

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

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

December 31, 2010

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

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

December 31, 2010

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7
SUPPLEMENTAL INFORMATION	
Statement of Indebtedness	8
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 <i>GOVERNMENT AUDITING STANDARDS</i>	9
Schedule of Findings and Responses	10

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, 2010, 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 City of Troy Industrial Development Authority as of December 31, 2010, 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 31, 2011, on our consideration of the City of Troy Industrial Development 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.

Our audit was made 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 has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted the management's discussion and analysis and budgetary comparison information. Such information is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America.

Bollam Sheedy Torani & Co LLP

Albany, New York

March 31, 2011

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

**December 31,
2010**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 637,604
Restricted cash	350,000
Accounts receivable	8,840
	<hr/>
Total current assets	\$ 996,444

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,186
Due to other governments	135,355
	<hr/>
Total current liabilities	142,541

NET ASSETS

Restricted for scholarship fund	350,000
Unrestricted	503,903
	<hr/>
	\$ 996,444

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

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

	Year Ended December 31, 2010
OPERATING REVENUES	
Operating income	\$ 377,700
Refund of prior year expenses	<u>24,142</u>
	<u>401,842</u>
OPERATING EXPENSES	
Dues and memberships	387
Economic development	35,250
Insurance	1,834
Management fees	84,398
NYS assessment	7,186
Office and general	725
Professional fees, audit	6,800
Professional fees, legal	<u>16,691</u>
	<u>153,271</u>
Operating income	248,571
NONOPERATING REVENUES	
Interest income	<u>4,876</u>
CHANGE IN NET ASSETS	253,447
NET ASSETS, beginning of year	<u>600,456</u>
NET ASSETS, end of year	<u>\$ 853,903</u>

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

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

	<u>Year Ended December 31, 2010</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Receipts from customers	\$ 401,842
Payments to vendors	<u>(119,397)</u>
	<u>282,445</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Interest income	4,876
Proceeds from loan receivable	<u>9,444</u>
	<u>14,320</u>
Net increase in cash and cash equivalents	<u>296,765</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>690,839</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 987,604</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 248,571
Changes in operating assets and liabilities	
Accounts receivable	(957)
Deposits	(160)
Due to other governments	51,429
Accounts payable	<u>(16,438)</u>
	<u>\$ 282,445</u>

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS **December 31, 2010**

NOTE 1 - 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.

Revenues are recognized when earned and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from nonoperating 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.

In preparing the financial statements, management is required 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.

c. 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.

d. Tax Status

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

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS **December 31, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

At December 31, 2010, the original issue value of bonds issued aggregated \$360,075,000, and the outstanding balance was \$41,351,645.

f. Subsequent Events

In preparing the financial statements and notes thereto, the Authority considered subsequent events through March 31, 2011, the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

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, 2010.

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.

Cash and cash equivalents at December 31, 2010, consisted of demand accounts of \$987,604, 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, 2010, the Authority billed and was owed \$8,840 for a 2010 PILOT fee. This fee was received by the Authority in 2011.

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS **December 31, 2010**

NOTE 4 - 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 \$84,398 for support provided for the year ended December 31, 2010.

As described in Note 3, the Authority collects PILOT fees from various parties and submits these payments to the appropriate local taxing authority. During 2010, the Authority billed and received \$50,957 for 2010 PILOT fees which were owed to local taxing authorities at December 31, 2010.

NOTE 5 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED

In December 2010, GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The objective of this statement is to incorporate 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.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The Authority has not yet adopted this statement.

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

SUPPLEMENTAL INFORMATION - STATEMENT OF INDEBTEDNESS

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Original Bond Issued</u>	<u>Current Interest Rate</u>	<u>Year Ended December 31, 2010</u>		<u>Principal Payments 2010</u>	<u>Outstanding December 31, 2010</u>	<u>Final Maturity Date</u>
				<u>Outstanding January 1, 2010</u>	<u>Issued During 2010</u>			
The Arts Center of the Capital Region	04/00	\$ 1,200,000	8.50%	\$ 495,805	\$ -	\$ 44,160	\$ 451,645	07/16
Rensselaer Polytechnic Institute	05/02	218,875,000	5.63%	218,875,000	\$ -	177,975,000	40,900,000	07/31
Rensselaer Polytechnic Institute	12/07	50,000,000	5.00%	50,000,000	\$ -	50,000,000	\$ -	09/37
Rensselaer Polytechnic Institute	01/08	90,000,000	5.00%	90,000,000	\$ -	90,000,000	\$ -	09/37
		\$ 360,075,000		\$ 359,370,805	\$ -	\$ 318,019,160	\$ 41,351,645	

BOLLAM, SHEEDY, TORANI & CO. LLP

Certified Public Accountants

Albany, New York

**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, 2010, and have issued our report thereon dated March 31, 2011. 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

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 10-01 and 10-02.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 31, 2011.

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 31, 2011

CITY OF TROY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES Year Ended December 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No
• Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	None
Noncompliance material to financial statements?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No

Section II - Financial Statement Findings

None

Section III - Compliance Findings

10-01. 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 acknowledgement 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.

10-02. Budget Report Filed in the Public Authorities Reporting Information System (PARIS)

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

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

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

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

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

View of Responsible Officials: The Authority did not receive final Board approval of the budget until after the ABO filing deadline. The budget report was filed in 2011.