

**CITY OF ALBANY INDUSTRIAL
DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE
CITY OF ALBANY**

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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The Chairman and Board of Directors
City of Albany Industrial Development Agency,
a Component Unit of the City of Albany
Albany, New York

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the City of Albany Industrial Development Agency, a Component Unit of the City of Albany (the Agency), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions 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 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Agency, as of December 31, 2008 and 2007, and the respective changes in financial position and, cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2009, on our consideration of the Agency'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 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 considered in assessing the results of our audits.

City of Albany Industrial Development Agency,
a Component Unit of the City of Albany
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The management's discussion and analysis and budgetary comparison information on pages three through five and Schedule I are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Tal Becker & Charmonata CPAs P.C.

Albany, New York
April 27, 2009

City of Albany Industrial Development Agency, a Component Unit of the City of Albany

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the City of Albany Industrial Development Agency's (CAIDA) activities and financial performance is offered as an introduction and overview of the financial statements of CAIDA for the fiscal years ended December 31, 2008 and 2007. Following this MD&A are the basic financial statements of CAIDA together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the notes, this section also presents certain supplementary information to assist with the understanding of the CAIDA's financial operations.

OPERATION SUMMARY

The City of Albany Industrial Development Agency's mission is to encourage investment and job creation/retention within the City of Albany. The agency offers business financial incentives in the form of tax-exempt and taxable bonds to cover the cost of construction, rehabilitation, and equipping for a wide range of civic, commercial, and industrial projects. The IDA participates in a project by taking title to or a leasehold interest in the real property and/or equipment of the project using the proceeds of bonds sold by CAIDA. By separate agreement, the private firm leases the facilities from the IDA. Lease payments are usually equal to the debt service bond obligations. The IDA provides no credit enhancement and issues bonds on a non-recourse basis. Projects undertaken by the Agency are exempt from sales tax on supplies and materials during the construction phase of the project as well as mortgage recording taxes. Real property tax abatement may also be available in accordance with CAIDA's tax-exempt policy. Based on the size of the project, beneficiaries can take advantage of the five-year declining exemption under Section 485-B of the New York State Real Property Tax Law. Projects meeting certain job creation/retention and other criteria may also be eligible for the Urban Reinvestment Tax Incentive Program (URTIP). This enhanced property tax abatement is modeled after the Section 485-E of the New York State Real Property Tax Law. There will be a seven year 100% abatement of the increase in assessed value resulting from the project. The abatement will be reduced by 25% in each of the next four years until taxes are paid on 100% of the assessed value of the property.

The seven-member Board meets on a monthly basis to consider projects and actions that advance this mission as well as CAIDA's financial position. The Albany Local Development Corporation (ALDC) provides staff and administrative support to CAIDA. As a not-for-profit economic development corporation, the ALDC will meet with prospective developers to discuss the specifics of a particular project or development. ALDC staff then make recommendations about appropriate economic development programs as well as other planning, zoning, or project related issues. If CAIDA is an appropriate route, the applicant will complete and submit an application that outlines certain information and data. The application form is reviewed by CAIDA staff and counsel in determining project qualification and other due diligence issues. The CAIDA Board members then review the application form to consider the number of jobs to be created or retained, the "public benefits" related to the proposed project, and other economic impacts and benefits on the local economy. As part of the review process, the CAIDA members also consider potential costs to the local community of the project, including the loss of potential tax revenue. Each project is also required to provide an inducement resolution that specifically states how the project meets the statutory definitions of eligibility. The Agency convenes a public hearing for all projects requesting financial incentives greater than \$100,000. The CAIDA Board of Directors then questions the project sponsors, evaluates their answers, and reviews the inducement resolution findings in making its decision to grant final approval for IDA benefits.

