%
Total liabilities	<u>53,273</u>	<u>56,607</u>	-6.20%
Net assets (deficit)	<u>(41,736)</u>	<u>(44,965)</u>	-7.20%
Total liabilities and net assets (deficit)	<u>\$ 11,537</u>	<u>\$ 11,642</u>	-1.00%
Revenues	\$ 6,418	\$ 6,479	-1.00%
Expenditures	3,189	2,951	8.10%
Net revenues (expenditures)	3,229	3,528	7.10%
Net assets (deficit), beginning of year	<u>(44,965)</u>	<u>(48,493)</u>	8.10%
Net assets (deficit), end of year	<u>\$ (41,736)</u>	<u>\$ (44,965)</u>	-1.00%

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010 and 2009

Concerning the Corporation's Financial Management

The financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the revenues it receives. If you have any questions about this report or need additional financial information, contact the Corporation at 123 William Street, Floor 23, New York, New York 10038.

Jeffrey Sommer, Executive Director

Jewel Douglas, Deputy Director of Finance

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

**STATEMENT OF NET ASSETS (DEFICIT) AND GOVERNMENT FUND BALANCE SHEET
December 31, 2010**

	<u>Operating Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total Governmental Funds</u>	<u>Adjustments Note 3</u>	<u>Total Governmental Activities</u>
ASSETS						
Cash and cash equivalents	\$ 3,208	\$ 3,070,948	\$ -	\$ 3,074,156	\$ -	\$ 3,074,156
Prepaid expense	3,500	-	-	3,500	-	3,500
Investment in securities	-	4,970,902	3,188,183	8,159,085	-	8,159,085
Accrued interest on securities	-	-	62,008	62,008	-	62,008
Bond issuance costs	-	-	-	-	238,592	238,592
Total assets	<u>6,708</u>	<u>8,041,850</u>	<u>3,250,191</u>	<u>11,298,749</u>	<u>238,592</u>	<u>11,537,341</u>
LIABILITIES						
Accrued interest on bonds payable	-	422,387	-	422,387	-	422,387
Accounts payable	22,150	-	-	22,150	-	22,150
Accrued liabilities	-	-	-	-	29,868	29,868
Bonds and loans payable						
Due within one year	-	-	-	-	5,352,295	5,352,295
Due after one year	-	-	-	-	47,446,372	47,446,372
Total liabilities	<u>22,150</u>	<u>422,387</u>	<u>-</u>	<u>444,537</u>	<u>52,828,535</u>	<u>53,273,072</u>
FUND BALANCE (DEFICIT)						
Reserved for debt service	-	7,619,463	3,250,191	10,869,654	(11,108,246)	
Unreserved	(15,442)	-	-	(15,442)	15,442	
Total fund balance	<u>(15,442)</u>	<u>7,619,463</u>	<u>3,250,191</u>	<u>10,854,212</u>	<u>(11,092,804)</u>	
Total liabilities and fund balance	<u>\$ 6,708</u>	<u>\$ 8,041,850</u>	<u>\$ 3,250,191</u>	<u>\$ 11,298,749</u>		
Total net assets (deficit)					<u>\$ (41,735,731)</u>	<u>\$ (41,735,731)</u>

