

**Troy Industrial Development Authority**

Financial Statements

December 31, 2015 and 2014

# Troy Industrial Development Authority

## Financial Statements

December 31, 2015 and 2014

### CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
<b>Supplementary Information</b>	
Statement of Indebtedness	10
<b>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></b>	11-12

## 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, 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 Troy Industrial Development Authority 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 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 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 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 statement 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 April 22, 2016, 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  
April 22, 2016

# Troy Industrial Development Authority

## Statements of Net Position

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 58,390	\$ 724,253
Receivables	6,433	203,707
Due from other governments	250,000	250,000
Prepaid expenses	1,235	1,309
	<u>                    </u>	<u>                    </u>
Total current assets	<u><b>\$ 316,058</b></u>	<u><b>\$ 1,179,269</b></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,380	\$ 85,692
Unearned revenue	-	10,000
Due to other governments	6,433	203,707
Total current liabilities	<u>7,813</u>	<u>299,399</u>
<b>NET POSITION</b>		
Unrestricted	<u>308,245</u>	<u>879,870</u>
	<u><b>\$ 316,058</b></u>	<u><b>\$ 1,179,269</b></u>

See accompanying Notes to Financial Statements.

# Troy Industrial Development Authority

## Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2015	2014
<b>OPERATING REVENUES</b>		
Administrative fees	\$ 97,813	\$ 243,821
Grant revenue	-	250,000
	<u>97,813</u>	<u>493,821</u>
<b>OPERATING EXPENSES</b>		
Economic development	490,423	547,502
Administrative support	150,000	80,000
Professional fees	31,678	43,284
Bad debts	-	115,664
Insurance	2,491	2,502
Dues and memberships	1,297	1,958
Other	1,051	795
	<u>676,940</u>	<u>791,705</u>
<b>Operating loss</b>	<b>(579,127)</b>	<b>(297,884)</b>
<b>NON-OPERATING REVENUES</b>		
Late fees and penalties	4,000	5,002
Interest income	3,502	7,727
	<u>7,502</u>	<u>12,729</u>
<b>CHANGE IN NET POSITION</b>	<b>(571,625)</b>	<b>(285,155)</b>
<b>NET POSITION, <i>beginning of year</i></b>	<u>879,870</u>	<u>1,165,025</u>
<b>NET POSITION, <i>end of year</i></b>	<u><b>\$ 308,245</b></u>	<u><b>\$ 879,870</b></u>

See accompanying Notes to Financial Statements.

# Troy Industrial Development Authority

## Statements of Cash Flows

	Years Ended December 31,	
	2015	2014
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 97,813	\$ 244,496
Payments to vendors	(771,178)	(666,554)
	<b>(673,365)</b>	<b>(422,058)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Interest income	3,502	7,727
Late fees and penalties	4,000	5,002
Repayments on loan receivable	-	13,331
	<b>7,502</b>	<b>26,060</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(665,863)</b>	<b>(395,998)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>724,253</b>	<b>1,120,251</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 58,390</b>	<b>\$ 724,253</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (579,127)	\$ (297,884)
Bad debts	-	115,664
Changes in operating assets and liabilities		
Prepaid expenses	74	10
Receivables	197,274	(202,863)
Due from other governments	-	(250,000)
Due to other governments	(197,274)	123,707
Unearned revenues	(10,000)	10,000
Accounts payable	(84,312)	79,308
	<b>\$ (673,365)</b>	<b>\$ (422,058)</b>

See accompanying Notes to Financial Statements.

# Troy Industrial Development Authority

Notes to Financial Statements  
December 31, 2015 and 2014

## 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 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*

Receivables consist of amounts due from interest on loans, late charges on loans, and Payment in Lieu of Taxes (PILOT) receivables.

Loans receivable are carried at the outstanding principal balance less an allowance for estimated uncollectible amounts.

### *e. Tax Status*

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

# Troy Industrial Development Authority

Notes to Financial Statements  
December 31, 2015 and 2014

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

### *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 upon issuance of the bonds and notes.

At December 31, 2015 and 2014, the outstanding balances of the bonds issued aggregated \$25,324,893 and \$28,340,770, respectively.

### *g. 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. 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 was \$148,099 at December 31, 2014. The Authority's one outstanding loan was fully reserved for at December 31, 2014 and was written off during the year ended December 31, 2015.

### *h. Subsequent Events*

The Authority 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 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 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.

# Troy Industrial Development Authority

## Notes to Financial Statements December 31, 2015 and 2014

### Note 3 - Receivables and 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. Total pass-through PILOT payments for the years ended December 31, 2015 and 2014, were \$1,233,227 and \$1,206,727, respectively.

The Authority billed and was owed \$6,433 and \$203,707 of PILOT fees at December 31, 2015 and 2014, respectively. Outstanding PILOT receivables are also classified as due to other governments due to their pass-through nature.

### Note 4 - Loans Receivable, Net

A summary of the loans receivable is as follows:

	December 31,	
	2015	2014
Loans receivable	\$ -	\$ 148,099
Allowance for doubtful accounts	-	(148,099)
Loans receivable, net	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2014, the Authority had one outstanding loan. The loan, which was fully allowed for at December 31, 2014, was written off during the year ended December 31, 2015.

### Note 5 - Related Party Transactions

During 2015 and 2014, 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 Authority reimbursed the City \$150,000 and \$80,000 for support provided during December 31, 2015 and 2014, respectively, pursuant to the agreement.

#### *Economic Development Projects*

During 2014, the Authority entered into a community and economic development agreement with the City. During 2015 and 2014, the Authority provided approximately \$879,000 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 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, 2015 and 2014, represents the share of project expenses due from the City pursuant to the grant. Such amounts are expected to be received from the City during 2016.

# Troy Industrial Development Authority

Notes to Financial Statements  
December 31, 2015 and 2014

## **Note 5 - Related Party Transactions - Continued**

### *Economic Development Projects - Continued*

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

### *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 2015 or 2014 between the Authority and the Corporation.

## **Note 6 - Community Development Projects**

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 include a two-year option to purchase a parcel of land to support the same project, which has not been exercised. Costs incurred relating to the agreements approximated \$215,000 during 2015 and are classified within economic development costs.

# Troy Industrial Development Authority

## Supplementary Information - Statement of Indebtedness

Project Description	Original Issue Date	Original Bond Issued	Current Interest Rate	Year Ended December 31, 2015		Principal Payments 2015	Outstanding December 31, 2015	Final Maturity Date
				Outstanding January 1, 2015	Issued During 2015			
The Arts Center of the Capital Region	04/00	\$ 1,200,000	2.47%	\$ 345,770	\$ -	\$ 20,877	\$ 324,893	07/16
Rensselaer Polytechnic Institute	05/02	218,875,000	5.63%	27,995,000	-	2,995,000	25,000,000	07/31
		<b><u>\$ 220,075,000</u></b>		<b><u>\$ 28,340,770</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,015,877</u></b>	<b><u>\$ 25,324,893</u></b>	

**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 statements of net position of the Troy Industrial Development Authority (Authority) 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 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  
April 22, 2016