

Troy Local Development Corporation

Financial Statements

December 31, 2014 and 2013

Troy Local Development Corporation

Financial Statements

December 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Troy Local Development Corporation
Troy, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Troy Local Development Corporation (TLDC), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TLDC as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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.

Other Reporting Required by *Government Auditing Standards*

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

SaxBST LLP

Albany, New York
March 23, 2015

Troy Local Development Corporation

Statements of Net Position

	December 31,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,369,991	\$ 2,106,118
Cash and cash equivalents, restricted	85,140	257,598
Accounts receivable, net	6,779	16,785
Loans receivable, current installments, net	146,838	15,086
Prepaid expenses	21,520	43,555
Total current assets	1,630,268	2,439,142
PROPERTY HELD FOR DEVELOPMENT AND RESALE, net	3,027,232	2,854,678
LOANS RECEIVABLE, less current installments, net	275,780	368,711
	\$ 4,933,280	\$ 5,662,531
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 15,452	\$ 87,432
Accrued interest	40,887	43,762
Grants payable	85,000	-
Deposits held	20,000	-
Deferred grant revenue	54,459	163,295
Loan payable, current installments	167,000	167,000
Total current liabilities	382,798	461,489
LOAN PAYABLE, less current installments	1,831,000	1,998,000
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Restricted	85,140	257,598
Unrestricted	2,634,342	2,945,444
	2,719,482	3,203,042
	\$ 4,933,280	\$ 5,662,531

See accompanying Notes to Financial Statements.

Troy Local Development Corporation

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2014	2013
OPERATING REVENUES		
State and federal grants	\$ 108,903	\$ 111,575
Rental income	129,091	169,311
	237,994	280,886
OPERATING EXPENSES		
Depreciation	8,776	8,563
Insurance	36,086	29,975
Other	9,488	2,131
Marketing	-	5,000
Professional fees, accounting	8,600	11,957
Professional fees, engineering	35,194	16,983
Professional fees, legal	86,810	91,246
Professional fees, other	96,167	21,863
Property taxes	23,570	17,727
Repairs and maintenance	16,820	28,249
Utilities	13,650	21,799
Economic development grants	166,507	146,330
Bad debts	96,831	67,442
	598,499	469,265
Operating loss	(360,505)	(188,379)
NONOPERATING REVENUE (EXPENSE)		
Pass-through grant proceeds	-	34,875
Pass-through grant expenses	-	(34,875)
Interest expense	(102,383)	(109,306)
Interest income	18,884	20,663
Loss on sale of property	(39,556)	-
Miscellaneous income	-	3,510
	(123,055)	(85,133)
CHANGE IN NET POSITION	(483,560)	(273,512)
NET POSITION, <i>beginning of year</i>	3,203,042	3,476,554
NET POSITION, <i>end of year</i>	\$ 2,719,482	\$ 3,203,042

See accompanying Notes to Financial Statements.

Troy Local Development Corporation

Statements of Cash Flows

	Years Ended December 31,	
	2014	2013
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers	\$ 152,365	\$ 276,670
Payments to vendors	(450,785)	(481,439)
	(298,420)	(204,769)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Loan advances	(186,800)	(267,695)
Loan repayments	50,895	258,774
Interest received	18,884	24,825
	(117,021)	15,904
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Decrease in restricted cash	172,458	179,578
Purchase of capital assets	(230,886)	(71,475)
Proceeds from sale of asset	10,000	-
Payment on loan payable	(167,000)	(167,000)
Interest paid	(105,258)	(112,083)
	(320,686)	(170,980)
Net decrease in cash and cash equivalents	(736,127)	(359,845)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	2,106,118	2,465,963
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 1,369,991	\$ 2,106,118
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (360,505)	\$ (188,379)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	8,776	8,563
Bad debts	103,883	67,442
Changes in operating assets and liabilities		
Accounts receivable	3,207	(11,213)
Prepaid expenses	22,035	(14,946)
Due from other governments	-	119,224
Accounts payable and accrued expenses	(71,980)	(67,848)
Deferred revenue	(108,836)	(111,575)
Grants payable	85,000	-
Deposits held	20,000	-
Due to other governments	-	(6,037)
	\$ (298,420)	\$ (204,769)

See accompanying Notes to Financial Statements.

