



**Municipal Assistance Corporation
for the City of Troy**

Financial Report

December 31, 2021 and 2020

Municipal Assistance Corporation for the City of Troy

Financial Report

December 31, 2021 and 2020

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Municipal Assistance Corporation for the City of Troy (Corporation) (a public benefit corporation), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1a to the financial statements, the Corporation was created in 1995 to sell bonds and notes to provide funds for various purposes, including the repayment of certain obligations of the City of Troy, New York. During 2021, legislation was enacted providing for the termination of the Corporation within one year of the repayment of any remaining obligations. The termination is expected to occur in 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) on pages 4 to 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Albany, New York
March 15, 2022



Municipal Assistance Corporation for the City of Troy

Management's Discussion and Analysis December 31, 2021 and 2020

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) as of and for the years ended December 31, 2021 and 2020. Please read it in conjunction with the basic financial statements that appear on pages 10 through 18 of this report.

Overview of the Financial Statements

The financial statements consist of two parts - management's discussion and analysis (this section) and the basic financial statements. The basic financial statements consist of two statements that present different views of the Corporation:

- The governmental funds 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 (U.S. GAAP), the governmental funds and government-wide 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

Net position increased by approximately \$2,928,000, \$5,526,000, and \$6,039,000 for the years ended December 31, 2021, 2020, and 2019, respectively, as follows:

Condensed Statement of Net Position (in Thousands)

	December 31,				
	2021	2021 vs. 2020	2020	2020 vs. 2019	2019
Current assets	\$ 8,030	-22.57%	\$ 10,370	1.25%	\$ 10,242
Current liabilities	\$ 2,555	-53.53%	\$ 5,498	-8.08%	\$ 5,981
Long-term liabilities	-	-100.00%	2,325	-67.89%	7,240
Total liabilities	2,555	-67.34%	7,823	-40.83%	13,221
Net position	5,475	-114.95%	2,547	185.50%	(2,979)
Total liabilities and net position	\$ 8,030	-22.57%	\$ 10,370	1.25%	\$ 10,242

Municipal Assistance Corporation for the City of Troy

Management's Discussion and Analysis December 31, 2021 and 2020

Financial Analysis of the Corporation - Continued

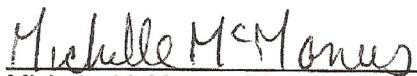
Condensed Statement of Activities (in Thousands)

	Years Ended December 31,				
	2021	2021 vs. 2020	2020	2020 vs. 2019	2019
Revenues	\$ 3,194	-47.38%	\$ 6,070	-11.66%	\$ 6,871
Expenses	266	-51.10%	544	-34.62%	832
Net change in fund balances and change in net position	2,928	-47.01%	5,526	-8.49%	6,039
Net position, <i>beginning of year</i>	2,547	185.50%	(2,979)	66.97%	(9,018)
Net position, <i>end of year</i>	\$ 5,475	-114.96%	\$ 2,547	185.50%	\$ (2,979)

During 2021, legislation was enacted providing for the termination of the Corporation within one year of the repayment of any remaining obligations. In January 2022, all remaining bond and note obligations were repaid and excess funds of \$2,952,042 from the Debt Service Fund were transferred to the City of Troy. In March 2022, excess funds of \$2,365,000 from the Debt Service Reserve Fund were transferred to the City of Troy. All remaining excess funds are expected to be transferred to the City during 2022 and the Corporation will be terminated in 2022.

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 80 Maiden Lane, Suite 402, New York, New York 10038.