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

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

**STATEMENT OF ACTIVITIES AND GOVERNMENT FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended December 31, 2010**

	<u>Operating Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total Governmental Funds</u>	<u>Adjustments Note 3</u>	<u>Governmental Activities</u>
PROGRAM REVENUES						
Income from investments	\$ -	\$ 6,317	\$ 199,638	\$ 205,955	\$ (5,646)	\$ 200,309
Draws on pledge revenues	-	6,218,230	-	6,218,230	-	6,218,230
Total program revenue	-	6,224,547	199,638	6,424,185	(5,646)	6,418,539
Proceeds from bond refunding and loan refinancing	-	18,305,000	-	18,305,000	(18,305,000)	-
Premium on bond refunding	-	640,444	-	640,444	(640,444)	-
Total proceeds from debt service activities	-	18,945,444	-	18,945,444	(18,945,444)	-
Total revenue	-	25,169,991	199,638	25,369,629	(18,951,090)	6,418,539
EXPENDITURES/EXPENSES						
Debt service						
Principal paid on bonds and loans	-	5,310,000	-	5,310,000	(5,310,000)	-
Interest and accretion on bonds and loans	-	929,338	-	929,338	1,793,674	2,723,012
Payment of proceeds for loan refinancing	-	2,685,000	-	2,685,000	(2,685,000)	-
Payment to escrow agent for defeasance of bonds	-	16,422,771	11,300	16,434,071	(16,035,000)	399,071
Bond issuance costs	-	238,592	-	238,592	(238,592)	-
Debt administration	10,443	-	-	10,443	-	10,443
General administration	56,518	-	-	56,518	-	56,518
Total expenditures	66,961	25,585,701	11,300	25,663,962	(22,474,918)	3,189,044
Excess (deficiency) of revenues over expenditures/expenses	(66,961)	(415,710)	188,338	(294,333)	3,523,828	3,229,495
OTHER FINANCING SOURCES (USES)						
Transfers from (to) operating fund	47,000	(47,000)	-	-	-	-
Transfers from (to) debt service	-	199,921	(199,921)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures/expenses and other financing uses	(19,961)	(262,789)	(11,583)	(294,333)	3,523,828	3,229,495
FUND BALANCE/NET ASSETS (DEFICIT), beginning of year	4,519	7,882,252	3,261,774	11,148,545	(56,113,771)	(44,965,226)
FUND BALANCE/NET ASSETS (DEFICIT), end of year	<u>\$ (15,442)</u>	<u>\$ 7,619,463</u>	<u>\$ 3,250,191</u>	<u>\$ 10,854,212</u>	<u>\$ (52,589,943)</u>	<u>\$ (41,735,731)</u>

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

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

STATEMENT OF NET ASSETS (DEFICIT)
AND GOVERNMENTAL FUND BALANCE SHEET
December 31, 2009

	<u>Operating Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total Governmental Funds</u>	<u>Adjustments Note 3</u>	<u>Total Governmental Activities</u>
ASSETS						
Cash and cash equivalents	\$ 5,743	\$ 3,466,375	\$ -	\$ 3,472,118	\$ -	\$ 3,472,118
Prepaid expense	750	-	-	750	-	750
Investment in securities	-	4,906,705	3,207,469	8,114,174	-	8,114,174
Accrued interest on securities	-	-	54,305	54,305	-	54,305
Total assets	<u>6,493</u>	<u>8,373,080</u>	<u>3,261,774</u>	<u>11,641,347</u>	<u>-</u>	<u>11,641,347</u>
LIABILITIES						
Accrued interest on bonds	-	490,828	-	490,828	-	490,828
Accounts payable	1,974	-	-	1,974	-	1,974
Accrued liabilities	-	-	-	-	24,222	24,222
Bonds and loans payable						
Due within one year	-	-	-	-	5,310,000	5,310,000
Due after one year	-	-	-	-	50,779,549	50,779,549
Total liabilities	<u>1,974</u>	<u>490,828</u>	<u>-</u>	<u>492,802</u>	<u>56,113,771</u>	<u>56,606,573</u>
FUND BALANCE (DEFICIT)						
Reserved for debt service	-	7,882,252	3,261,774	11,144,026	(11,144,026)	
Unreserved	4,519	-	-	4,519	(4,519)	
Total fund balance	<u>4,519</u>	<u>7,882,252</u>	<u>3,261,774</u>	<u>11,148,545</u>	<u>(11,148,545)</u>	
Total liabilities and fund balance	<u>\$ 6,493</u>	<u>\$ 8,373,080</u>	<u>\$ 3,261,774</u>	<u>\$ 11,641,347</u>		
Total net assets (deficit)					<u>\$ (44,965,226)</u>	<u>\$ (44,965,226)</u>

