

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

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

December 31, 2011

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Troy Industrial Development Authority
Troy, New York

We have audited the accompanying statement of net assets of the City of Troy Industrial Development Authority (Authority) as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated March 27, 2012, on our consideration of the Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented on page 8 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 27, 2012

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

**December 31,
2011**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 424,354
Restricted cash	350,000
Accounts receivable	58,576
Loans receivable, net, current installments	20,211
Total current assets	<u>853,141</u>

LOANS RECEIVABLE, net, less current installments

178,484

\$ 1,031,625

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 3,631
Due to other governments	151,093
Total current liabilities	<u>154,724</u>

NET ASSETS

Restricted for scholarship fund	350,000
Unrestricted	526,901
	<u>876,901</u>

\$ 1,031,625

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

	Year Ended December 31, 2011
OPERATING REVENUES	
Operating income	\$ 117,500
Refund of prior year expenses	7,186
	<u>124,686</u>
OPERATING EXPENSES	
Dues and memberships	1,148
Economic development	5,000
Insurance	1,988
Management fees	84,900
Office and general	632
Professional fees, audit	6,950
Professional fees, legal	4,286
	<u>104,904</u>
Operating income	19,782
NON-OPERATING REVENUES	
Interest income	<u>3,216</u>
CHANGE IN NET ASSETS	22,998
NET ASSETS, <i>beginning of year</i>	<u>853,903</u>
NET ASSETS, <i>end of year</i>	<u>\$ 876,901</u>

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

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

	Year Ended December 31, 2011
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Receipts from customers	\$ 124,686
Payments to vendors	(142,457)
	<u>(17,771)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Interest income	3,216
Issuance of loan receivable	(200,000)
Proceeds from loan receivable	1,305
	<u>(195,479)</u>
Net decrease in cash and cash equivalents	(213,250)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>987,604</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 774,354</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 19,782
Changes in operating assets and liabilities	
Accounts receivable	(49,736)
Due to other governments	15,738
Accounts payable	(3,555)
	<u>\$ (17,771)</u>

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

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Purpose

The City of 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 (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 assets. Net assets are segregated into restricted and unrestricted components, as follows:

- *Restricted net assets* consist of assets that are restricted for a scholarship fund, and
- *Unrestricted net assets* consist of assets and liabilities that do not meet the definition of restricted net assets.

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.

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

f. Industrial Revenue Bonds and Notes Transactions - Continued

At December 31, 2011, the original issue value of bonds issued aggregated \$220,075,000, and the outstanding balance was \$34,270,996.

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. Subsequent Events

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 27, 2012, 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.

Restricted cash consists of funds established to provide scholarships to students attending Rensselaer Polytechnic Institute. The scholarship conditions have not yet been approved by the Board, and no scholarships have been awarded at December 31, 2011.

Cash and cash equivalents at December 31, 2011, consisted of demand accounts of \$774,354, 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, 2011, the Authority billed and was owed \$18,076 for a 2011 PILOT fee.

In addition, the Authority closed on a project in 2011, and a fee of \$40,500 was received in 2012.

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. An allowance has been provided against certain accounts based on management's review and collection history.

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 - LOANS RECEIVABLE, NET - Continued

A summary of the loans receivable is as follows:

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

NOTE 5 - DUE TO OTHER GOVERNMENTS

The Authority reimburses the City annually for services and support personnel provided to the Authority during the year. The City has requested reimbursement of \$84,900 for support provided for the year ended December 31, 2011.

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

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 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

During December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This statement 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.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement. This statement No. 62 is effective for financial statements for periods beginning after December 15, 2011.

During June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

During June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This statement is effective for periods beginning after June 15, 2011, with earlier application encouraged.

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

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

SUPPLEMENTAL INFORMATION - STATEMENT OF INDEBTEDNESS

Project Description	Year Ended December 31, 2011							
	Original Issue Date	Original Bond Issued	Current Interest Rate	Outstanding January 1, 2011	Issued During 2011	Principal Payments 2011	Outstanding December 31, 2011	Final Maturity Date
The Arts Center of the Capital Region	04/00	\$ 1,200,000	8.50%	\$ 451,645	\$ -	\$ 25,649	\$ 425,996	07/16
Rensselaer Polytechnic Institute	05/02	<u>218,875,000</u>	5.63%	<u>40,900,000</u>	<u>-</u>	<u>7,055,000</u>	<u>33,845,000</u>	07/31
		<u>\$ 220,075,000</u>		<u>\$ 41,351,645</u>	<u>\$ -</u>	<u>\$ 7,080,649</u>	<u>\$ 34,270,996</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
City of Troy Industrial Development Authority
Troy, New York

We have audited the financial statements of the City of Troy Industrial Development Authority (Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 27, 2012. 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal controls 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 11-01 through 11-05.

The Authority's responses to the findings identified in our report are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of members and management of the Authority, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 27, 2012

CITY OF TROY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?
Significant deficiencies identified that are not considered to be material weaknesses?
Noncompliance material to financial statements?

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

11-01. 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: Due to a change in management near year-end, 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 2012.

11-02. 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 effective immediately, 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 documentation required by PARA.

Cause: The Authority did not oversee proper maintenance of the 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, 2012.

CITY OF TROY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2011

11-03. Acknowledgement of Fiduciary Duty

Criteria: The New York State Authority Budget Office (ABO) issued Policy Guidance on March 1, 2010, stating that Board Members appointed to their positions prior to the effectiveness of PARA and the implementation of this new requirement are required to execute an Acknowledgement of Fiduciary Duty by May 1, 2010.

Condition: The Authority was not in compliance with Section 2824 of Public Authorities Law.

Effect: The Authority did not have the acknowledgements executed by the required date.

Cause: Authority management did not provide Board Members with the necessary acknowledgement.

Recommendation: The Authority should provide Board Members with the necessary acknowledgement and ensure that all documents have been properly executed.

View of Responsible Officials: The Authority is in the process of obtaining all acknowledgements from Board Members.

11-04. Board Member Training

Criteria: Section 2824(2) of Public Authorities Law requires Board members to “participate in State approved training regarding their legal, fiduciary, financial and ethical responsibilities as board members of an authority within one year of appointment to a Board.”

Condition: The Authority was not in compliance with Sections 2824(2) of Public Authorities Law.

Effect: The most recent Board appointment has not completed the required training.

Cause: The training was not completed within one year of appointment.

Recommendation: The Authority and Board Member should schedule the required training in order to be in compliance with Public Authorities Law.

View of Responsible Officials: The Authority is in the process of scheduling the required training with the Board Member.

11-05. Annual Disclosure Statements

Criteria: Board members, officers, and employees of a local public authority are required to file annual financial disclosure statements with the County Board of ethics for the county in which the local public authority has its primary office pursuant to article eighteen of the general municipal law.

Condition: The Authority was not in compliance with Article 18 of the General Municipal Law.

Effect: The Authority’s Board Members have not completed the required annual financial disclosure statements.

Cause: The annual financial disclosure statements were not provided to Board Members.

Recommendation: The Authority should follow-up with Board Members to ensure the annual financial disclosure statements have been filed.

View of Responsible Officials: The Authority is in the process of providing the necessary documentation to members in order for them to complete and file the financial disclosure statements.