

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

December 31, 2012 and 2011

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Troy Industrial Development Authority
Troy, New York

Report on the Financial Statements

We have audited the accompanying statements of net position of the Troy Industrial Development Authority (Authority), as of December 31, 2012 and 2011, 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 opinions

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, 2012 and 2011, and the related changes in financial position and 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 29, 2013, 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 Agency's internal control over financial reporting and compliance.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 29, 2013

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION

	December 31,	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 986,355	\$ 774,354
Restricted cash	-	350,000
Accounts receivable	6,744	58,576
Loans receivable, net, current installments	17,054	20,211
Total current assets	1,010,153	1,203,141
LOANS RECEIVABLE, net, less current installments	161,430	178,484
	\$ 1,171,583	\$ 1,381,625
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 33	\$ 3,631
Due to other governments	91,037	151,093
Total current liabilities	91,070	154,724
NET POSITION		
Restricted	-	350,000
Unrestricted	1,080,513	876,901
	1,080,513	1,226,901
	\$ 1,171,583	\$ 1,381,625

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

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

	Years Ended December 31,	
	2012	2011
OPERATING REVENUES		
Administrative fees	\$ 290,050	\$ 117,500
Refund of prior year expenses	-	7,186
	290,050	124,686
OPERATING EXPENSES		
Dues and memberships	1,160	1,148
Economic development	-	5,000
Insurance	1,970	1,988
Legal notices	786	-
Management fees	85,000	84,900
Office and general	127	632
Professional fees, audit	10,912	11,236
	99,955	104,904
Operating income	190,095	19,782
NON-OPERATING REVENUES		
Interest income	13,517	3,216
	13,517	3,216
CHANGE IN NET POSITION	203,612	22,998
NET POSITION, <i>beginning of year</i>	876,901	853,903
NET POSITION, <i>end of year</i>	\$ 1,080,513	\$ 876,901

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

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2012	2011
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 341,882	\$ 124,686
Payments to vendors	(163,609)	(142,457)
	178,273	(17,771)
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income	13,517	3,216
Issuance of loan receivable	-	(200,000)
Repayments on loan receivable	20,211	1,305
	33,728	(195,479)
 Net increase (decrease) in cash and cash equivalents	212,001	(213,250)
 CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	774,354	987,604
 CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 986,355	\$ 774,354
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 190,095	\$ 19,782
Changes in operating assets and liabilities		
Accounts receivable	51,832	(49,736)
Due to other governments	(60,056)	15,738
Accounts payable	(3,598)	(3,555)
	\$ 178,273	\$ (17,771)

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

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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 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 follows.

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.

During 2012, restrictions on net position were removed.

c. Use of 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. Fair Value Measurement

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

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.

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

f. Industrial Revenue Bonds and Notes Transactions - Continued

At December 31, 2012 and 2011, the original issue value of bonds issued aggregated \$220,075,000, and the outstanding balances were \$31,879,025 and \$34,270,966, respectively.

g. Revenue Recognition

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.

h. New Accounting Pronouncements

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Corporation adopted GASB Statements No. 62 and No. 63 as of January 1, 2012, and there was no significant impact to the financial statements.

i. Subsequent Events

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 29, 2013, 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.

Restrictions on net position were removed during 2012. Accordingly, amounts classified as restricted cash at December 31, 2011, have been reclassified as unrestricted in 2012.

Cash and cash equivalents at December 31, 2012 and 2011, consisted of demand accounts of \$986,355 and \$774,354, which were fully collateralized.

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 3 - ACCOUNTS RECEIVABLE

The Authority collects Payments In Lieu of Taxes (PILOT) from various parties and submits these payments to the appropriate local taxing authority. At December 31, 2012 and 2011, the Authority billed and was owed \$6,037 and \$18,076, respectively, for PILOT fees.

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 were made to eligible borrowers meeting targeted criteria in amounts ranging from \$30,000 to \$200,000 and at interest rates ranging from two to six percent.

A summary of the loans receivable is as follows:

	December 31,	
	2012	2011
Total loans receivable	\$ 178,484	\$ 310,164
Less allowance for doubtful accounts	-	111,469
	<u>178,484</u>	<u>198,695</u>
Less current portion	17,054	20,211
	<u>\$ 161,430</u>	<u>\$ 178,484</u>

During 2012, the Authority wrote off four delinquent economic development loans that were fully reserved for in the amount of \$111,489.

NOTE 5 - DUE TO OTHER GOVERNMENTS

In accordance with an informal 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 \$85,000 and \$84,900 for support provided for the years ended December 31, 2012 and 2011, respectively.

The Authority collects PILOT fees from various parties and submits these payments to the appropriate local taxing authority. During 2012 and 2011, the Authority collected \$841,840 and \$760,962, respectively. Amounts due to other governments related to these fees totaled \$24,076 and \$66,193 at December 31, 2012 and 2011, respectively.

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.

NOTE 6 - RELATED PARTY

The Authority's current Board of Directors is the same as that of the Troy Capital Resource Corporation (Corporation). There were no transactions during 2012 or 2011 between the Authority and the Corporation.

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 7 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

During March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

During March 2012, GASB issued Statement No. 66, *Technical Corrections - an Amendment of Statements No. 10 and No. 62*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

During June 2012, GASB issued 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. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

Management has not estimated the extent of the potential impact of these statements on the Agency's financial statements.

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

SUPPLEMENTAL INFORMATION - STATEMENT OF INDEBTEDNESS

Project Description	Year Ended December 31, 2012							
	Original Issue Date	Original Bond Issued	Current Interest Rate	Outstanding January 1, 2012	Issued During 2012	Principal Payments 2012	Outstanding December 31, 2012	Final Maturity Date
The Arts Center of the Capital Region	04/00	\$ 1,200,000	8.50%	\$ 425,966	\$ -	\$ 41,941	\$ 384,025	07/16
Rensselaer Polytechnic Institute	05/02	218,875,000	5.63%	33,845,000	-	2,350,000	31,495,000	07/31
		<u>\$ 220,075,000</u>		<u>\$ 34,270,966</u>	<u>\$ -</u>	<u>\$ 2,391,941</u>	<u>\$ 31,879,025</u>	

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2012, 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 29, 2013.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 12-01 and 12-02.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express not opinion on them.

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.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 29, 2013

TROY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____Yes X None
- Noncompliance material to financial statements? _____Yes X No

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

12-01. Budget Report Filed in the Public Authorities Reporting Information System (PARIS)

Criteria: In accordance with Section 2801 of Public Authorities Law, local authorities must file a budget report 60 days prior to the start of the fiscal year.

Condition: The Authority was not in compliance with Section 2801 of Public Authorities Law.

Effect: The Authority budget information was not available to the public when required.

Cause: The Authority did not update and certify the budget in PARIS.

Recommendation: The Authority should approve its budget and assign an individual to file the report prior to the ABO deadline.

View of Responsible Officials: The Authority did not receive final Board approval of the budget until after the ABO filing deadline. The budget report was filed and certified in March 2013.

12-02. Posting and Maintaining Reports on Public Authority Websites

Criteria: The New York State Authority Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to The Public Authorities Reform Act (PARA) of 2009. This guidance states that public authorities are required to make specific information available to the public through the internet.

Condition: The Authority is not in compliance with PARA requirements.

Effect: The Authority's is missing specific information required by PARA.

Cause: The Authority did not oversee proper maintenance of a shared website.

Recommendation: Using available ABO guidance, the Authority should update its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

View of Responsible Officials: The Authority will review the guidance of required documentation and will update missing items by March 31, 2013.