

**TROY INDUSTRIAL DEVELOPMENT
AUTHORITY**

**Financial Statements as of
December 31, 2016
Together with
Independent Auditor's Reports**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

April 6, 2017

To the Board of Directors of
Troy Industrial Development Authority
Troy, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Troy Industrial Development Authority (TIDA), for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise TIDA's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 Troy Industrial Development Authority as of December 31, 2016, and the changes in its financial position, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Required Supplementary Information

Management has omitted the management's discussion and analysis 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 part of the basic financial statements, is required by 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements collectively comprise TIDA's basic financial statements. The statement of indebtedness has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion to provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2017 on our consideration of TIDA'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 TIDA's internal control over financial reporting and compliance.

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	872,729
Receivables		499
Due from other governments		1,396
Prepaid expenses		<u>1,304</u>
Total current assets		<u>875,928</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		1,409
Due to other governments		<u>100,000</u>
Total current liabilities		<u>101,409</u>

NET POSITION

Unrestricted		<u>774,519</u>
Total net position	\$	<u><u>774,519</u></u>

The accompanying notes are an integral part of these statements.

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES

Administrative fees \$ 621,527

OPERATING EXPENSES

Administrative support 100,000

Professional fees 31,134

Economic development 15,823

Other 10,242

Insurance 2,561

Dues and memberships 488

Total operating expenses 160,248

Total operating income 461,279

NON-OPERATING REVENUES

Late fees and penalties 4,461

Interest income 534

Total non-operating revenues 4,995

CHANGE IN NET POSITION 466,274

NET POSITION, beginning of year 308,245

NET POSITION, end of year \$ 774,519

The accompanying notes are an integral part of these statements.

TROY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES

Receipts from customers	\$ 876,065
Payments to vendors	<u>(66,721)</u>
	<u>809,344</u>

CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES

Interest income	534
Late fees and penalties	<u>4,461</u>
	<u>4,995</u>

Net decrease in cash and cash equivalents 814,339

CASH AND CASH EQUIVALENTS, *beginning of year* 58,390

CASH AND CASH EQUIVALENTS, *end of year* \$ 872,729

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 461,279
Changes in operating assets and liabilities	
Prepaid expenses	(69)
Receivables	5,934
Due from other governments	248,604
Due to other governments	93,567
Accounts payable	<u>29</u>
	<u><u>\$ 809,344</u></u>

The accompanying notes are an integral part of these statements.

TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Purpose

The Troy Industrial Development Authority (TIDA) 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). TIDA, although established by the State Legislature, is a separate public benefit authority and operates independently of the City.

TIDA'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, TIDA receives application and closing fees related to this business financing.

b. Basis of Accounting and Financial Statement Presentation

TIDA'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 TIDA is determined by its measurement focus. The transactions of TIDA 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 net position that is restricted by the Board for specific purposes, and
- *Unrestricted net position* consists of net position that does 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.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

d. Receivables

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

e. Tax Status

TIDA 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 TIDA are secured by property which is leased to companies and is retired by these lease payments. The bonds and notes are not obligations of TIDA or New York State. TIDA 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, TIDA receives bond administration fees from the borrowing companies. Such administration fee income is recognized upon issuance of the bonds and notes.

At December 31, 2016, the outstanding balances of the bonds issued aggregated \$25,000,000.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

TIDA's investment policies are governed by New York State statutes. In addition, TIDA 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. TIDA 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, 2016 consisted of municipal money market accounts which were fully collateralized or insured by the FDIC.

NOTE 3 - RECEIVABLES AND DUE TO OTHER GOVERNMENTS

TIDA 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 TIDA. TIDA is responsible for collecting and remitting the funds but does not bear the risk of loss if PILOT payments are not paid to TIDA by the respective companies. Total pass-through PILOT payments for the years ended December 31, 2016 was \$969,249.

TIDA was owed -0- of PILOT fees at December 31, 2016. Outstanding PILOT receivables are also classified as due to other governments due to their pass-through nature.

NOTE 4 - RELATED PARTY TRANSACTIONS

During 2016, TIDA had the following transactions with the City of Troy:

Administrative Support

In accordance with an agreement between TIDA and the City, TIDA reimburses the City annually for services and support personnel provided to TIDA during the year. TIDA reimbursed the City \$100,000 for support provided during December 31, 2016 pursuant to the agreement.

Troy Capital Resource Corporation

TIDA's current Board of Directors is the same as that of the Troy Capital Resource Corporation (Corporation). There were no transactions during 2016 between TIDA and the Corporation.

NOTE 5- COMMUNITY DEVELOPMENT PROJECTS

In January 2015, TIDA entered into a series of agreements related to a proposed park improvement project. The agreements allow TIDA 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.

SUPPLEMENTARY INFORMATION

TROY INDUSTRIAL DEVELOPMENT AUTHORITY
Statement of Indebtedness
December 31, 2016

Project Description	Original Issue Date	Original Bond Issued	Current Interest Rate	Year Ended December 31, 2016		Issued During 2016	Principal Payments 2016	Outstanding December 31, 2016	Final Maturity Date
				Outstanding January 1, 2016 as previously reported	Outstanding January 1, 2016 as adjusted				
The Arts Center of the Capital Region	04/00	\$ 1,200,000	2.47%	\$ 324,893	\$ -	\$ -	\$ -	\$ -	07/16
Rensselaer Polytechnic Institute	05/02	218,875,000	5.63%	25,000,000	25,000,000	-	-	25,000,000	07/31
		<u>\$ 220,075,000</u>		<u>\$ 25,324,893</u>	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000,000</u>	

See independent auditor's report

OTHER INFORMATION

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

April 6, 2017

To the Board of Directors of
Troy Industrial Development Authority
Troy, New York

We have audited, in accordance with the 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 financial statements of the business-type activities of the Troy Industrial Development Authority (Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise TIDA's basic financial statements, and have issued our report thereon dated April 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TIDA'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 TIDA's internal control. Accordingly, we do not express an opinion on the effectiveness of TIDA'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.

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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 (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TIDA'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 or other matters 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.