

Troy Local Development Corporation

Financial Statements

December 31, 2015 and 2014

Troy Local Development Corporation

Financial Statements

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CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11-12

Independent Auditor's Report

Board of Directors
Troy Local Development Corporation
Troy, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Troy Local Development Corporation (TLDC), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TLDC as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2016, on our consideration of the TLDC'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 the TLDC's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
April 22, 2016



Troy Local Development Corporation

Statements of Net Position

	December 31,	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 638,392	\$ 1,369,991
Cash and cash equivalents, restricted	-	85,140
Accounts receivable, net	27,050	6,779
Loans receivable, current installments, net	289,241	146,838
Prepaid expenses	94,728	21,520
Total current assets	1,049,411	1,630,268
LONG-TERM ASSETS		
Property held for development and resale, net	2,895,257	3,027,232
Loans receivable, less current installments, net	526,465	275,780
Security deposits	1,650	-
	3,423,372	3,303,012
	\$ 4,472,783	\$ 4,933,280
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,709	\$ 15,452
Accrued interest	31,566	40,887
Grants payable	192,734	85,000
Deposits held	-	20,000
Deferred grant revenue	-	54,459
Loan payable, current installments	139,167	167,000
Total current liabilities	367,176	382,798
LOAN PAYABLE, less current installments	1,386,666	1,831,000
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Restricted	-	85,140
Unrestricted	2,718,941	2,634,342
	2,718,941	2,719,482
	\$ 4,472,783	\$ 4,933,280

See accompanying Notes to Financial Statements.

Troy Local Development Corporation

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2015	2014
OPERATING REVENUES		
State and federal grants	\$ 54,479	\$ 108,903
Rental income	69,672	126,777
Contributions	32,500	-
	156,651	235,680
OPERATING EXPENSES		
Economic development grants	301,560	166,507
Professional fees, legal	82,382	86,810
Professional fees, engineering	62,755	35,194
Lease termination fees	60,000	-
Insurance	23,888	36,086
Repairs and maintenance	18,911	16,820
Provision for bad debts	(33,157)	96,831
Professional fees, accounting	11,320	8,600
Property taxes	10,085	23,570
Depreciation	9,188	8,776
Other	9,040	9,488
Utilities	3,838	13,650
Professional fees, other	145	96,167
	559,955	598,499
Operating loss	(403,304)	(362,819)
NONOPERATING REVENUE (EXPENSE)		
Interest expense	(95,337)	(102,383)
Interest income	26,415	21,198
Gain (loss) on sale of property	471,685	(39,556)
	402,763	(120,741)
CHANGE IN NET POSITION	(541)	(483,560)
NET POSITION, <i>beginning of year</i>	2,719,482	3,203,042
NET POSITION, <i>end of year</i>	\$ 2,718,941	\$ 2,719,482

See accompanying Notes to Financial Statements.

Troy Local Development Corporation

Statements of Cash Flows

	Years Ended December 31,	
	2015	2014
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 64,859	\$ 152,365
Contributions received	10,000	-
Payments to vendors	(586,622)	(450,785)
	(511,763)	(298,420)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Loan advances	(359,017)	(186,800)
Loan repayments	307,479	50,895
Interest received	26,415	18,884
	(25,123)	(117,021)
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Decrease in restricted cash	85,140	172,458
Purchase of capital assets	(33,028)	(230,886)
Proceeds from sale of property held for development and resale	330,000	10,000
Payment on loan payable	(472,167)	(167,000)
Interest paid	(104,658)	(105,258)
	(194,713)	(320,686)
Net decrease in cash and cash equivalents	(731,599)	(736,127)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	1,369,991	2,106,118
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 638,392	\$ 1,369,991
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (403,304)	\$ (362,819)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	9,188	8,776
Bad debts (recoveries)	(33,157)	103,883
Non-cash contributions	(22,500)	-
Changes in operating assets and liabilities		
Accounts receivable	(28,664)	5,521
Prepaid expenses	(73,208)	22,035
Security deposits	(1,650)	-
Accounts payable and accrued expenses	(11,743)	(71,980)
Deferred revenue	(54,459)	(108,836)
Grants payable	107,734	85,000
Deposits held	-	20,000
	\$ (511,763)	\$ (298,420)

See accompanying Notes to Financial Statements.

