

Troy Industrial Development Authority

Financial Statements

December 31, 2014 and 2013

Troy Industrial Development Authority

Financial Statements

December 31, 2014 and 2013

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	6-11
Supplementary Information	
Statement of Indebtedness	12
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>	13-14

Independent Auditor's Report

Board of Directors
Troy Industrial Development Authority
Troy, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Troy Industrial Development Authority (Authority), which comprise the statements of net position as of December 31, 2014 and 2013, 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 Troy Industrial Development Authority as of December 31, 2014 and 2013, 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 Matters

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The schedule of indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of indebtedness is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of indebtedness is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
March 23, 2015



Troy Industrial Development Authority

Statements of Net Position

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 724,253	\$ 1,120,251
Receivables	203,707	844
Loans receivable, net, current installments	-	14,305
Due from other governments	250,000	-
Prepaid expenses	1,309	1,319
Total current assets	<u>1,179,269</u>	<u>1,136,719</u>
LOANS RECEIVABLE, net, less current installments	<u>-</u>	<u>114,690</u>
	<u>\$ 1,179,269</u>	<u>\$ 1,251,409</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 85,692	\$ 6,384
Unearned revenue	10,000	-
Due to other governments	203,707	80,000
Total current liabilities	<u>299,399</u>	<u>86,384</u>
NET POSITION		
Unrestricted	<u>879,870</u>	<u>1,165,025</u>
	<u>\$ 1,179,269</u>	<u>\$ 1,251,409</u>

See accompanying Notes to Financial Statements.

Troy Industrial Development Authority

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2014	2013
OPERATING REVENUES		
Administrative fees	\$ 243,821	\$ 251,466
Grant revenue	250,000	-
	<u>493,821</u>	<u>251,466</u>
OPERATING EXPENSES		
Economic development	547,502	54,965
Administrative support	80,000	80,000
Professional fees	43,284	10,916
Bad debts	115,664	32,266
Insurance	2,502	1,267
Dues and memberships	1,958	1,125
Other	795	557
	<u>791,705</u>	<u>181,096</u>
Operating income (loss)	(297,884)	70,370
NON-OPERATING REVENUES		
Late fees and penalties	5,002	4,779
Interest income	7,727	9,363
	<u>12,729</u>	<u>14,142</u>
CHANGE IN NET POSITION	(285,155)	84,512
NET POSITION, <i>beginning of year</i>	<u>1,165,025</u>	<u>1,080,513</u>
NET POSITION, <i>end of year</i>	<u>\$ 879,870</u>	<u>\$ 1,165,025</u>

See accompanying Notes to Financial Statements.

Troy Industrial Development Authority

Statements of Cash Flows

	Years Ended December 31,	
	2014	2013
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 244,496	\$ 257,197
Payments to vendors	(615,128)	(154,665)
	(422,058)	102,532
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income	7,727	9,363
Late fees and penalties	5,002	4,779
Repayments on loan receivable	13,331	17,222
	26,060	31,364
Net increase (decrease) in cash and cash equivalents	(395,998)	133,896
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	1,120,251	986,355
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 724,253	\$ 1,120,251
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (297,884)	\$ 70,370
Bad debts	115,664	32,267
Changes in operating assets and liabilities		
Prepaid expenses	10	(1,319)
Receivables	(202,863)	5,900
Due from other governments	(250,000)	-
Due to other governments	123,707	(11,037)
Unearned revenues	10,000	-
Accounts payable	79,308	6,351
	\$ (422,058)	\$ 102,532

See accompanying Notes to Financial Statements.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization and Purpose

The 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, New York (City). The Authority, although established by the State Legislature, is a separate public benefit authority 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.

b. Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are prepared using the accrual basis 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 the Authority is determined by its measurement focus. The transactions of the Authority 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 statement 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 in conformity with U.S. GAAP 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. Receivables

Accounts receivable consist of amounts due from interest on loans, late charges on loans, and PILOT receivables.

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

The Authority determines any allowance for doubtful accounts by regularly evaluating individual receivables and considering 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 \$148,099 and \$32,435 at December 31, 2014 and 2013, respectively.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2014 and 2013

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

e. Tax Status

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

f. 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 lease 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 there from 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, 2014, the outstanding balances of the bonds issued aggregated \$28,340,770.

g. Revenue Recognition

Revenue is generated from project application and administrative fees. Revenues are recognized when earned, and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Authority. 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.

Bad debts on interest income from loans offset interest income.

h. Allowance for Loan Losses

Due to the nature of the Authority's portfolio of economic development loans, allowances are established at either the time of the initial loan transaction or when specific collection issues are present.

i. New Accounting Pronouncements

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement established accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments.

Troy Industrial Development Authority

Notes to Financial Statements December 31, 2014 and 2013

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

i. New Accounting Pronouncements - Continued

The Authority adopted GASB Statements No. 69 and No. 70 as of January 1, 2014. There was no significant impact to the financial statements as a result of these adoptions.

j. Reclassifications

Certain reclassifications were made to the prior year amounts in order to conform to the current year presentation.

k. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 23, 2015, the date the financial statements were available to be issued.