City of Albany Industrial Development Agency, a Component Unit of the City of Albany

Management's Discussion and Analysis

FINANCIAL OPERATIONS HIGHLIGHTS

The chart below provides a condensed summary of revenues and expenses for the years ended December 31:

	<u>2008</u>	<u>2007</u>
Total revenues	\$2,063,579	\$1,025,125
Total expenses	<u>1,959,092</u>	<u>713,894</u>
Excess Of Revenues Over Expenses	<u>\$ 104,487</u>	<u>\$ 311,231</u>

Agency revenues are predominantly derived from a 0.75% administrative fee on projects that close within a given year. As a result, revenues will fluctuate from year to year based on the level of project activity. Projects that closed in 2008 and paid an administrative fee to the agency were as follows:

CHF Holland Suites II

CAIDA issued Civic Facility Bonds in the amount of \$6,735,000 for the renovation and conversion of an office building into student housing for the Albany College of Pharmacy and Health Services. Total project cost is \$7,815,000 and CHF Holland Suites II is on the second phase in the renovation of the building. The phase will create four new jobs and 28 construction positions.

St. Peters Hospital

A total of \$228,985,000 Civic Facility Revenue Bonds were issued by the CAIDA for the first five phases of a six phase project consisting of the construction of new medical and non-medical space, parking garage, and renovations to the existing facilities. The overall investment in the project is estimated to be in excess of \$362 million. The project will result in the creation of approximately 75 new full time jobs and has currently created 98 construction jobs.

Columbia Harriman 555, LLC

This \$8,500,000 straight lease project facilitated the purchase of a parcel of land at 555 Patroon Creek Boulevard and construction of a 35,000 square foot commercial office building. This project will result in the retention of approximately 139 existing jobs and the creation of 20 permanent and 205 construction jobs.

22 New Scotland Avenue

This straight lease project resulted in the acquisition of land and the construction of an approximate 77,700 square foot administrative office and medical building for the Albany Medical Center Hospital. The total investment in the project was approximately \$15 million. The project will result in 300 jobs and create 200 construction jobs.

**City of Albany Industrial Development Agency,
a Component Unit of the City of Albany**

Management's Discussion and Analysis

A condensed summary of CAIDA's net assets at December 31 is shown below:

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$1,132,783	\$513,725
Mortgage Notes Receivable	<u>143,155</u>	<u>143,155</u>
TOTAL ASSETS	<u>\$1,275,938</u>	<u>\$656,880</u>
<u>Liabilities and Net Assets</u>		
Grants Payable	\$ 570,330	\$ 55,759
City of Albany, Mortgage Payable	<u>131,970</u>	<u>131,970</u>
Total Liabilities	702,300	187,729
Net Assets	<u>573,638</u>	<u>469,151</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,275,938</u>	<u>\$656,880</u>

FUTURE OPERATIONS

As of March 31, 2009, the following projects have been presented to the CAIDA Board:

Parkview - Albany Limited Partnership

This \$12.5 million project will consist of the purchase and renovation of a 178 unit multi-family affordable living apartment building. This project will help address the need for elderly housing in the City of Albany while strengthening an important neighborhood that has been in transition.

FINANCIAL STATEMENTS

CAIDA's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the *Government Accounting Standards Board (GASB)*. CAIDA is a public benefit corporation created by State legislation and is a component unit of the City of Albany. CAIDA follows enterprise fund accounting; accordingly, the financial statements are presented using the economic resources management focus. These financial statements are presented in a manner similar to a private business.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of CAIDA's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional

**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE CITY OF ALBANY**

Balance Sheets

December 31

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,132,783	\$ 513,725
Mortgage notes receivable, net (Note 2)	<u>143,155</u>	<u>143,155</u>
Total Assets	<u>\$ 1,275,938</u>	<u>\$ 656,880</u>
 <u>Liabilities And Net Assets</u>		
Grants payable	\$ 570,330	\$ 55,759
Mortgages payable long-term (Note 3)	<u>131,970</u>	<u>131,970</u>
Total liabilities	702,300	187,729
Net assets	<u>573,638</u>	<u>469,151</u>
Total Liabilities And Net Assets	<u>\$ 1,275,938</u>	<u>\$ 656,880</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE CITY OF ALBANY**