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

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

**STATEMENT OF ACTIVITIES AND GOVERNMENT FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2009**

	<u>Operating Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total Governmental Funds</u>	<u>Adjustments Note 3</u>	<u>Governmental Activities</u>
PROGRAM REVENUES						
Income from investments	\$ -	\$ 11,526	\$ 184,152	\$ 195,678	\$ (5,647)	\$ 190,031
Draws on pledge revenues	-	6,288,782	-	6,288,782	-	6,288,782
Total program revenue	<u>-</u>	<u>6,300,308</u>	<u>184,152</u>	<u>6,484,460</u>	<u>(5,647)</u>	<u>6,478,813</u>
EXPENDITURES/EXPENSES						
Debt service						
Principal paid on bonds	-	4,835,000	-	4,835,000	(4,835,000)	-
Interest and accretion on bonds	-	1,068,120	-	1,068,120	1,840,718	2,908,838
Debt administration	9,706	-	-	9,706	-	9,706
General administration	31,872	-	-	31,872	-	31,872
Total expenditures	<u>41,578</u>	<u>5,903,120</u>	<u>-</u>	<u>5,944,698</u>	<u>(2,994,282)</u>	<u>2,950,416</u>
Net program revenue (expenditure)	(41,578)	397,188	184,152	539,762	2,988,635	3,528,397
OTHER FINANCING SOURCES (USES)						
Transfers from (to) operating fund	30,000	(30,000)	-	-	-	-
Transfers from (to) debt service	-	184,127	(184,127)	-	-	-
Net program revenue (expenditure)	<u>(11,578)</u>	<u>551,315</u>	<u>25</u>	<u>539,762</u>	<u>2,988,635</u>	<u>3,528,397</u>
FUND BALANCE/NET ASSETS (DEFICIT), beginning of year	<u>16,097</u>	<u>7,330,937</u>	<u>3,261,749</u>	<u>10,608,783</u>	<u>(59,102,406)</u>	<u>(48,493,623)</u>
FUND BALANCE/NET ASSETS (DEFICIT), end of year	<u><u>\$ 4,519</u></u>	<u><u>\$ 7,882,252</u></u>	<u><u>\$ 3,261,774</u></u>	<u><u>\$ 11,148,545</u></u>	<u><u>\$ (56,113,771)</u></u>	<u><u>\$ (44,965,226)</u></u>

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

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Functions of the Corporation

The Municipal Assistance Corporation for the City of Troy (Corporation) is a corporate governmental agency and instrumentality of the State of New York, constituting a public benefit corporation. The Corporation was created on July 19, 1995, under Titles I, II, and IV of Article 10 of the Public Authorities Law of the State (Act). Titles may be amended from time to time for purposes of providing financing assistance and fiscal oversight for the City of Troy, New York (City). To carry out such purposes, the Corporation was authorized to sell bonds and notes to provide funds for various purposes, including the repayment of certain of the City's obligations.

The Corporation is administered by a seven-member Board of Directors, five of whom are appointed by the Governor, one by the Majority Leader of the Senate, and one by the Speaker of the Assembly. The Chairman is designated by the governor from among his appointees. There are currently four directors of the Corporation. The remaining three seats are vacant.

The Act provides that the Corporation shall continue for a term of one year after all its liabilities have been fully paid and discharged.

b. Accounting Method

The Corporation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for governmental accounting and financial reporting. The Corporation is considered to be a special-purpose government engaged in a single governmental program.

In accordance with the Act, the Corporation's fiscal year is the same as the City's, whose fiscal year is the calendar year.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on the modified accrual basis using a current financial resources focus. With this measurement focus, generally only current assets and current liabilities are included on the governmental fund balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

c. Financial Statement Presentation

The adjustment columns in the accompanying financial statements present the items necessary to convert the "fund" to the "government-wide" financial statements. For the years ended December 31, 2010 and 2009, the entries recorded in the "government-wide" financial statements are the Corporation's General Resolution bonds which are not recorded in the "fund" financial statements under the modified accrual basis of accounting. Further, the entries convert fund balances properly reported in the "fund" financial statements to net assets (deficit) balances properly reported in the "government-wide" financial statements.

d. Use of Estimates

In preparing the financial statements in conformity with GAAP, 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 expenditures during the reporting period. Actual results could differ from those estimates.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Corporation.

f. Investments

Investments in securities in the Debt Service Reserve Fund are carried at amortized cost, and investments in securities in the Debt Service Fund are carried at the lower of cost or market value. Investments, if any, in securities in the Operating Fund would be carried at the lower of cost or market value. Investments may consist of direct obligations of, or obligations guaranteed by, the State of New York or the United States of America, repurchase agreements pursuant to master agreements with certain authorized financial institutions, certain obligations of U.S. Government agencies, and certain other investment obligations, as permitted under the Corporation's General Bond Resolution.