Troy Local Development Corporation

Notes to Financial Statements
December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization and Purpose

The Troy Local Development Corporation (TLDC), a private not-for-profit corporation, was established in 1987 for the purposes of constructing, acquiring, rehabilitating, and improving buildings or sites in the City of Troy, New York (City), or to assist financially in the construction, acquisition, rehabilitation, and improvement of buildings or sites within the City, and to foster employment opportunities for City residents, including business retention and attraction, and job creation and retention.

The TLDC is a public instrumentality of and supporting organization for, but is separate and apart from, the City.

b. Basis of Accounting and Financial Statement Presentation

The TLDC's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 TLDC is determined by its measurement focus. The transactions of the TLDC 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 statements of net position. Net position is segregated into restricted and unrestricted components, as follows:

- *Restricted net position* consists of assets that are restricted by the Board for specific purposes, and
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of restricted net position.

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Receivables

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

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

The TLDC determines any allowance for doubtful accounts by regularly evaluating individual receivables and considering financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts is \$148,349 and \$54,613 at December 31, 2014 and 2013, respectively.

Troy Local Development Corporation

Notes to Financial Statements
December 31, 2014 and 2013

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

e. Property Held for Development and Resale

Property held for development and resale is recorded at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation, maintenance, and repair costs are expensed as incurred. When capital assets are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to the change in net position.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis using an estimated life of forty years.

Recognition of impairment of property held for development and resale is required when events and circumstances indicate that an entity will not be able to recover the carrying amount of these assets. The TLDC recognizes an impairment loss, equal to the amount by which the carrying amount of an asset exceeds its fair value, if the carrying amount of the asset is not recoverable, and the carrying amount of the asset exceeds its fair value. During the years ended December 31, 2014 and 2013, no impairment loss is recognized.

f. Revenue Recognition

Revenues are recognized when earned, and expenses are recognized when incurred. The TLDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the TLDC. 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.

Deferred revenue represents funds passed through from the City as part of the City's Brownfield Economic Development Initiative (BEDI) Grant. Revenue is recognized as funds are expended in accordance with the BEDI program initiatives.

g. Tax Status

The TLDC is exempt from income taxes as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Accordingly, no provisions have been made for income taxes in these financial statements.

h. Grant Activity

The TLDC was a recipient of a pass-through grant in 2013. The Main Street Grant Program is administered by the New York State Housing Trust Fund. Grant proceeds are remitted to the TLDC and passed to eligible business for land and area improvements on a reimbursement basis. During the year ended December 31, 2013, \$34,875 was awarded through the program.

Troy Local Development Corporation

Notes to Financial Statements
December 31, 2014 and 2013

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

i. New Accounting Pronouncements

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes 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.

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

j. Reclassifications

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

k. Subsequent Events

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

Note 2 - Cash and Cash Equivalents

The TLDC's investment policies are governed by New York State statutes. In addition, the TLDC has its own written investment policy. TLDC monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The TLDC 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 and 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 TLDC considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents at December 31, 2014 and 2013 consisted of demand accounts of \$1,455,131 and \$2,363,716, respectively, which were fully insured or collateralized.

Troy Local Development Corporation

Notes to Financial Statements
December 31, 2014 and 2013

Note 2 - Cash and Cash Equivalents - Continued

Restricted cash consists of BEDI funds held for use in acquiring property within the City, assistance with clean-up of environmental contamination, preparation of sites for commercial redevelopment (Note 5), and a buyer's deposit held by the TLDC for the purchase of a property that had not been completed as of December 31, 2014. The deposits held are the offsetting liability.

Note 3 - Loans Receivable

The TLDC administers 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 made to eligible borrowers meeting targeted economic criteria at market interest rates.

Loans made under the program are generally collateralized by machinery, equipment, or real property of the borrower. Certain loans require fixed monthly payments while others are due in one lump sum payment.