Statements Of Revenues, Expenditures, And Changes In Net Assets

For The Years Ended December 31

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Fees	\$ 2,013,507	\$ 1,004,365
Total operating revenues	<u>2,013,507</u>	<u>1,004,365</u>
Operating expenditures:		
Grant expenses	1,813,282	569,600
Contractual expenses	<u>145,810</u>	<u>144,294</u>
Total operating expenditures	<u>1,959,092</u>	<u>713,894</u>
Operating income	<u>54,415</u>	<u>290,471</u>
Other revenues:		
Interest income	<u>50,072</u>	<u>20,760</u>
Total other revenues	<u>50,072</u>	<u>20,760</u>
Net income	104,487	311,231
Net assets - beginning	<u>469,151</u>	<u>157,920</u>
Net Assets - Ending	<u>\$ 573,638</u>	<u>\$ 469,151</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE CITY OF ALBANY**

Statements Of Cash Flows

For The Years Ended December 31

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Receipts from fees	\$ 2,013,507	\$ 1,004,365
Receipts from interest	-	299
Payments for contractual expenses	(145,810)	(144,294)
Payments for grants	<u>(1,298,711)</u>	<u>(565,537)</u>
Net cash provided by operating activities	<u>568,986</u>	<u>294,833</u>
 Cash Flows From Investing Activities:		
Interest	50,072	20,760
Principal payments on mortgages receivable	-	27,521
Net cash provided by investing activities	<u>50,072</u>	<u>48,281</u>
 Net increase in cash and cash equivalents	 619,058	 343,114
 Balances - beginning of year	 <u>513,725</u>	 <u>170,611</u>
 Balances - End Of Year	 <u>\$ 1,132,783</u>	 <u>\$ 513,725</u>
 Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:		
Operating income	\$ 54,415	\$ 290,471
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Interest receivable	-	299
Grants payable	<u>514,571</u>	<u>4,063</u>
 Net Cash Provided By Operating Activities	 <u>\$ 568,986</u>	 <u>\$ 294,833</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE CITY OF ALBANY**

Notes To Financial Statements

Note 1: Organization And Summary Of Significant Accounting Policies

Organization

The City of Albany Industrial Development Agency (the Agency), a public benefit corporation created by State legislation, is a component unit of the City of Albany, New York, and commenced operations on May 13, 1974. The Agency's purpose is to promote the advancement of job opportunities, health, general prosperity, and economic welfare of the people of the State of New York, to attract commerce and industry, and to retain areas adaptable for commercial and/or industrial purposes. Additionally, the Agency's purpose is to promote, develop, encourage, and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping, and furnishing of industrial, manufacturing, warehousing, commercial, and research facilities. The Agency also has the power to acquire, construct, reconstruct, lease, sell, improve, maintain, equip, or furnish certain properties and facilities. The members of the Agency are appointed by the City of Albany's Common Council. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters.

Summary of significant accounting policies

(a) Basis of presentation

The Agency utilizes the accrual basis of accounting wherein revenue is recognized when earned and expenses are recognized when incurred. The accompanying financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the *Government Accounting Standards Board (GASB)*, which is the primary standard setting body for establishing governmental accounting and financial principles.

(b) Income taxes

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

**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE CITY OF ALBANY**

Notes To Financial Statements

Note 1: Organization And Summary Of Significant Accounting Policies (Continued)

(c) Property and equipment

The Agency's property and equipment are stated at historical cost. Expenditures for additions, renewals, and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the costs and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue.

The Agency capitalizes all expenditures for property and equipment in excess of \$1,000. There were no additions of property and equipment during the year.

(d) Cash and cash equivalents

The Agency's investment policies are governed by State statutes. The Agency's funds must be deposited in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand 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 for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

At December 31, 2008, the carrying amount of the Agency's deposits, including cash and a money market account, is \$1,132,783. The insured and collateral status of the year end bank balances are as follows:

Status of bank balances:

Collateralized with securities held by a third party for the benefit of the Agency pursuant to a third party custodian agreement	\$ 882,913
Covered by federal deposit insurance	<u>250,000</u>

Total Bank Balances	<u>\$1,132,913</u>
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**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE CITY OF ALBANY**

Notes To Financial Statements

Note 1: Organization And Summary Of Significant Accounting Policies (Continued)

(e) Statement of cash flows and cash equivalents

The Agency follows *Governmental Accounting Standards* (GASB) Statement No. 34, which requires the reporting of cash flows under the direct method of cash flow reporting. The Agency elected to report cash flows under the direct method. For purposes of the statements of cash flows, the Agency considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents in accordance with GASB Statement No. 9.