g. Bonds and Loans Payable

The Corporation's debt (except for capital appreciation bonds) is recorded at the principal amount of the obligations outstanding. Capital appreciation bonds are recorded at their accreted values. Original issue discounts on current-interest bonds are charged to the Debt Service Fund as incurred and become part of the funding requirement. The amount required for the payment of debt service due on January 15 is accounted for as if paid on the immediately preceding December 31, if by that date such amount has been segregated for that purpose by the Trustee under the Corporation's General Bond Resolution. The deficit of the Corporation reported in the Statement of Activities does not include future requirements for the payment of interest or future accretions in the values of capital appreciation bonds. Nor does such requirement include accrued but unpaid supplemental interest on the Corporation's Series 1996C Bonds.

During 2010, the Corporation refinanced the Corporation's Series 1996A and Series 1999B Bonds with Series 2010A Bonds. As a result, bonds and loans payable include the bond premium of \$640,444 that is being amortized over the life of the bond using the effective interest rate method. The annual amortization will be offset against interest expense over the life of the bond.

h. Federal Income Taxes

The Authority is exempt from federal income taxes under Internal Revenue Service Code Section 115.

i. Revenue Recognition

In the Debt Service Fund, revenues derived from sales tax and State aid are recorded when received. Interest income from investments and interest expense on the Corporation's debt are recorded in the month they are earned or paid. Income from investments includes realized gains and losses from sales of investments. With respect to the Debt Service and the 1996 Debt Service Reserve Fund, income from investments is net of any accrued rebate to the United States of America of certain excess earnings. Income from investments in the Debt Service Reserve Fund also includes unrealized gains and losses on such investments.

j. Subsequent Events

In preparing the financial statements and notes thereto, the Corporation considered subsequent events through March 24, 2011, the date the financial statements were available to be issued.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 - INVESTMENTS IN SECURITIES

	December 31, 2010		
	Principal	Market	Cost
Marketable Securities			
Debt Service Fund			
U.S. Treasury obligations maturing in less than one year	\$ 4,971,000	\$ 4,970,987	\$ 4,970,902
Debt Service Reserve Fund			
U.S. Treasury obligations maturing in less than one year	3,014,000	3,017,768	3,012,183
U.S. Treasury obligations maturing in five years or greater	176,000	176,000	176,000
Total	\$ 3,190,000	\$ 3,193,768	\$ 3,188,183
	December 31, 2009		
	Principal	Market	Cost
Marketable Securities			
Debt Service Fund			
U.S. Treasury obligations maturing in less than one year	\$ 4,907,000	\$ 4,906,951	\$ 4,906,705
Debt Service Reserve Fund			
U.S. Treasury obligations maturing in less than one year	3,034,000	3,036,844	3,031,469
U.S. Treasury obligations maturing in five years or greater	176,000	176,000	176,000
Total	\$ 3,210,000	\$ 3,212,844	\$ 3,207,469

NOTE 3 - BONDS AND LOANS PAYABLE

a. Debt Authority

The Act authorizes the Corporation to provide financing assistance to the City by issuing bonds and notes for specified purposes in an aggregate principal amount of up to \$71 million. The Act further authorizes the Corporation to issue up to \$2 million of bonds and notes to fund City capital projects and to issue up to \$2 million of notes to fund City operating expenses. The principal amounts of bonds and notes issued to pay costs of issuance, to fund reserve funds, and to refund outstanding bonds are excluded from the Act's dollar limits. Through December 31, 2010, the Corporation had issued approximately \$68 million of bonds and notes of the \$71 million authorized bonds and notes under the Act.

The \$2 million of capital borrowing authority expired on December 31, 1999. After that date, no bonds may be issued, except for the purpose of refunding. No bond or note of the Corporation may mature later than January 1, 2030.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 3 - BONDS AND LOANS PAYABLE - Continued

b. Bonds Issued

On November 30, 2010, the Corporation refunded the Series 1996A Bonds and Series 1999B Bonds with Series 2010A General Resolution Bonds in the principal amount of \$15.620 million. Substantially all of the net proceeds together with other monies of the Corporation were used to refund \$14.080 million and \$1.955 million of those original issues. The sale generated budgetary savings totaling \$831,125 over the life of the refunding bonds, which will be passed on to the City. No bonds were issued by the Corporation during the year ended December 31, 2009.

c. EFC Loans

On June 27, 1997, the Corporation entered into a Project Financing and Loan Agreement with the New York State Environmental Facilities Corporation (EFC) providing for the EFC to make periodic short-term, interest-free loans to the Corporation not to exceed \$7,087,800 in aggregate principal amount. The proceeds of these loans were used to finance the closure of the City's landfill.

