

**CITY OF TROY
INDUSTRIAL DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS - STATUTORY BASIS
and
REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

December 31, 2007

**CITY OF TROY
INDUSTRIAL DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS - STATUTORY BASIS
and
REPORTS OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

December 31, 2007

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
City of Troy Industrial Development Authority

We have audited the accompanying statement of net assets - statutory basis of the City of Troy Industrial Development Authority (Authority), as of December 31, 2007, and the related statements of revenues, expenses and changes in net assets - statutory basis and cash flows - statutory basis for the year then ended. These financial statements - statutory basis are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements - statutory basis based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements - statutory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements - statutory basis. 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 audit provides a reasonable basis for our opinion.

As more fully described in Note A2 to the financial statements, the City of Troy Industrial Development Authority prepared these financial statements using statutory accounting practices prescribed by the New York State Office of the State Comptroller and the New York State Authority Budget Office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Troy Industrial Development Authority as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with the statutory basis of accounting as described in Note A2.

In accordance with *Government Auditing Standards*, we have issued our report dated July 11, 2008, on our consideration of the City of Troy Industrial Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Bollam Sheedy Torani & Co. LLP

Albany, New York
July 11, 2008

CITY OF TROY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS - STATUTORY BASIS
December 31, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 346,312
Accounts receivable	107,651
Loans receivable, net, current installments	<u>2,637</u>
Total current assets	456,600

LOANS RECEIVABLE, net, less current installments 12,241

\$ 468,841

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deposits	\$ 160
Due to other governments	<u>75,653</u>
	75,813

NET ASSETS, unrestricted 393,028

\$ 468,841

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

CITY OF TROY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - STATUTORY BASIS
Year Ended December 31, 2007

OPERATING REVENUES	
Operating income	\$ 509,450
Refund of prior year expenses	<u>16,700</u>
	<u>526,150</u>
OPERATING EXPENSES	
Dues and memberships	359
Economic development	5,000
Insurance	1,834
Management fees	75,653
Office and general	2,506
Professional fees, audit	4,000
Professional fees, legal	<u>109,500</u>
	<u>198,852</u>
Operating income	327,298
OTHER REVENUES	
Interest income	<u>4,546</u>
CHANGE IN NET ASSETS	331,844
NET ASSETS, unrestricted, beginning of year	<u>61,184</u>
NET ASSETS, unrestricted, end of year	<u>\$ 393,028</u>

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

**CITY OF TROY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - STATUTORY BASIS
Year Ended December 31, 2007**

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES

Receipts from customers	\$ 526,150
Payments to vendors	(219,386)
	306,764

CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES

Interest income	4,546
Proceeds of loan receivable	2,512
	7,058

Net increase in cash	313,822
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CASH, <i>beginning of year</i>	32,490
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CASH, <i>end of year</i>	\$ 346,312
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**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income	\$ 327,298
Changes in operating assets and liabilities	
Prepaid	650
Due from other governments	2,900
Due to other governments	3,280
Accounts payable	(27,364)
	\$ 306,764

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

CITY OF TROY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Organization and Purpose

The City of Troy Industrial Development Authority (Authority) was created in 1967 by the State Legislature under the provisions of Chapter 759 of the 1967 Laws of New York State for the purpose of encouraging economic growth in the City of Troy (City). The Authority, although established by the State Legislature, is a separate public benefit corporation and operates independently of the City.

The Authority's function is to authorize the issuance of industrial revenue bonds for industrial development projects and to assist businesses in acquiring or constructing various facilities in order to provide job opportunities and increase economic welfare. In return for its efforts, the Authority receives application and closing fees related to this business financing.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements - statutory basis follows.

2. Basis of Accounting

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

In preparing the financial statements on the statutory basis, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Income Taxes

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

4. Industrial Revenue Bonds and Notes Transactions

Certain industrial development revenue bonds and notes issued by the Authority are secured by property which is leased to companies and is retired by these payments. The bonds and notes are *not* obligations of the Authority or New York State. The Authority does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks as fiscal agents. For providing this service, the Authority receives bond administration fees from the borrowing companies. Such administration fee income is recognized immediately upon issuance of bonds and notes.