(f) Industrial Development Revenue Bonds

The Agency may issue Industrial Development Revenue Bonds. The Bonds are special obligations of the Agency payable solely from revenue derived from the leasing, sale, or other disposition of a project. As explained more fully in Note 4, there is no liability to the Agency; therefore, the obligations are not accounted for in the accounts of the Agency.

(g) Mortgage Notes Receivable

Substantially all of the mortgage notes receivable are considered collectible. Accordingly, no allowance for doubtful accounts is required. If it is probable accounts are uncollectible, they are charged to operations and an allowance is established when that determination is made.

(h) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 these estimates.

**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE CITY OF ALBANY**

Notes To Financial Statements

Note 2: Mortgage Notes Receivable

The Agency's mortgage notes receivable comprise loans which are recorded at cost. Repayment terms and interest vary with each borrower.

Note 3: Mortgage Payable

The Agency has entered into a loan agreement with the City of Albany. The proceeds are loaned, in turn, to the eligible mortgagor. Loan repayment maturities vary by loan and are collateralized by mortgage notes receivable.

At December 31, 2008 and 2007, long-term debt was \$131,970 and matures on December 23, 2022.

Note 4: Industrial Development Revenue Bond Transactions

Industrial Development Revenue Bonds issued by the Agency are secured by property which is leased to private companies. The debt is retired by the lease payments. The bonds are not obligations of the Agency or New York State and the Agency does not record related activity in its accounts. The Agency acts merely as a financing conduit. For providing this service, the Agency receives an administrative fee. Such administrative fee income is recognized immediately upon issuance of bonds. Industrial Development Revenue Bonds outstanding as of December 31, 2008 total \$715,942,975.

Note 5: Commitments

The Agency has an agreement with the Albany Parking Authority to pay 25% of the generally offered parking rate to provide up to 50 parking spaces associated with the Hampton Plaza. The generally offered parking rate at December 31, 2008 and 2007 is \$130 per space per month. The agreement is effective through August 31, 2018.

The Agency has an agreement with the New Covenant Charter School to lease a portion of the New Covenant Charter School building as a community center. The Agency shall pay the Community Center's share of all operating and maintenance expenses, fees, and charges. The annual costs of this lease were approximately \$93,616 and \$108,351 for the years ended December 31, 2008 and 2007, respectively. This agreement is effective through November 30, 2099.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY,
A COMPONENT UNIT OF THE CITY OF ALBANY**

Required Supplementary Information
Schedule Of Revenues And Expenditures - Budget
(Non-GAAP Basis) And Actual

For The Year Ended December 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Agency fees	\$ 2,329,300	\$ 2,013,507	\$ (315,793)
Interest income	40,000	50,072	10,072
Prior year net assets	<u>513,000</u>	<u>-</u>	<u>(513,000)</u>
 Total revenues	 <u>2,882,300</u>	 <u>2,063,579</u>	 <u>(818,721)</u>
Expenditures:			
ED Support	2,480,000	1,719,666	760,334
Sub-Lease AHCC	105,000	93,616	11,384
Management contracts	75,000	75,000	-
Agency counsel	42,000	42,000	-
APA Contract	19,500	19,500	-
Audits/accounting	5,800	5,800	-
Other legal expenses	2,500	-	2,500
Insurance	-	1,010	(1,010)
Other miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>-</u>
 Total expenditures	 <u>2,732,300</u>	 <u>1,959,092</u>	 <u>773,208</u>
 Excess Of Expenditures Over Revenues	 <u>\$ 150,000</u>	 <u>\$ 104,487</u>	 <u>\$ (45,513)</u>

See paragraph on supplementary schedules in auditors' report

**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***

The Chairman and Board of Directors
City of Albany Industrial Development Agency,
a Component Unit of the City of Albany

We have audited the financial statements of the governmental activities and the business-type activities of the City of Albany Industrial Development Agency, a Component Unit of the City of Albany (the Agency), as of and for the year ended December 31, 2008, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated April 27, 2009. 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Agency'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Agency in a separate letter dated April 27, 2009.

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

Teal Becker & Charanmitta CPAs P.C.

Albany, New York
April 27, 2009