On May 27, 2010, the Corporation revised the Project Financing and Loan Agreement with the EFC as a result of refinancing the \$2.685 million remaining balance to realize interest rate savings from the refunding of corresponding bonds that the EFC sold to the public. The refinancing generated \$181,756 of budgetary savings over the remaining life of the loan, which will be passed on to the City.

d. Debt Service Payment and Funding Requirements

A summary of the Corporation's bonds and loans payable is as follows:

	Balance at December 31, 2010	Balance at December 31, 2009
Series 2010A Bonds	\$ 15,620,000	\$ -
Series 1996A Bonds	1,250,000	16,520,000
Series 1996B Bonds	13,881,590	15,315,574
Series 1996C Bonds	864,600	864,600
Series 1997B Bonds	-	590,000
Series 1996A Bonds - EFC	2,685,000	2,605,000
Series 1996B Bonds - EFC	335,000	2,950,000
	34,636,190	38,845,174
Bond accretion - Series 1996B and 1996C	17,522,033	17,244,375
Bond premium - Series 2010A	640,444	-
	\$ 52,798,667	\$ 56,089,549

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 - BONDS AND LOANS PAYABLE - Continued

d. Debt Service Payment and Funding Requirements - Continued

A summary of future annual debt service payments on the Corporation's bonds and loans, based on the bonds' fiscal years ending, is as follows:

	Principal *	Interest **	Total
For the year ending January 15, 2011	\$ 5,165,000	\$ 923,565	\$ 6,088,565
2012	5,060,000	753,381	5,813,381
2013	5,205,000	627,316	5,832,316
2014	5,155,000	568,224	5,723,224
2015	5,480,000	502,889	5,982,889
2016 through 2020	29,390,000	1,184,519	30,574,519
2021 through 2022	10,565,000	59,113	10,624,113
	<u>\$ 66,020,000</u>	<u>\$ 4,619,007</u>	<u>\$ 70,639,007</u>

* Includes Series 1996B and 1996C capital appreciation bonds (CABs) at their maturity values, with future bond accretion of \$13,066,798.

** The EFC subsidizes interest on the Corporation's Series 1999A Bonds Project Financing and Loan Agreement, which reduces debt service cost over the life of the loan. The amount of subsidy received from the EFC was \$48,984 and \$62,699 during the years ended December 31, 2010 and 2009, respectively.

The Corporation's Series 2010A refunding bonds were sold at a net premium of \$640,444, which is included in the carrying amount of the bonds. The bond issuance costs related to the refunding totaled \$238,592.

The premium and issuance costs is being amortized over the life of the bonds were as follows:

	Bond Premium		Issuance Cost
For the year ending December 31, 2011	\$ 187,295	\$	69,775
2012	146,253		54,485
2013	110,209		41,058
2014	79,095		29,466
2015	53,196		19,818
Thereafter	64,396		23,990
	<u>\$ 640,444</u>		<u>\$ 238,592</u>

A summary of future annual funding requirements for these debt service payments is provided in Exhibit 1, which is an integral part of the financial statements.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 3 - BONDS AND LOANS PAYABLE - Continued

d. Debt Service Payment and Funding Requirements - Continued

The changes in long-term liabilities were as follows:

	Balance at December 31, 2009	Additions *	Payments/ Amortization	Balance at December 31, 2010
Bonds and loans payable	\$ 56,089,549	\$ 20,098,674	\$ 24,030,000	\$ 52,158,223
Bond premium	-	640,444	-	640,444
	<u>\$ 56,089,549</u>	<u>\$ 20,739,118</u>	<u>\$ 24,030,000</u>	<u>\$ 52,798,667</u>
	Balance at December 31, 2008	Additions **	Payments	Balance at December 31, 2009
Bonds and loans payable	<u>\$ 59,083,831</u>	<u>\$ 1,840,178</u>	<u>\$ 4,835,000</u>	<u>\$ 56,089,549</u>

* Represents bond accretion and bond refunding and loan refinancing proceeds.