Note 2 - 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.

The Authority considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents at December 31, 2014 and 2013 consisted of municipal money market accounts which were fully collateralized.

Note 3 - Receivables

The Authority collects Payments In Lieu of Taxes (PILOT) from various parties and remits these payments to the appropriate local taxing authority. At December 31, 2014, the Authority billed and was owed \$203,707 of PILOT fees (none at December 31, 2103).

Note 4 - Loans Receivable, Net

The Authority has established 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 generally made to borrowers meeting targeted criteria.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2014 and 2013

Note 4 - Loans Receivable, Net - Continued

A summary of the loans receivable is as follows:

	December 31,	
	2014	2013
Loans receivable	\$ 148,099	\$ 161,430
Allowance for doubtful accounts	<u>(148,099)</u>	<u>(32,435)</u>
Loans receivable, net	<u>\$ -</u>	<u>\$ 128,995</u>

At December 31, 2014, the Authority had one outstanding loan which carried an interest rate of 4.75%. Included within receivables are interest and late fees of \$2,833 and \$844, with an allowance of \$2,833 and \$169, at December 31, 2014 and 2013, respectively.

Note 5 - Related Party Transactions

During 2014 and 2013, the Authority had the following transactions with the City of Troy:

Administrative Support

In accordance with an agreement between the Authority and the City, the Authority reimburses the City annually for services and support personnel provided to the Authority during the year. The City has requested reimbursement of \$80,000 for support provided for both years ended December 31, 2014 and 2013.

Economic Development Projects

During 2014, the Authority entered into a community and economic development agreement with the City. Pursuant to the agreement, the Authority has provided approximately \$602,000 to assist the City with a community development project. The City has agreed to reimburse the Authority for \$250,000 of these expenses through a New York State CFA grant received by the City for this purpose.

Expenditures recoverable from the City under the agreement are classified within revenues as economic development grants. Due from other governments at December 31, 2014 represents the share of project expenses due from the City pursuant to the CFA grant. Such amounts are expected to be received from the City during 2015 upon completion of the project.

During 2013, the Authority entered into a community and economic development agreement with the City. Pursuant to the agreement, the Authority provided \$14,465 in the year ended December 31, 2013 to assist the City with a public safety project.

Assistance with the projects provided to the City is classified as economic development in the statement of revenues, expenses, and changes in net position.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2014 and 2013

Note 5 - Related Party Transactions

Economic Development Projects - Continued

Troy Capital Resource Corporation

The Authority's current Board of Directors is the same as that of the Troy Capital Resource Corporation (Corporation). There were no transactions during 2014 or 2013 between the Authority and the Corporation.

Note 6 - Due to Other Governments

The Authority collects PILOT fees from various parties and remits these payments to the appropriate local taxing authority. PILOT receipts and PILOT payments are accounted for as pass-through transactions and are not included in the revenues or expenses of the Authority. The Authority is responsible for collecting and remitting the funds but does not bear the risk of loss if PILOT payments are not paid to the Authority by the respective companies.

Amounts due to other governments consist of the following at December 31, 2014 and 2013:

	December 31,	
	2014	2013
PILOT tax receipts	\$ 203,707	\$ -
Administrative services agreement (Note 5)	-	80,000
	<u>\$ 203,707</u>	<u>\$ 80,000</u>

Note 7 - Commitments

Pursuant to the community development project (Note 5) and commitments made to fund certain project expenses, the Authority has entered into a construction contract. Amounts remaining under the construction contract approximate \$140,000 at December 31, 2014.

Note 8 - Subsequent Events

In January 2015, the Authority entered into a series of agreements related to a proposed park improvement project. The agreements allow the Authority to undertake development activities and provide the Authority with a two-year option to purchase a parcel of land area to support the same project. Costs incurred relating to the agreements approximated \$215,000.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2014 and 2013

Note 9 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with Statement No. 68.

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

Troy Industrial Development Authority

Supplementary Information - Statement of Indebtedness

<u>Project Description</u>	<u>Year Ended December 31, 2014</u>							
	<u>Original Issue Date</u>	<u>Original Bond Issued</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2014</u>	<u>Issued During 2014</u>	<u>Principal Payments 2014</u>	<u>Outstanding December 31, 2014</u>	<u>Final Maturity Date</u>
The Arts Center of the Capital Region	04/00	\$ 1,200,000	2.47%	\$ 366,131	\$ -	\$ 20,361	\$ 345,770	07/16
Rensselaer Polytechnic Institute	05/02	218,875,000	5.63%	29,325,000	-	1,330,000	27,995,000	07/31
		<u>\$ 220,075,000</u>		<u>\$ 29,691,131</u>	<u>\$ -</u>	<u>\$ 1,350,361</u>	<u>\$ 28,340,770</u>	

**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 Industrial Development Authority
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 statement of net position of the Troy Industrial Development Authority (Authority) as of December 31, 2014, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
March 23, 2015