

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS - STATUTORY BASIS
and
INDEPENDENT AUDITOR'S REPORT

December 31, 2009

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS - STATUTORY BASIS and INDEPENDENT AUDITOR'S REPORT

December 31, 2009

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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 - statutory basis of the City of Troy Industrial Development Authority (Authority), as of December 31, 2009, and the related statements of revenues, expenses, and changes in net assets - statutory basis, and cash flows - statutory basis 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.

As more fully described in Note 1b to the financial statements - statutory basis, the City of Troy Industrial Development Authority prepared these financial statements using statutory accounting practices prescribed by the New York State Office of the State Comptroller and the New York State Authority Budget Office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2009, and the results of its operations and its cash flows for the year then ended in conformity with the statutory basis of accounting as described in Note 1b.

In accordance with *Government Auditing Standards*, we have issued our report dated April 6, 2010, 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 9 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is presented in accordance with guidelines of the New York Office of the State Comptroller and the New York State Authority Budget Office. 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

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
April 6, 2010

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY**STATEMENT OF NET ASSETS - STATUTORY BASIS**

**December 31,
2009**

ASSETS**CURRENT ASSETS**

Cash	\$ 690,839
Accounts receivable	7,883
Loans receivable, net, current installments	<u>2,914</u>
Total current assets	701,636

LOANS RECEIVABLE, net, less current installments6,530**\$ 708,166****LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts payable	\$ 23,624
Deposits	160
Due to other governments	<u>83,926</u>
	107,710

NET ASSETS, unrestricted600,456**\$ 708,166**

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

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - STATUTORY BASIS**

	Year Ended December 31, 2009
OPERATING REVENUES	
Operating income	<u>\$ 211,375</u>
OPERATING EXPENSES	
Dues and memberships	372
Economic development	239,345
Insurance	1,834
Management fees	83,926
NYS assessment	23,624
Office and general	99
Professional fees, audit	6,750
Professional fees, legal	<u>3,836</u>
	<u>359,786</u>
Operating loss	(148,411)
OTHER REVENUES	
Interest income	<u>6,415</u>
CHANGE IN NET ASSETS	(141,996)
NET ASSETS, unrestricted, beginning of year	<u>742,452</u>
NET ASSETS, unrestricted, end of year	<u>\$ 600,456</u>

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

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY**STATEMENT OF CASH FLOWS - STATUTORY BASIS**

**Year Ended
December 31,
2009**

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES

Receipts from customers	\$ 211,375
Payments to vendors	(234,743)
	(23,368)

CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES

Interest income	6,415
Proceeds of loan receivable	3,021
	9,436

Net decrease in cash **(13,932)**

CASH, beginning of year **704,771**

CASH, end of year **\$ 690,839**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating loss	\$ (148,411)
Changes in operating assets and liabilities	
Accounts receivable	99,768
Due to other governments	1,651
Accounts payable	<u>23,624</u>
	<u>\$ (23,368)</u>

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2009

NOTE 1 - SUMMARY OF 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 - statutory basis follows:

b. Basis of Accounting

Management has elected to prepare its financial statements on the statutory basis permitted by the New York State Office of the State Comptroller and the New York State Authority Budget Office. The statutory basis is an other comprehensive basis of accounting which varies from accounting principles generally accepted in the United States of America primarily because it does not reflect the adoption of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In preparing the financial statements on the statutory basis, 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

The Authority reports certain assets and liabilities at fair value. 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. Income Taxes

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

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2009

NOTE 1 - SUMMARY OF 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 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, 2009, the original issue value of bonds issued aggregated \$360,075,000, and the outstanding balance was \$359,370,805.

f. Subsequent Events

In preparing the financial statements - statutory basis and notes thereto, the Authority considered subsequent events through April 6, 2010, the date the financial statements were 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.

Cash and cash equivalents at December 31, 2009, consisted of demand accounts of \$690,839, which were fully collateralized.

NOTE 3 - ACCOUNTS RECEIVABLE

The Authority incurred certain legal costs associated with the termination and collection of a payment in lieu of tax (PILOT) agreement with a project currently in default. Legal costs of \$7,883 have been added to the action and the Agency's counsel expects full restitution from the parties involved.

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS
December 31, 2009

NOTE 4 - LOANS RECEIVABLE, NET

During 1993, the Authority implemented 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 amounts ranging from \$30,000 to \$100,000 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.

A summary of the loans receivable is as follows:

	<u>Deember 31, 2009</u>
Total loans receivable	\$ 120,913
Less allowance for doubtful accounts	<u>111,469</u>
	9,444
Less current portion	<u>2,914</u>
	<u><u>\$ 6,530</u></u>

NOTE 5 - DUE TO OTHER GOVERNMENTS

The Authority reimburses the City of Troy annually for services and support personnel provided to the Authority during the year. The City of Troy has requested reimbursement of \$83,926 for support provided for the year ended December 31, 2009.

CITY OF TROY INDUSTRIAL DEVELOPMENT AUTHORITY

SUPPLEMENTAL INFORMATION - STATEMENT OF INDEBTEDNESS - STATUTORY BASIS

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Original Bond Issued</u>	<u>Current Interest Rate</u>	<u>Year Ended December 31, 2009</u>			<u>Outstanding December 31, 2009</u>	<u>Principal Payments 2009</u>	<u>Final Maturity Date</u>
				<u>Outstanding January 1, 2009</u>	<u>Issued During 2009</u>	<u>2009</u>			
The Arts Center of the Capital Region	04/00	\$ 1,200,000	8.50%	\$ 578,617	\$ -	\$ 82,812	\$ 495,805	07/16	
Rensselaer Polytechnic Institute	05/02	218,875,000	5.63%	218,875,000	\$ -	\$ -	218,875,000	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	
		<u>\$ 360,075,000</u>		<u>\$ 359,453,617</u>	<u>\$ -</u>	<u>\$ 82,812</u>	<u>\$ 359,370,805</u>		

BOLLAM, SHEEDY, TORANI & CO. LLP

Certified Public Accountants

Albany, New York

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE 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 - statutory basis of the City of Troy Industrial Development Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated April 6, 2010. 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 - statutory basis 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

As part of obtaining reasonable assurance about whether the Authority's financial statements - statutory basis 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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
April 6, 2010