** Represents bond accretion.

NOTE 4 - FUNDING METHODS

a. Sales Tax and State Aid

The Corporation has no taxing power. Its debt service requirements and operating expenses are funded primarily from the City's share of certain sales taxes imposed by Rensselaer County (County) and from State aid payments designated for the City. The State Comptroller deposits the City's share of the County imposed sales tax in the Municipal Assistance Tax Fund and State aid in the Municipal Assistance State Aid Fund for the benefit of the Corporation. The Corporation periodically certifies to the State Comptroller the amount of funding it requires, and, provided the State Legislature has enacted the necessary appropriations, the State Comptroller disburses to the Corporation the amounts it has certified. Collections of sales taxes and deposits of State aid in excess of the Corporation's needs are remitted to the City by the State Comptroller.

The amount of sales tax allocable to the City in each of the State fiscal years ended March 31, 2009, 2010, and 2011, was (will be) \$13,441,250, \$12,790,068 and \$13,374,257, respectively.

The City agreed to repay \$165,000 of the \$330,000 balance remaining with respect to the \$440,000 obligation due to the County by the City pursuant to the sales tax agreement between the parties dated November 23, 1982. Such payment was deducted by the County in its March 15, 2005, sales tax payment made to the City. After the March 15, 2005, payment, the \$165,000 remaining balance shall be paid by the City to the County without interest over a period of ten (10) years at \$16,500 per year starting March 15, 2006.

The aggregate amount of State aid allocable to the City, which includes Aid and Incentives for Municipalities (AIM), in each of the State fiscal years ended March 31, 2009, 2010, and 2011, was (will be) \$13,097,780, \$12,927,988, and \$12,530,064, respectively.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 4 - FUNDING METHODS - Continued

b. State Coverage Amount

The Act requires an additional coverage amount in State aid to be provided to the Corporation upon its certification and an annual appropriation by the State Legislature when it is necessary to augment the aggregate amount of sales tax and State aid to meet the minimum debt-service-coverage ratio of 1.5 to 1. Such additional coverage amount is designated to be deposited into the Municipal Assistance State Aid Fund. Based on the Corporation's current funding requirements as well as the sales tax and State aid revenues currently available, the Corporation has not determined a need to certify to the State for a coverage amount.

c. City Sources

The Act provides that when the Corporation pays the proceeds of its bonds or notes to the City it shall receive in return City obligations (bonds, notes, and/or repayment agreements). As a general matter, the Corporation does not expect to look to the principal of and interest on the City obligations as a funding source because the Corporation expects its sales tax and State aid revenues will be sufficient to meet its funding needs. The General Bond Resolution provides that in certifying its funding needs to the State, the Corporation shall exclude from consideration any amounts due to be received from the City.

A supplemental portion of the interest on the Corporation's Series 1996C Bonds is Subordinated Indebtedness under the General Bond Resolution and is not payable from the Corporation's regular funding sources. Pursuant to the Corporation's Certificate of Determination establishing certain terms of the Series 1996C Bonds, this supplemental interest is payable solely from amounts the Corporation receives from the City for the purpose of such payment. The payment of such amounts to the Corporation is conditioned on the City's undesignated general fund balance at the end of any fiscal year exceeding the City's audited expenditures for such year by five percent and is subject to appropriation by the City.

NOTE 5 - DEBT SERVICE RESERVE FUND

The Corporation has established a Debt Service Reserve Fund, which, as provided in the General Bond Resolution, is required to be funded at an amount not less than one-half of the maximum debt service due for any 12 consecutive months commencing January 15 on all outstanding bonds (with certain exceptions that do not currently apply). At December 31, 2010 and 2009, the Debt Service Reserve Fund balance was \$3,250,191 and \$3,261,774, respectively, an amount that at least equaled the required funding level.

A portion of the interest on the Corporation's Series 1996C Bonds is Subordinated Indebtedness under the General Bond Resolution. Subordinated Indebtedness is not secured by the Debt Service Reserve Fund and, therefore, is not taken into account in calculating the Debt Service Reserve Fund's required funding level.

