MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF TROY
123 William Street – 23rd Floor
New York, New York 10038
Telephone: (212) 417-5046
Fax: (212) 417-5055

Annual Investment Report

For the Period of January 1, 2018 – December 31, 2018

1. Investment Guidelines

   Attached.

2. Amendment to Investment Guidelines

   The Investment Guidelines were reviewed and approved by the Board of Trustees on March 15, 2019.

3. Report of Investments in Accordance with the Investment Guidelines

   See Attachment A.

4. Annual Independent Audit Report

   Attached 2017-2018 Financial Report – "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing standards*.

5. Investment Income of the Fund

   See Attachment B.

6. Fees, Commissions and Charges Paid to Investment Bankers, Etc.

   Trustee fees to the Bank of New York Mellon totaled $6,050 as disclosed in the 2018 Procurement Contract Report.

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Investment Guidelines
January 1, 2009
Adopted: March 29, 2010

I. Purpose

A. **Adoption.** These guidelines are adopted by the Board of Directors of the Municipal Assistance Corporation for the City of Troy (Corporation), effective as of January 1, 2009, pursuant to Section 2925 of the Public Authorities Law of the State of New York.

B. **Scope.** These guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Municipal Assistance Corporation on and after January 1, 2009. For purposes of these guidelines, funds of the Corporation are all monies and other financial resources available for investment by the Corporation on its own behalf or on behalf of any other entity or individual. All monies shall be invested at all times to the fullest extent practicable and in accordance with the yield, maturity and other requirements and restrictions set forth in these guidelines. In unforeseen circumstances, the Executive Director, with approval of the Board, shall have the right to waive those guidelines which are not mandated by resolution or statue when in the best interest of the Corporation.

C. **Review and Amendment.** These guidelines shall be renewed and approved by the Board of Directors annually and may be amended by the Board of Directors from time to time.

D. **Investment Policy.** These guidelines which incorporate the investment guidelines for Public Authorities promulgated by the Office of the State Comptroller constitute the investment policy of the Corporation.

II. Permitted Obligations

Monies in funds and accounts of the Corporation may be invested, subject to applicable provisions of the Bond Resolutions, in the following:

A. Direct obligations of the United States of America, direct obligations of the State of New York, or obligations the principal of and interest on which are guaranteed by the United States of America or the State of New York;

B. Any bond, debenture, note, participation or other familiar obligation issued by either of the following Federal agencies and backed by the full faith and credit of the United States of America: Government National Mortgage Association and Farmers Home Administration;

C. Time deposits or other interest bearing accounts secured by direct obligations of, or guaranteed by, the United States of America or repurchase agreements in accordance with the provisions of Section III (F) of these guidelines.

III. Conditions of Investment

A. The monies of the Corporation shall be invested pursuant to the following conditions:

1. Yields. Investments are to be made in permitted obligations at yields equal to or greater than yields available on United States Treasury obligations of comparable maturity except when necessary to comply with restrictions or rebate requirements under Federal tax law.

2. Maturities. The maturity structures of investments are to reflect both current and anticipated market yield in an effort to maximize total returns over the investment horizon given the anticipated distribution of funds, and taking into consideration the dates and times when such monies will be required. No investment shall be made that has a maturity subsequent to January 15, 2022.

3. Debt Service Reserve Fund. An amount in the Debt Service Reserve Fund equal to at least one-half of the maximum amount of aggregate debt service due for any period of twelve consecutive months commencing January 15 on all outstanding bonds (with certain exceptions that do not currently apply)

shall be invested in obligations permitted under the General Bond Resolution.

B. **Sales of Securities.** A security may be sold provided that:

1. If at a profit, at any time; or
2. If at a loss, if the incremental principal and income to be achieved through the reinvestment of the proceeds of such sale will be equal to or greater than the loss incurred in such sale during the remaining time to the maturity of the original investment; or
3. If at a loss, offsetting profits are realized through the sale of other obligations; or
4. If at a loss, the proceeds are invested in shorter or longer maturity investments in anticipation of significant changes in interest rates such that expected total rate of return or the purchased item will exceed that of the item sold over a one-year period; or
5. If at a loss, if the resulting proceeds are invested in shorter maturities as a result of (a) adjustments in the expected schedule of disbursements or (b) an effort to reduce the market impairment of the account.
6. Notwithstanding the standards set forth in Subsections (1) through (5) above, no security which is an investment in the Debt Service Reserve Fund may be sold if as a result of such sale the aggregate amortized cost of the investments of the Reserve Fund would be reduced to an amount less than the respective Debt Service Reserve Fund Requirement.
7. Notwithstanding any of the above, in the event that the monies on deposit in the Debt Service Reserve Fund are required in accordance with Section 507 of the resolution, obligations may in all events be sold to the extent required in the following order:
    a. Obligations in which the present market value exceeds the amortized cost carrying basis;
    b. Obligations in which the present market value equals the amortized cost carrying basis;
    c. Obligations in which the present market value is less that the amortized cost carrying basis.