Michelle McManus, Director of Finance



Iwona Matusiak, Deputy Director of Finance

Municipal Assistance Corporation for the City of Troy

Governmental Funds Balance Sheet and Government-Wide Statement of Net Position

	December 31, 2021					
	Operating Fund	Debt Service Fund	Debt Service Reserve Fund	Total Governmental Funds	Reconciliation Adjustments	Total Governmental Activities
ASSETS						
Cash	\$ 94,905	\$ 813	\$ 461	\$ 96,179	\$ -	\$ 96,179
Investments in securities	-	5,474,951	2,362,044	7,836,995	-	7,836,995
Accrued interest on securities	-	-	27,313	27,313	-	27,313
Prepaid expense	500	-	-	500	-	500
Other receivable	-	-	-	-	68,629	68,629
Total assets	<u>\$ 95,405</u>	<u>\$ 5,475,764</u>	<u>\$ 2,389,818</u>	<u>\$ 7,960,987</u>	<u>68,629</u>	<u>8,029,616</u>
LIABILITIES						
Accrued interest on bonds	\$ -	\$ 8,092	\$ -	\$ 8,092	-	8,092
Accounts payable	8,657	-	-	8,657	-	8,657
Accrued liabilities	-	-	-	-	27,919	27,919
Bonds and loans payable						
Due within one year	-	-	-	-	2,510,283	2,510,283
Total liabilities	<u>8,657</u>	<u>8,092</u>	<u>-</u>	<u>16,749</u>	<u>2,538,202</u>	<u>2,554,951</u>
FUND BALANCE						
Nonspendable	500	-	-	500	(500)	-
Restricted	-	5,467,672	2,389,818	7,857,490	(7,857,490)	-
Unassigned	86,248	-	-	86,248	(86,248)	-
Total fund balance	<u>86,748</u>	<u>5,467,672</u>	<u>2,389,818</u>	<u>7,944,238</u>	<u>(7,944,238)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 95,405</u>	<u>\$ 5,475,764</u>	<u>\$ 2,389,818</u>	<u>\$ 7,960,987</u>		
Total net position					<u>\$ 5,474,665</u>	<u>\$ 5,474,665</u>

See accompanying Notes to Financial Statements.

Municipal Assistance Corporation for the City of Troy

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Government-Wide Statement of Activities

	Year Ended December 31, 2021				
	Operating Fund	Debt Service Fund	Debt Service Reserve Fund	Total Governmental Funds	Total Governmental Activities
PROGRAM REVENUES					
Income from investments, net	\$ -	\$ 2,872	\$ 43,186	\$ 46,058	\$ 184,288
Draws on pledge revenues	-	3,009,388	-	3,009,388	3,009,388
Total program revenues	-	3,012,260	43,186	3,055,446	3,193,676
EXPENDITURES/EXPENSES					
Debt service					
Principal paid on bonds	-	5,370,000	-	5,370,000	-
Interest, accretion, and amortization of premiums on bonds	-	18,484	-	18,484	204,000
Debt administration	19,876	-	-	19,876	19,876
General administration	42,490	-	-	42,490	42,490
Total expenditures/expenses	62,366	5,388,484	-	5,450,850	266,366
Excess (deficiency) of revenues over expenditures/expenses	(62,366)	(2,376,224)	43,186	(2,395,404)	2,927,310
OTHER FINANCING SOURCES (USES)					
Transfers (from) to operating fund	51,500	(51,500)	-	-	-
Transfers (from) to debt service	-	652,737	(652,737)	-	-
Transfers (from) to debt service reserve	67,842	-	(67,842)	-	-
Net change in fund balances and change in net position	56,976	(1,774,987)	(677,393)	(2,395,404)	2,927,310
FUND BALANCE/NET POSITION, <i>beginning of year</i>	29,772	7,242,659	3,067,211	10,339,642	2,547,355
FUND BALANCE/NET POSITION, <i>end of year</i>	\$ 86,748	\$ 5,467,672	\$ 2,389,818	\$ 7,944,238	\$ 5,474,665

See accompanying Notes to Financial Statements.