A summary of the loans receivable is as follows:

	December 31,	
	2014	2013
Loan receivable	\$ 564,168	\$ 437,758
Allowance for doubtful accounts	<u>(141,550)</u>	<u>(53,961)</u>
	<u>\$ 422,618</u>	<u>\$ 383,797</u>

A summary of estimated future maturities is as follows:

For the year ending December 31,	
2015	\$ 146,838
2016	48,360
2017	49,951
2018	48,807
2019	20,775
Thereafter	<u>107,887</u>
	<u>\$ 422,618</u>

Note 4 - Property Held for Development and Resale

The TLDC has acquired various parcels in the City to promote future economic growth and assist in revitalization of the City.

Troy Local Development Corporation

Notes to Financial Statements December 31, 2014 and 2013

Note 4 - Property Held for Development and Resale - Continued

A summary property held for development and resale is as follows:

	December 31,	
	2014	2013
Buildings	\$ 266,494	\$ 325,679
Equipment	60,400	60,400
	326,894	386,079
Less accumulated depreciation	35,976	29,469
	290,918	356,610
Land	2,736,314	2,498,068
	\$ 3,027,232	\$ 2,854,678

Note 5 - Loan Payable

During 2008, the TLDC entered into a loan agreement with the City for \$3,000,000 to be used for property acquisition and economic development. The agreement calls for semi-annual interest payments and annual principal payments to the City as billed by the United States Department of Housing and Urban Development (HUD) Section 108 loan authorization pursuant to the BEDI. The loan matures in August 2026.

A summary of the loan payable is as follows:

	December 31,	
	2014	2013
Loan payable	\$ 1,998,000	\$ 2,165,000
Less current installments	167,000	167,000
	\$ 1,831,000	\$ 1,998,000

A summary of future principal payments and estimated interest payments is as follows:

	Principal	Interest
For the year ending December 31,		
2015	\$ 167,000	\$ 98,343
2016	167,000	91,112
2017	167,000	83,631
2018	167,000	76,015
2019 through 2023	835,000	258,684
2024 through 2026	495,000	52,261
	\$ 1,998,000	\$ 660,046

Interest expense for the years ended December 31, 2014 and 2013, was \$102,383 and \$109,306, respectively.

Troy Local Development Corporation

Notes to Financial Statements December 31, 2014 and 2013

Note 6 - Rental Income

The TLDC has three active lease agreements arising from the leasing of property owned by the TLDC. Monthly lease payments are between \$250 and \$5,556 per month and terms range from 5 to 15 years with renewal options.

A summary of future minimum rental payments due to the TLDC under operating lease agreements is as follows:

For the year ending December 31,

2015	\$	129,672
2016		132,672
2017		102,672
2018		69,672
2019		69,672
Thereafter		<u>266,688</u>
	\$	<u>771,048</u>

Note 7 - Commitments and Contingencies

a. Environmental Risks

The TLDC is developing and implementing a plan for pollution remediation and site development on the King Fuel properties with assistance from the New York State Department of Environmental Conservation and National Grid. Preliminary testing and clean-up efforts began in late 2007 and are expected to continue for several years. The TLDC funding assistance has been provided through the BEDI grant and loan funds.

b. Consulting Agreement

During 2013, the TLDC entered into an economic development services agreement with a third party. The agreement provides that the consultant will perform various economic development services on behalf of the TLDC through December 31, 2014. Expenses related to this agreement were \$95,801 for the year ended December 31, 2014.

c. Program and Loan Commitments

During 2014, the TLDC approved various applications for funding under its loan and grant programs. Funding of the approved amounts is dependent upon the applicant meeting various documentation requirements.

Note 8 - Accounting Standard Issued But Not Yet Implemented

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

Troy Local Development Corporation

Notes to Financial Statements
December 31, 2014 and 2013

Note 8 - Accounting Standard Issued But 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.

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

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

**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 Local Development Corporation
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 Local Development Corporation (TLDC) as of December 31, 2014, 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, and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TLDC'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the TLDC'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 TLDC'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 TLDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
March 23, 2015