Troy Local Development Corporation

Notes to Financial Statements
December 31, 2015 and 2014

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization and Purpose

The Troy Local Development Corporation (TLDC), a private not-for-profit corporation, was established in 1987 for the purposes of constructing, acquiring, rehabilitating, and improving buildings or sites in the City of Troy, New York (City), or to assist financially in the construction, acquisition, rehabilitation, and improvement of buildings or sites within the City, and to foster employment opportunities for City residents, including business retention and attraction, and job creation and retention.

The TLDC is a public instrumentality of and supporting organization for, but is separate and apart from, the City.

b. Basis of Accounting and Financial Statement Presentation

The TLDC's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 the TLDC is determined by its measurement focus. The transactions of the TLDC are accounted for on 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 assets that are restricted by the Board for specific purposes, and
- *Unrestricted net position* consists of assets and liabilities that do 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 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. Receivables

Accounts receivable consist of amounts due from lessees based on rental agreements, interest from loans, late charges on loans, and receivables related to Payment in Lieu of Tax (PILOT) agreements.

Loans receivable are carried at the original loan amount less payments of principal received.

The TLDC determines any allowance for doubtful accounts by regularly evaluating individual receivables and considering collateral value, financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts is \$102,831 and \$148,349 at December 31, 2015 and 2014, respectively.

Troy Local Development Corporation

Notes to Financial Statements
December 31, 2015 and 2014

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

e. Property Held for Development and Resale

Property held for development and resale is recorded at cost and is carried at the lower of depreciated cost or fair value less costs to sell. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation, maintenance, and repair costs are expensed as incurred. When property held for development or resale is sold or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to the change in net position.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis using an estimated life of forty years.

Recognition of impairment of property held for development and resale is required when events and circumstances indicate that an entity will not be able to recover the carrying amount of these assets. The TLDC recognizes an impairment loss, equal to the amount by which the carrying amount of an asset exceeds its fair value, if the carrying amount of the asset is not recoverable, and the carrying amount of the asset exceeds its fair value. During the years ended December 31, 2015 and 2014, no impairment loss is recognized.

f. Revenue and Expense Recognition

Rental income is recognized on the straight-line basis over the lease term. Grant income is recognized as costs are incurred. Expenses are recognized when incurred. The TLDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the TLDC. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deferred revenue represents funds passed through from the City as part of the City's Brownfield Economic Development Initiative (BEDI) Grant. Revenue is recognized as funds are expended in accordance with the BEDI program initiatives.

g. Tax Status

The TLDC is exempt from income taxes as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Accordingly, no provisions have been made for income taxes in these financial statements.

h. Subsequent Events

The TLDC has evaluated subsequent events for potential recognition or disclosure through April 22, 2016, the date the financial statements were available to be issued.

Note 2 - Cash, Cash Equivalents, and Investments

The TLDC's investment policies are governed by New York State statutes. In addition, the TLDC has its own written investment policy. TLDC monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The TLDC 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 and its localities.

Troy Local Development Corporation

Notes to Financial Statements December 31, 2015 and 2014

Note 2 - Cash, Cash Equivalents, and Investments - Continued

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 those of the United States and its agencies or New York State and its municipalities and school districts.

Cash equivalents at December 31, 2015 and 2014 consisted of municipal money market accounts which were fully collateralized.

Restricted cash at December 31, 2014, consisted principally of BEDI funds held for use in acquiring property within the City, assistance with clean-up of environmental contamination, and preparation of sites for commercial redevelopment (Note 5).

Note 3 - Loans Receivable

The TLDC administers an economic development loan program with the primary objective of stimulating the City's economic base in order to create new job opportunities. Loans are made to eligible borrowers meeting targeted economic criteria at market interest rates.

Loans made under the program are generally collateralized by machinery, equipment, or real property of the borrower. Certain loans require fixed monthly payments while others are due in one lump sum payment.