Municipal Assistance Corporation for the City of Troy

Governmental Funds Balance Sheet and Government-Wide Statement of Net Position

	December 31, 2020					
	Operating Fund	Debt Service Fund	Debt Service Reserve Fund	Total Governmental Funds	Reconciliation Adjustments	Total Governmental Activities
ASSETS						
Cash	\$ 36,785	\$ 48	\$ 461	\$ 37,294	\$ -	\$ 37,294
Investments in securities	-	7,261,776	3,038,635	10,300,411	-	10,300,411
Accrued interest on securities	-	-	28,115	28,115	-	28,115
Prepaid expense	4,671	-	-	4,671	-	4,671
Total assets	<u>\$ 41,456</u>	<u>\$ 7,261,824</u>	<u>\$ 3,067,211</u>	<u>\$ 10,370,491</u>	<u>-</u>	<u>10,370,491</u>
LIABILITIES						
Accrued interest on bonds	\$ -	\$ 19,165	\$ -	\$ 19,165	-	19,165
Accounts payable	11,684	-	-	11,684	-	11,684
Accrued liabilities	-	-	-	-	97,520	97,520
Bonds and loans payable						
Due within one year	-	-	-	-	5,370,000	5,370,000
Due after one year	-	-	-	-	2,324,767	2,324,767
Total liabilities	<u>11,684</u>	<u>19,165</u>	<u>-</u>	<u>30,849</u>	<u>7,792,287</u>	<u>7,823,136</u>
FUND BALANCE						
Nonspendable	4,671	-	-	4,671	(4,671)	-
Restricted	-	7,242,659	3,067,211	10,309,870	(10,309,870)	-
Unassigned	25,101	-	-	25,101	(25,101)	-
Total fund balance	<u>29,772</u>	<u>7,242,659</u>	<u>3,067,211</u>	<u>10,339,642</u>	<u>(10,339,642)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 41,456</u>	<u>\$ 7,261,824</u>	<u>\$ 3,067,211</u>	<u>\$ 10,370,491</u>		
Total net position					<u>\$ 2,547,355</u>	<u>\$ 2,547,355</u>

See accompanying Notes to Financial Statements.

Municipal Assistance Corporation for the City of Troy

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Government-Wide Statement of Activities

	Year Ended December 31, 2020				
	Operating Fund	Debt Service Fund	Debt Service Reserve Fund	Total Governmental Funds	Total Governmental Activities
PROGRAM REVENUES					
Income from investments, net	\$ -	\$ 58,995	\$ 175,660	\$ 234,655	\$ 169,925
Draws on pledge revenues	-	5,900,064	-	5,900,064	5,900,064
Total program revenues	-	5,959,059	175,660	6,134,719	6,069,989
EXPENDITURES/EXPENSES					
Debt service					
Principal paid on bonds	-	5,910,000	-	5,910,000	-
Interest, accretion, and amortization of premiums on bonds	-	42,429	-	42,429	496,247
Debt administration	7,925	-	-	7,925	7,925
General administration	39,975	-	-	39,975	39,975
Total expenditures/expenses	47,900	5,952,429	-	6,000,329	544,147
Excess (deficiency) of revenues over expenditures/expenses	(47,900)	6,630	175,660	134,390	5,525,842
OTHER FINANCING SOURCES (USES)					
Transfers (from) to operating fund	51,500	(51,500)	-	-	-
Transfers (from) to debt service	-	179,174	(179,174)	-	-
Net change in fund balances and change in net position	3,600	134,304	(3,514)	134,390	5,525,842
FUND BALANCE/NET POSITION, beginning of year	26,172	7,108,355	3,070,725	10,205,252	(2,978,487)
FUND BALANCE/NET POSITION, end of year	\$ 29,772	\$ 7,242,659	\$ 3,067,211	\$ 10,339,642	\$ 2,547,355

See accompanying Notes to Financial Statements.

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and 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 was amended during 2021 to provide for the following:

1. Upon payment in full of all outstanding bonds or notes issued by the Corporation and payment of all amounts required to be paid to the United States Government for rebate liabilities (see note 8), any remaining funds are authorized and directed to be paid directly to the City.
2. The Corporation shall be terminated by resolution of the board within one year of after all its liabilities have been fully paid and discharged.

In January 2022, all remaining bond and note obligations were repaid and excess funds of \$2,952,042 in the Debt Service Fund were transferred to the City. In March 2022, excess funds of \$2,365,000 from the Debt Service Reserve Fund were transferred to the City of Troy. Remaining excess funds are expected to be transferred to the City during 2022 and the Corporation will be terminated in 2022.

b. Basis of Accounting and Financial Statement Presentation

The Corporation's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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 funds 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.

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Basis of Accounting and Financial Statement Presentation

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.

d. Reconciliation Adjustments

The reconciliation adjustment columns in the accompanying financial statements present the items necessary to convert the "fund" financial statements to the "government-wide" financial statements which are prepared on the accrual basis. 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 reported in the "fund" financial statements to net position balances reported in the "government-wide" financial statements; record the bonds payable, bond premium liability and the related amortization, as well as the accrual of any arbitrage rebate liabilities.

e. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting year. Actual results could differ from those estimates.

f. Fair Value Measurement

The Corporation reports certain assets at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

g. Investments in Securities

Investments in securities in the Debt Service Reserve Fund are carried at amortized cost. Investments in securities in the Debt Service Fund are carried at the lower of cost or fair value. Investments in securities, if any, in the Operating Fund are carried at the lower of cost or fair 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.

h. 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 31st, if by that date such amount has been segregated for that purpose by the Trustee under the Corporation's General Bond Resolution.

