

Troy Industrial Development Authority

Financial Statements

December 31, 2013 and 2012

Troy Industrial Development Authority

Financial Statements

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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 financial statements of the Troy Industrial Development Authority (Authority), which comprise the statement of net position as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year 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 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 the Troy Industrial Development Authority as of December 31, 2013, 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.

Other Matters

Prior Year Financial Statements

The financial statements of the Authority, as of and for the year ended December 31, 2012, were audited by Bollam, Sheedy, Torani & Co. LLP which merged with Sax Macy Fromm & Co., PC to form SaxBST LLP as of January 1, 2014. Bollam, Sheedy, Torani & Co. LLP's report dated March 29, 2013, expressed an unmodified opinion on those statements.

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 audit was 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 audit 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 28, 2014, 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 28, 2014



Troy Industrial Development Authority

Statements of Net Position

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$1,120,251	\$ 986,355
Receivables	844	6,744
Loans receivable, net, current installments	17,881	17,054
Prepaid expenses	1,319	-
Total current assets	<u>1,140,295</u>	<u>1,010,153</u>
LOANS RECEIVABLE, net, less current installments	<u>111,114</u>	<u>161,430</u>
	<u>\$1,251,409</u>	<u>\$1,171,583</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 6,384	\$ 33
Due to other governments	80,000	91,037
Total current liabilities	<u>86,384</u>	<u>91,070</u>
NET POSITION		
Unrestricted	<u>1,165,025</u>	<u>1,080,513</u>
	<u>\$1,251,409</u>	<u>\$1,171,583</u>

Troy Industrial Development Authority

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2013	2012
OPERATING REVENUES		
Administrative fees	\$ 251,466	\$ 290,050
OPERATING EXPENSES		
Dues and memberships	1,125	1,160
Economic development	54,965	-
Bad debts	32,435	-
Insurance	1,267	1,970
Legal notices	454	786
Management fees	80,000	85,000
Office and general	103	127
Professional fees	10,916	10,912
	<u>181,265</u>	<u>99,955</u>
Operating income	70,201	190,095
NON-OPERATING REVENUES		
Late fees and penalties	4,820	-
Interest income	9,491	13,517
	<u>84,512</u>	<u>203,612</u>
CHANGE IN NET POSITION	84,512	203,612
NET POSITION, beginning of year	<u>1,080,513</u>	<u>876,901</u>
NET POSITION, end of year	<u>\$1,165,025</u>	<u>\$ 1,080,513</u>

See accompanying Notes to Financial Statements.

Troy Industrial Development Authority

Statements of Cash Flows

	Years Ended December 31,	
	2013	2012
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 257,366	\$ 341,882
Payments to vendors	(154,834)	(163,609)
	102,532	178,273
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income	9,491	13,517
Late fee and penalties	4,820	-
Repayments on loan receivable	17,053	20,211
	31,364	33,728
Net increase in cash and cash equivalents	133,896	212,001
 CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	986,355	774,354
 CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 1,120,251	\$ 986,355
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 70,201	\$ 190,095
Bad debts	32,436	-
Changes in operating assets and liabilities		
Prepaid expenses	(1,319)	-
Receivables	5,900	51,832
Due to other governments	(11,037)	(60,056)
Accounts payable	6,351	(3,598)
	\$ 102,532	\$ 178,273

See accompanying Notes to Financial Statements.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2013 and 2012

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. Tax Status

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

e. 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, 2013 and 2012

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

e. Industrial Revenue Bonds and Notes Transactions - Continued

At December 31, 2013 and 2012, the original issue value of bonds issued aggregated \$220,075,000, and the outstanding balances were \$29,691,131 and \$31,879,055, respectively.

f. 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.

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.

h. New Accounting Pronouncements

GASB 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 statements 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.

GASB Statement No. 66, *Technical Corrections*. This statement establishes clarifications on two recently issued statements, No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.

The Authority adopted GASB Statements No. 65 and No. 66 as of January 1, 2013, and there was no significant impact to the financial statements.

i. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 28, 2014, 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.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2013 and 2012

Note 2 - Cash and Cash Equivalents - Continued

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, 2013 and 2012, consisted of demand accounts which were fully collateralized.

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, the Authority billed and was owed \$6,037 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 are generally made to eligible borrowers meeting targeted criteria.

A summary of the loans receivable is as follows:

	December 31,	
	2013	2012
Total loans receivable	\$ 161,430	\$ 178,484
Less allowance for doubtful accounts	32,435	-
	<u>128,995</u>	<u>178,484</u>
Less current portion	17,881	17,054
	<u>\$ 111,114</u>	<u>\$ 161,430</u>

At December 31, 2013, the Authority had one outstanding loan which carried an interest rate of 4.75%. During 2012, the Authority wrote off four delinquent economic development loans that were fully reserved for in the amount of \$111,489.

Note 5 - Related Party Transactions

City of Troy

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 and \$85,000 for support provided for the years ended December 31, 2013 and 2012, respectively.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2013 and 2012

Note 5 - Related Party Transactions - Continued

City of Troy - Continued

During 2013, the Authority entered into a community and economic development agreement with the City. Pursuant to the agreement, the Authority provided \$14,465, reported as economic development, to assist the City with a public safety project.

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 2013 or 2012 between the Authority and the Corporation.

Note 6 - Due to Other Governments

The Authority collects PILOT fees from various parties and submits these payments to the appropriate local taxing authority. During 2013 and 2012, the Authority collected \$806,487 and \$841,840, 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.

Amounts due to other governments consist of the following at December 31, 2013 and 2012, respectively.

	December 31,	
	2013	2012
PILOT tax receipts	\$ -	\$ 11,037
Administrative services agreement	80,000	80,000
	<u>\$ 80,000</u>	<u>\$ 91,037</u>

Note 7 - Accounting Standards Issued But Not Yet Implemented

In 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.

Troy Industrial Development Authority

Notes to Financial Statements
December 31, 2013 and 2012

Note 7 - Accounting Pronouncements Issued Not Yet Implemented - Continued

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.

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.

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

Troy Industrial Development Authority

Supplementary Information - Statement of Indebtedness

<u>Project Description</u>	<u>Year Ended December 31, 2013</u>							
	<u>Original Issue Date</u>	<u>Original Bond Issued</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2013</u>	<u>Issued During 2013</u>	<u>Principal Payments 2013</u>	<u>Outstanding December 31, 2013</u>	<u>Final Maturity Date</u>
The Arts Center of the Capital Region	04/00	\$ 1,200,000	2.47%	\$ 384,055	\$ -	\$ 17,924	\$ 366,131	07/16
Rensselaer Polytechnic Institute	05/02	218,875,000	5.63%	31,495,000	-	2,170,000	29,325,000	07/31
		<u>\$ 220,075,000</u>		<u>\$ 31,879,055</u>	<u>\$ -</u>	<u>\$ 2,187,924</u>	<u>\$ 29,691,131</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, 2013, 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 28, 2014.

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 13-01 and 13-02.

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.

SaxBST LLP

Albany, New York
March 28, 2014

Troy Industrial Development Authority

Schedule of Findings and Responses Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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

13-01. 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 and Planned Corrective Actions: 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.

13-02. 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 and Planned Corrective Actions: The Authority will review the guidance of required documentation and will update missing items by March 31, 2014.