A summary of loans receivable is as follows:

	December 31,	
	2015	2014
Loan receivable	\$ 915,706	\$ 564,168
Allowance for doubtful accounts	(100,000)	(141,550)
	\$ 815,706	\$ 422,618

Loan activity for 2015 and 2014 is as follows:

	December 31,	
	2015	2014
Loans receivable, <i>beginning of year</i>	\$ 564,168	\$ 437,758
Loans advanced	659,017	186,800
Loans written off	-	(9,495)
Repayments	(307,479)	(50,895)
Loans receivable, <i>end of year</i>	\$ 915,706	\$ 564,168

Note 4 - Property Held for Development and Resale

The TLDC has acquired various parcels in the City to promote future economic growth and assist in revitalization of the City.

Troy Local Development Corporation

Notes to Financial Statements December 31, 2015 and 2014

Note 4 - Property Held for Development and Resale - Continued

A summary property held for development and resale is as follows:

	December 31,	
	2015	2014
Buildings and improvements	\$ 184,256	\$ 326,894
Other	20,495	-
	204,751	326,894
Less accumulated depreciation	35,706	35,976
	169,045	290,918
Land	2,726,212	2,736,314
	2,895,257	3,027,232
Capital assets, net	\$ 2,895,257	\$ 3,027,232

During 2015, the TLDC sold certain property held for development and resale resulting in a gain of approximately \$472,000. In connection with the sale, the TLDC provided the purchaser a \$300,000 loan secured by a mortgage on the related property.

Note 5 - Loan Payable

During 2008, the TLDC entered into a loan agreement with the City for \$3,000,000 to be used for property acquisition and economic development. The agreement requires semi-annual interest payments at 5% and annual principal payments to the City as billed by the United States Department of Housing and Urban Development (HUD) Section 108 loan authorization pursuant to the BEDI. The loan matures in August 2026 and is secured by a mortgage on real property. During 2015, the TLDC made an unscheduled principal and interest payment to the City of approximately \$305,000.

A summary of the loan payable is as follows:

	December 31,	
	2015	2014
Loan payable	\$ 1,525,833	\$ 1,998,000
Less current installments	139,167	167,000
	\$ 1,386,666	\$ 1,831,000

A summary of future principal payments and estimated interest payments is as follows:

	Principal	Interest
For the year ending December 31,		
2016	\$ 139,167	\$ 75,927
2017	139,167	69,692
2018	139,167	63,346
2019	139,167	56,917
2020 through 2024	695,833	180,500
2025 through 2026	273,332	21,705
	\$ 1,525,833	\$ 468,087

Interest expense for the years ended December 31, 2015 and 2014, was \$95,337 and \$102,383, respectively.

Troy Local Development Corporation

Notes to Financial Statements December 31, 2015 and 2014

Note 6 - Rental Income

The TLDC has two active lease agreements arising from the leasing of property owned by the TLDC. Aggregate monthly lease payments approximate \$5,800 and expire between December 2019 and December 2023, with renewal options.

A summary of future minimum rental payments due to the TLDC under operating lease agreements is as follows:

For the year ending December 31,		
2016	\$	69,672
2017		69,672
2018		69,672
2019		69,672
2020		66,672
Thereafter		<u>200,016</u>
	\$	<u>545,376</u>

During 2015, the TLDC terminated a lease arrangement with a tenant. The termination agreement required the TLDC to forgive all outstanding rent and late charges, in addition to paying \$60,000 to the tenant for relocation expenses.

Note 7 - Commitments and Contingencies

a. Environmental Risks

The TLDC is developing and implementing a plan for pollution remediation and site development on the King Fuel properties with assistance from the New York State Department of Environmental Conservation and National Grid. Preliminary testing and clean-up efforts began in late 2007 and are expected to continue for several years. The TLDC funding assistance has been provided through the BEDI grant and loan funds.

b. Consulting Agreement

During 2013, the TLDC entered into an economic development services agreement with a third party. The agreement provided that the consultant will perform various economic development services on behalf of the TLDC through December 31, 2014. Expenses related to this agreement were \$95,801 for the year ended December 31, 2014. The agreement was not renewed in 2015.

c. Program Grant and Loan Commitments

During 2015, the TLDC approved various applications for funding under its loan and grant programs. Funding of the approved amounts is dependent upon the applicant meeting various documentation requirements.

**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
Troy Local Development Corporation
Troy, 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 statements of net position of the Troy Local Development Corporation (TLDC) as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TLDC'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the TLDC'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 TLDC'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 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 TLDC'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 TLDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
April 22, 2016