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Bonds and Loans Payable - Continued

Bond premiums on the Corporation's Series 2010A Bonds were being amortized over the life of the bond using the effective interest method. The annual amortization was offset against interest expense over the life of the bond.

i. Fund Balance

The Corporation accounts for and reports its fund balances into specifically defined classifications. Fund balance classifications are based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications fall into two categories, Restricted and Unrestricted, and are as follows:

Restricted Fund Balance

- *Nonspendable* - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. The Corporation's nonspendable fund balance consists of amounts for prepaid expenses.
- *Restricted* - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Corporation's restricted fund balance consists of amounts for debt service requirements.

Unrestricted Fund Balance

- *Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority. The Corporation had no committed funds at December 31, 2021 or 2020.
- *Assigned* - Amounts that are constrained only by the government's *intent* to be used for a specified purpose but are not restricted or committed in any manner. The Corporation had no assigned funds at December 31, 2021 or 2020.
- *Unassigned* - The residual amount in the general fund after all of the other classifications have been established.

j. Tax Status

The Corporation is exempt from federal, state, and local income taxes.

k. Revenue and Expense Recognition

In the Debt Service Fund, draws on pledge revenues are derived from sales tax and State aid and 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 incurred. 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 due to the United States of America for certain excess earnings. Income from investments, if any, in the Debt Service Fund will include unrealized losses on investments. Income from investments also includes the accrual of any federal arbitrage rebates or liabilities.

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

1. Subsequent Events

The Corporation has evaluated subsequent events for potential recognition or disclosure through March 15, 2022, the date the financial statements were available to be issued.

Note 2 - Investments in Securities

The Corporation had the following investments and maturities:

December 31, 2021			
	Principal	Fair Value	Cost
Marketable Securities			
Debt Service Fund			
U.S. Treasury obligations maturing in less than one year	<u>\$ 5,475,000</u>	<u>\$ 5,475,817</u>	<u>\$ 5,474,951</u>
Debt Service Reserve Fund			
U.S. Treasury obligations maturing in less than one year	<u>\$ 2,365,000</u>	<u>\$ 2,366,892</u>	<u>\$ 2,362,044</u>
December 31, 2020			
	Principal	Fair Value	Cost
Marketable Securities			
Debt Service Fund			
U.S. Treasury obligations maturing in less than one year	<u>\$ 7,262,000</u>	<u>\$ 7,261,979</u>	<u>\$ 7,261,776</u>
Debt Service Reserve Fund			
U.S. Treasury obligations maturing in less than one year	<u>\$ 3,043,000</u>	<u>\$ 3,044,704</u>	<u>\$ 3,038,635</u>

a. Fair Value Hierarchy

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Corporation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

Note 2 - Investments in Securities - Continued

a. Fair Value Hierarchy - Continued

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 2021 and 2020:

U.S Treasury Obligations: Valued at yields currently available on comparable securities of issuers with similar credit ratings.

The method described above may produce a fair value calculation that may not be reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy, the major category of the Corporation's investments of the Debt Service Fund, which are measured at fair value either for reporting purposes (if fair value is lower than cost) or disclosure purposes (if cost is lower than fair value). The Corporation's investments of the Debt Service Reserve Fund are excluded because they are valued at amortized cost on a recurring basis without consideration of fair value. (See Note 1.f.)

		December 31, 2021			
		Level 1	Level 2	Level 3	Total
Debt Service Fund:					
U.S. Treasury Obligations		\$ -	\$ 5,475,817	\$ -	\$ 5,475,817
		December 31, 2020			
		Level 1	Level 2	Level 3	Total
Debt Service Fund:					
U.S. Treasury Obligations		\$ -	\$ 7,261,979	\$ -	\$ 7,261,979

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

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, 2021, the Corporation had issued approximately \$68 million of bonds and notes of the \$71 million authorized 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.

b. 2010A Refunding Bonds

On November 30, 2010, the Corporation refunded the Series 1996A Bonds and a portion of the Series 1999B Bonds with Series 2010A General Resolution Refunding 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. The remaining 2010A Refunding Bonds bear interest at a rate of 4.50 percent payable semi-annually. Principal is payable on an annual basis, with a final maturity of \$390,000 on January 15, 2022.