NOTE 6 - OPERATING FUND

Pursuant to an April 17, 2008 resolution by the Board of the Corporation, the New York State Financial Control Board (New York State FCB) provides staffing and administrative services to the Corporation. The Corporation pays for the costs of such staffing and services from the Operating Fund upon periodic invoices submitted by the New York State FCB. For the years ended December 31, 2010 and 2009, such costs incurred totaled \$26,610 and \$3,254, respectively.

At December 31, 2010 and 2009, the assets of the Operating Fund included \$3,208 and \$5,743, respectively, in money market funds that invest in obligations guaranteed by the United States of America, as reflected in cash and cash equivalents on the statements of net assets (deficit). Investments in money market funds are not evidenced by securities that exist in physical or book entry form.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 - CITY OF TROY BONDS, NOTES, AND REPAYMENT AGREEMENTS

The Act stipulates that upon providing funds to the City, the Corporation is to receive from the City evidence of the funding. This evidence may be in the form of bonds and/or notes. The evidence may also be in the form of agreements to repay the funds in annual installments that are subject to annual appropriation by the Troy City Council. Under the repayment agreements, the Corporation is authorized to deliver City obligations back to the City for cancellation without receiving payment of principal or interest.

As of December 31, 2010 and 2009, the Corporation held \$34,636,190 and \$38,845,174, respectively, in principal amounts of repayment agreements and no City bonds or notes. For accounting treatment of City bonds, notes, and repayment agreements, see Note 2.

NOTE 8 - REBATES TO THE UNITED STATES GOVERNMENT

Under the Internal Revenue Code of 1986, as amended, the Corporation is required to rebate to the United States any excess earnings from the investment of the proceeds of its bonds over the yield on each issue. Under the Code and regulations issued by the Department of the Treasury, the Corporation is required to pay any such excess earnings within 60 days of the end of the fifth year following issuance and each succeeding fifth year for each issue, with a final payment required to be made within 60 days of retirement, maturity, or redemption of each issue. Arbitrage rebate is recorded as a reduction in interest income in the year paid. As of December 31, 2010 and 2009, the Corporation's rebate liability was \$29,868 and \$24,222, respectively.

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Corporation maintains cash balances in a financial institution located in New York State. Accounts at the institution are insured, up to certain limits, by the Federal Deposit Insurance Corporation (FDIC). At times, the Corporation has bank deposits in excess of amounts insured by the FDIC.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY
SUPPLEMENTAL INFORMATION - DEBT SERVICE FUNDING REQUIREMENT
December 31, 2010

For the year ending December 31,	2011	\$ 5,758,051
	2012	5,821,215
	2013	5,703,061
	2014	5,964,525
	2015	5,956,697
	2016	6,226,080
	2017	6,285,002
	2018	6,812,322
	2019	5,969,519
	2020	5,545,559
	2021	<u>3,058,163</u>
		<u>\$ 63,100,194</u>

**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
Municipal Assistance Corporation for the City of Troy
New York, New York

We have audited the financial statements of the Municipal Assistance Corporation for the City of Troy as of and for the year ended December 31, 2010, and have issued our report thereon dated March 24, 2011. 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 Municipal Assistance Corporation for the City of Troy'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 Municipal Assistance Corporation for the City of Troy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipal Assistance Corporation for the City of Troy's internal control over financial reporting.

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 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.

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 Municipal Assistance Corporation for the City of Troy'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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 10-01.

This report is intended solely for the information and use of management and the Board of Directors, 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
March 24, 2011

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF TROY

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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 Reported

Noncompliance material to financial statements? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Compliance Findings

10-01. Official Statement Not Posted on the Website

Criteria: Public Authorities Law, as amended in 2005 by the Public Authorities Accountability Act (PAAA), requires state and local authorities to post specific financial information and policies on the Authority's website.

Condition: The Corporation did not have its official statement for the Series 2010A posted on its website as required by the PAAA.

Cause: There does not appear to be a process in place to regularly review the Authority Budget Office (ABO) website for changes to the law.

Effect: Noncompliance with the PAAA.

Recommendation: Although we are aware the official statement has been posted on the website as of the date of this report, the Corporation should establish a process that an individual is responsible for reviewing the ABO website on a periodic basis for changes or updates to the law to ensure the Corporation is in compliance.

View of Responsible Official: The Corporation accepts the auditor's recommendation and has put in place a system, pursuant to its Internal Control Guidelines, for periodic reviews of the ABO website for changes and updates to the PAAA laws.