At December 31, 2007, the original issue value of bonds issued aggregated \$276,041,700, and the outstanding balance was \$269,534,253.

**CITY OF TROY
INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2007**

NOTE B - CASH AND CASH EQUIVALENTS

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

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

Cash and cash equivalents at December 31, 2007, consisted of demand accounts of \$346,312 which were fully collateralized.

NOTE C - ACCOUNTS RECEIVABLE

The Authority incurred certain costs associated with preliminary testing of environmental issues for property located in the City of Troy. This testing was done in connection with the Authority's application for a Brownfields Economic Development Grant (Grant). The Grant was awarded to the City during 2006, and the Authority has submitted for reimbursement of these costs totaling \$107,651. The Authority does not expect to incur any additional costs related to this grant.

NOTE D - LOANS RECEIVABLE, NET

During 1993, the Authority implemented an economic development loan program with the primary objective of stimulating the City's economic base in order to create new job opportunities. Loans were made to eligible borrowers meeting targeted criteria amounts ranging from \$30,000 to \$100,000 and at interest rates ranging from two to six percent. An allowance has been provided against certain accounts based on management's review and collection history.

A summary of the loan fund at December 31, 2007, is as follows:

Total loans receivable	\$ 126,347
Less allowance for doubtful accounts	<u>111,469</u>
	14,878
Less current portion	<u>2,637</u>
	<u><u>\$ 12,241</u></u>

NOTE E - DUE TO OTHER GOVERNMENTS

The Authority reimburses the City of Troy annually for services and support personnel provided to the Authority during the year. The City of Troy has requested reimbursement of \$75,653 for support provided for the year ended December 31, 2007.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
SUPPLEMENTAL INFORMATION**

Board of Directors
City of Troy Industrial Development Authority

We were engaged to audit the financial statements - statutory basis of the City of Troy Industrial Development Authority as of December 31, 2007, in accordance with standards established by the American Institute of Certified Public Accountants. The supplemental information listed in the Contents of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements - statutory basis. Such information is presented in accordance with guidelines of the New York Office of the State Comptroller and the New York State Authority Budget Office. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements - statutory basis and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements - statutory basis taken as a whole.

Bollam Sheedy Torani & Co LLP

Albany, New York
July 11, 2008

**CITY OF TROY
INDUSTRIAL DEVELOPMENT AUTHORITY**

**STATEMENT OF INDEBTEDNESS - STATUTORY BASIS
Year Ended December 31, 2007**

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Original Bond Issued</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2007</u>	<u>Issued During 2007</u>	<u>Principal Payments 2007</u>	<u>Outstanding December 31, 2007</u>	<u>Final Maturity Date</u>
Martin Foods of S. Burlington Inc.	10/91	\$ 5,966,700	6.03%	\$ 633,826	\$ -	\$ 618,980	\$ 14,846	06/09
The Arts Center of the Capital Region	04/00	1,200,000	8.50%	658,653	-	14,246	644,407	07/16
Rensselaer Polytechnic Institute	05/02	218,875,000	5.63%	218,875,000	-	-	218,875,000	07/31
Rensselaer Polytechnic Institute	12/07	<u>50,000,000</u>	5.00%	<u>-</u>	<u>50,000,000</u>	<u>-</u>	<u>50,000,000</u>	09/37
		<u>\$276,041,700</u>		<u>\$ 220,167,479</u>	<u>\$ 50,000,000</u>	<u>\$ 633,226</u>	<u>\$ 269,534,253</u>	

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
City of Troy Industrial Development Authority

We have audited the financial statements - statutory basis of the City of Troy Industrial Development Authority as of and for the year ended December 31, 2007, and have issued our report thereon dated July 11, 2008. 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 Authority'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 - statutory basis, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Authority's financial statements - statutory basis that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements - statutory basis will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

As part of obtaining reasonable assurance about whether the Authority's financial statements - statutory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement - statutory basis amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Bollam Sheedy Torani & Co LLP

Albany, New York
July 11, 2008