c. Capital Appreciation Bonds

The Corporation's Series 1996B and 1996C Capital Appreciation Bonds are payable at maturity value on a semi-annual basis through January 2022. The interest yield on the remaining Capital Appreciation Bonds is 5.72 percent and accretes through the stated maturity dates. The annual maturity values of the remaining Capital Appreciation Bonds are \$2.125 million at December 31, 2022.

d. Debt Service Payment and Funding Requirements

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

	December 31,	
	2021	2020
Series 1996B Capital Appreciation Bonds	\$ -	\$ 869,774
Series 1996C Capital Appreciation Bonds	514,866	864,600
Series 2010A Refunding Bonds	390,000	955,000
	904,866	2,689,374
Bond accretion - Series 1996B and 1996C	1,605,417	5,005,393
	<u>\$ 2,510,283</u>	<u>\$ 7,694,767</u>

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

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' and loans' year ending, is as follows:

	Principal *	Interest	Total
For the year ending January 15, 2022	<u>\$ 2,515,000</u>	<u>\$ 8,775</u>	<u>\$ 2,523,775</u>

* Includes Series 1996C capital appreciation bonds at their maturity values, with future bond accretion of \$4,717.

The Corporation's Series 2010A refunding bonds were sold at a net premium of \$640,444. Unamortized premiums were included in the carrying amount of the bonds. The amount of premium cost that was amortized during the year ending December 31, 2020 was \$1,168.

The changes in bonds and loans payable were as follows:

	Balance at December 31, 2020	Bond Accretion/ Amortization	Payments	Balance at December 31, 2021
Bonds and loans payable	<u>\$ 7,694,767</u>	<u>\$ 185,516</u>	<u>\$ 5,370,000</u>	<u>\$ 2,510,283</u>

	Balance at December 31, 2019	Bond Accretion/ Amortization	Payments	Balance at December 31, 2020
Bonds and loans payable	\$ 13,149,781	\$ 454,986	\$ 5,910,000	\$ 7,694,767
Bond premium	1,168	(1,168)	-	-
	<u>\$ 13,150,949</u>	<u>\$ 453,818</u>	<u>\$ 5,910,000</u>	<u>\$ 7,694,767</u>

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.

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

Note 4 - Funding Methods - Continued

a. Sales Tax and State Aid - Continued

The amount of sales tax allocable to the City in each of the State fiscal years ended March 31, 2020 and 2021 was \$17,315,615 and \$17,161,563, respectively.

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, 2020 and 2021 was \$12,279,463.

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.

The Act provides that when the Corporation pays the proceeds of its bonds or notes to the City it will 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 will exclude from consideration any amounts due to be received from the City.

A supplementary 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 supplementary 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, 2021 and 2020, the Debt Service Reserve Fund balance was \$2,389,818 and \$3,067,211, 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.

Municipal Assistance Corporation for the City of Troy

Notes to Financial Statements December 31, 2021 and 2020

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, 2021 and 2020, such costs incurred totaled \$14,226 and \$13,057, respectively.

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, 2021 and 2020, the Corporation held \$904,866 and \$2,689,374, respectively, in principal amounts of repayment agreements and no City bonds or notes. There are no City bonds, notes, or repayment agreements recorded in the Corporation's financial statements.

Note 8 - Arbitrage Liabilities and Rebates

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 or increase in interest income in the year paid. As of December 31, 2021 and 2020, the Corporation's rebate liability was \$27,919 and \$97,520, respectively.

During 2021, the Corporation recorded a receivable related to a rebate overpayment of \$68,629 in prior years relating to the Corporation's Series 1996B and 1996C Capital Appreciation Bonds.

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). The investments in securities are backed by the full faith and credit of the United States government given the nature of the investments.

Note 10 - Accounting Standard Issued But Not Yet Implemented

GASB Statement No. 92, Omnibus 2021. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument technology. The requirements of this statement, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

Management has not estimated the extent of the potential impact of this statement on the Corporation's financial statements.



**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) (a public benefit corporation), as of and for the year ended December 31, 2021, 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, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

BST+Co.CPAs, LLP

Albany, New York
March 15, 2022

