

Troy Capital Resource Corporation

**Financial Statements as of
December 31, 2016
Together with
Independent Auditors Reports**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

April 6, 2017

To the Board of Directors
Troy Capital Resource Corporation
Troy, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Troy Capital Resource Corporation (TCRC) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise TCRC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Troy Capital Resource Corporation as of December 31, 2016, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TCRC's basic financial statements. The statement of indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statement of indebtedness has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2017, on our consideration of TCRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TCRC's internal control over financial reporting and compliance.

TROY CAPITAL RESOURCE CORPORATION

STATEMENT OF NET POSITION

DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 418,370 |
| Prepaid expenses | 75,000 |
| Total current assets | <u>493,370</u> |

NET POSITION

| | |
|--------------|-------------------|
| Unrestricted | \$ <u>493,370</u> |
|--------------|-------------------|

The accompanying notes are an integral part of these statements.

TROY CAPITAL RESOURCE CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2016

| | |
|---|-------------------|
| Operating Revenue | \$ 2,000 |
| Operating Expenses | |
| Economic development | 25,000 |
| Professional fees | 7,835 |
| Total operating expenses | <u>32,835</u> |
| Operating loss | (30,835) |
| Non-Operating Revenue | |
| Interest income | <u>40</u> |
| Decrease in Net Position | (30,795) |
| Net Position, <i>beginning of year</i> | <u>524,165</u> |
| Net Position, <i>end of year</i> | <u>\$ 493,370</u> |

The accompanying notes are an integral part of these statements.

TROY CAPITAL RESOURCE CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES

| | |
|----------------------------------|-------------------------|
| Payments received from customers | \$ 2,000 |
| Payments to vendors | (107,835) |
| | <u><u>(105,835)</u></u> |

CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES

| | |
|-----------------------------|------------------|
| Interest income | <u>40</u> |
| Net decrease in cash | (105,795) |

CASH AND CASH EQUIVALENTS, *beginning of year*

CASH AND CASH EQUIVALENTS, *end of year*

\$ 418,370

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

| | |
|------------------------------|----------------------------|
| Operating loss | \$ (30,835) |
| Changes in operating assets: | |
| Prepaid expenses | <u>(75,000)</u> |
| Operating cash flow | <u><u>\$ (105,835)</u></u> |

TROY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Purpose

The Troy Capital Resource Corporation (TCRC) was created during 2009 under Section 1411 of the New York State Not-For-Profit Corporation Law. TCRC, although established by the City Council of the City of Troy, New York (City), is a separate public benefit corporation and operates independently of the City.

TCRC was established to promote community and economic development for the citizens of the City by developing and providing programs to access low interest tax-exempt and non-tax exempt financing for eligible projects and undertaking projects and activities within the City for the purpose of relieving and reducing unemployment, improving job opportunities, attracting new industry, or encouraging the development of, or retention of, industry in the City. In return for its efforts, TCRC receives application and closing fees related to this financing.

b. Basis of Accounting and Financial Statement Presentation

TCRC's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to TCRC is determined by its measurement focus. The transactions of TCRC are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position. Net position is segregated into restricted and unrestricted components, as follows:

- *Restricted net position* consists of net position, if applicable that is restricted by the Board for specific purposes, and
- *Unrestricted net position* consists of net position that does not meet the definition of restricted net position.

c. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Tax Status

TCRC is exempt from federal, state, and local income taxes.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

e. Revenue Bonds

Revenue bonds issued by TCRC are secured by property which is leased to companies and is retired by these payments. The bonds are not obligations of TCRC or New York State. TCRC does not record the assets or liabilities resulting from bonds issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond holders, and funds arising there from are controlled by trustees or banks as fiscal agents. In exchange for providing this service, TCRC receives bond administration fees from the borrowing companies. Such administration fees are recognized upon issuance of the bonds.

At December 31, 2016 the outstanding balance of bonds issued aggregated \$416,785,000.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

Cash equivalents at December 31, 2016 consisted of municipal money market accounts which were fully insured or collateralized.

NOTE 3 - RELATED PARTY TRANSACTIONS

City of Troy

The City provides staff support and office space to TCRC without compensation. During 2016 TCRC provided \$100,000 to the City for financial consulting services, \$25,000 of which was recognized as a current expense, the remaining \$75,000 is a prepaid expense.

City of Troy Industrial Development Agency

TCRC's current Board of Directors is the same as that of the Troy Industrial Development Authority (Authority). There were no transactions during 2016 between TCRC and the Authority.

TROY CAPITAL RESOURCE CORPORATION

SUPPLEMENTARY INFORMATION - STATEMENT OF INDEBTEDNESS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016

| Project Description | Original Issue Date | Original Bond Issued | Current Interest Rate | Outstanding January 1, 2016 | Issued During 2016 | Principal Payments 2016 | Outstanding December 31, 2016 | Final Maturity Date |
|----------------------------------|----------------------------|------------------------------|------------------------------|------------------------------------|---------------------------|--------------------------------|--------------------------------------|----------------------------|
| Rensselaer Polytechnic Institute | 04/10 | \$ 311,630,000 | Varies | \$ 311,630,000 | \$ - | \$ - | \$ 311,630,000 | 09/40 |
| Rensselaer Polytechnic Institute | 06/10 | 47,180,000 | 3.00% | 39,510,000 | - | 6,740,000 | 32,770,000 | 09/21 |
| Rensselaer Polytechnic Institute | 11/15 | <u>74,045,000</u> | Varies | <u>74,045,000</u> | <u>-</u> | <u>1,660,000</u> | <u>72,385,000</u> | 08/35 |
| | | <u>\$ 432,855,000</u> | | <u>\$ 425,185,000</u> | <u>\$ -</u> | <u>\$ 8,400,000</u> | <u>\$ 416,785,000</u> | |

**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**

April 6, 2017

To the Board of Directors
Troy Capital Resource Corporation
Troy, New York

We have audited, in accordance with the 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 business-type activities of the Troy Capital Resource Corporation (TCRC), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the TCRC's basic financial statements, and have issued our report thereon dated April 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TCRC'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 TCRC's internal control. Accordingly, we do not express an opinion on the effectiveness of TCRC'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.

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**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**

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TCRC'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.