C. **SLGS.** Investments may be made in United States Treasury Obligations-State and Local Government Series ("SLGS") to comply with the arbitrage regulations promulgated under Section 103(c) of the Internal Revenue Code as required.

D. **Competition.** Whenever prudent, securities transactions should be completed on a competitive bid basis.

E. **Parties.** The following are the standards for the qualifications of brokers, agents, dealers, investment advisers and custodians:

1. **Brokers, Agents, Dealers**
   a. In Government Securities: any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (included in the then current "List of Government Security Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York").
   b. In Municipal Securities: any broker, agent or dealer registered with the Municipal Securities Rulemaking Board.
2. Investment Advisers: any bank or trust company organized under the laws of any state of the United States of America or any national banking association, any firm or person which is registered with the Securities and Exchange Commission under the Investment Adviser Act of 1940.
3. Custodians: any bank or trust company organized under the laws of any state of the United States of America or any national banking association.

F. **Repurchase Agreements.**

1. The Corporation is permitted to enter into repurchase agreements when practicable to ensure that all funds of the Corporation are fully invested. The Corporation shall not enter into reverse repurchase agreements.
2. The Corporation may enter into repurchase agreements with certain banks. An approved list of banks may be established by the Board.
3. The Corporation shall engage in repurchase agreement transactions only with those banks that have a master repurchase agreement contract with the Corporation.

G. **Payments.** Payment for investments shall be made by the Corporation's custodian only upon presentation of the physical security accompanied by the necessary collateral in the case of time deposits and repurchase agreements. In the case of book entry form securities, payment may be made only when credited for the custodian's account at the Federal Reserve Bank of the purchased securities received. The custodian may act on verbal instructions from an authorized person, to be followed immediately by written instructions by an authorized officer.

H. **Written Contracts.** With the exception of forward purchase and delivery agreements, the Corporation shall not be required to enter into written contracts for the purchase of investments.

IV. Reports

A. **Audit Report.** The independent auditors shall prepare an annual audit report of the Corporation's investments for each fiscal year of the Corporation and submit such report to the Board of Directors for approval at the time of the annual meeting.

B. **Investment Report.** Annually, the Executive Director shall prepare and the Board of Directors shall review and approve an Investment Report, covering the fiscal year of the Corporation, to be submitted to the Authority Budget Office within 90 days of the Corporation's fiscal year, which shall include:

1. The Investment Guidelines;
2. An explanation of the Guidelines and any amendments made since the date of the immediately preceding Investment Report;
3. The independent audit report required by Subsection (1) above;
4. The investment income record of the Corporation for the fiscal year; and
5. A list of fees, commissions or other charges paid to each agent rendering investment associated services to the Corporation during the fiscal year.

V. Applicability

These guidelines shall govern all investments initiated by the Municipal Assistance Corporation for the City of Troy on and after January 1, 2009. Amendments to these guidelines shall govern all investments initiated by the Corporation on or after the respective dates of their adoption. Nothing contained in these guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these guidelines.

Attachment A

Municipal Assistance Corporation for the City of Troy

Report of Investments in Marketable and Other Securities

	December 31, 2018		
	Principal	Market	Cost
Marketable Securities:			
Debt Service Fund			
U.S. Treasury obligations maturing in less than one year	$7,101,000	$7,097,450	$7,097,289
Debt Service Reserve Fund			
U.S. Treasury obligations maturing in less than one year	$3,060,000	$3,058,745	$3,054,584
U.S. Treasury obligations maturing in five years or greater	176,000	176,000	176,000
Total Debt Service Reserve Fund	$3,236,000	$3,234,745	$3,230,584

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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, 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 financial statements of the governmental activities and each major fund of the Municipal Assistance Corporation for the City of Troy (Corporation) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 Corporation'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albany, New York
March 15, 2019

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Attachment B

Municipal Assistance Corporation for the City of Troy
Annual Investment Report
Record of Income

	2018 Annual Income
Debt Service Fund	$ 114,393
Debt Service Reserve Fund	181,915
Operating Fund	-
Total cash investment income	$296,308
Adjustments:	
Arbitrage rebate requirement	(7,369)
Total investment income	$288,939