

City of Albany Industrial Development Agency

21 Lodge Street
Albany, New York 12207
Telephone: (518) 434-2532
Fax: (518) 434-9846

Tracy Metzger, *Chair*
Susan Pedo, *Vice Chair*
Darius Shahinfar, *Treasurer*
C. Anthony Owens, *Secretary*
Lee Eck
Dominick Calsolaro
Robert Schofield

Sarah Reginelli, *Chief Executive Officer*
Mark Opalka, *Chief Financial Officer*
Bill Kelly, *Agency Counsel*

To: Susan Pedo
Darius Shahinfar
Dominick Calsolaro

Cc: Robert Schofield
Tracy Metzger
Lee Eck
Anthony Owens

Sarah Reginelli
Mark Opalka
Bill Kelly
Joe Scott
Joe Landy
Andy Corcione
Chantel Burnash

Date: March 3, 2017

IDA AUDIT COMMITTEE AGENDA

A meeting of the Finance Committee of the City of Albany Industrial Development Agency will be held on **Thursday, March 9th at 12:15 PM** at 21 Lodge Street, Albany, NY 12207 (Large Conference Room).

Roll Call

Reading of Minutes of the Audit Committee Meeting of October 4, 2016

Approval of Minutes of the Audit Committee Meeting of October 4, 2016

Unfinished Business

- None

New Business

- A. Review of Draft 2016 Audited Financial Statements
- B. Review of Draft 2016 Annual Report
- C. Review of Draft 2016 Procurement Report
- D. Review of Draft 2016 Investment Report
- E. Review of Management Assessment of Internal Controls and Performance Measures Report

Other Business

- A. Agency Update

Adjournment

Please check the website www.albanyida.com for updated meeting information.

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Sarah Reginelli, *Chief Executive Officer*
Mark Opalka, *Chief Financial Officer*
John Reilly, *Agency Counsel*

IDA MINUTES OF AUDIT COMMITTEE MEETING Tuesday, October 4, 2016

Attending: Susan Pedo, Darius Shahinfar and Dominick Calsolaro

Also Present: Sarah Reginelli, Mark Opalka, Andy Corcione, Chantel Burnash, Lee Eck, and Sarah Robinson (Teal Becker and Chiaramonte)

Chair Susan Pedo called to order the City of Albany IDA Audit Committee meeting at 12:04 PM.

Roll Call

Chair Susan Pedo reported that all Committee members were present.

Reading of Minutes of the Audit Committee Meeting of March 10, 2016

Since the minutes of the previous meeting had been distributed to Committee members in advance for review, Chair Susan Pedo made a proposal to dispense with the reading of the minutes.

Approval of Minutes of the Audit Committee Meeting of March 10, 2016

Chair Susan Pedo made a proposal to approve the minutes of the Audit Committee meeting of March 10, 2016 as presented. A motion to accept the minutes, as presented, was made by Darius Shahinfar and seconded by Dominick Calsolaro. A vote being taken, the minutes were accepted unanimously.

Unfinished Business

None.

New Business

2016 Teal, Becker and Chiaramonte CPA's Audit Engagement Letter

Sarah Robinson, a representative of Teal, Becker and Chiaramonte, reviewed the audit procedure and engagement letter with the Committee. Ms. Robinson encouraged the Committee members to reach out to her via email or telephone if there are any concerns. Ms. Robinson will coordinate a time in December to perform interim fieldwork. Staff and Committee discussed performance of the Teal, Becker and Chiaramonte's audit team, commending them for their excellent, in-depth and timely work. Pat Scisci was the shareholder for the 2012, 2013, 2014 and 2015 audits. This will be his fifth year. A different partner must be selected to handle the Agency's account next year. The cost of the services provided to the Agency was reviewed and the Committee was advised the cost to the agency would remain the same. A motion to recommend to the full Board with positive recommendation, utilizing the services of Teal, Becker, and Chiaramonte to perform the audit of the Agency's 2016 financial statements was made by Darius Shahinfar. The motion was seconded by Dominick Calsolaro. A vote

being taken, the motion passed unanimously.

Review Adequacy of Audit Committee Charter

Staff reviewed the Audit Committee Charter with the Committee. Staff explained that no formal action is necessary per the Committee's Charter and the ABO recommends the Committee review it annually.

Review Audit Committee 2016 Performance

Staff reviewed the Audit Committee 2016 Performance with the Committee. Staff explained that no formal action is necessary and the ABO recommends the Committee review their performance annually.

Other Business

None.

There being no further business, Chair Susan Pedo adjourned the meeting at 12:12 PM.

Respectfully submitted,

C. Anthony Owens, Secretary

_____ xx, 2017

The Chairman and Board of Directors
City of Albany Industrial Development Agency,
a Component Unit of the City of Albany
21 Lodge Street
Albany, New York 12207

We have audited the financial statements 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, 2016, and have issued our report thereon dated _____ xx, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 15, 2016 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency, solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our Firm, as appropriate, and our Firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Agency's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior years on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We did not identify any misstatements during the audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated _____ xx, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the Agency, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

TEAL, BECKER & CHIARAMONTE, CPAs, P.C.

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

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

DRAFT

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REQUIRED SUPPLEMENTARY INFORMATION

	<u>Schedule Number</u>
Schedule Of Revenues And Expenses - Budget (Non-GAAP Basis) And Actual	I
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>	

The Chairman and Board of Directors
City of Albany Industrial Development Agency,
a Component Unit of the City of Albany
21 Lodge Street
Albany, New York 12207

Independent Auditors' Report

Report on the Financial Statements

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

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

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

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 City of Albany Industrial Development Agency, a Component Unit of the City of Albany, as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 6 and Schedule I be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____ xx, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

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 or Agency) activities and financial performance is offered as an introduction and overview of the financial statements of CAIDA for the fiscal years ended December 31, 2016 and 2015. 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 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. To do this, the Agency extends conduit tax-exempt and taxable bond issuance, mortgage recording, sales, and real-property tax abatements to offset or finance construction, rehabilitation, and equipping costs for eligible projects.

The CAIDA 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 CAIDA. Lease payments are usually equal to the debt service obligations of the issued bonds. The CAIDA does not provide credit enhancement and issues bonds on a non-recourse basis.

Through a professional services agreement, the Capitalize Albany Corporation (CAC), an independent, not-for-profit economic development corporation provides staffing and administrative support to CAIDA. Staff meets with prospective developers to discuss the specifics of a particular project or development and makes recommendations about appropriate economic development programs as well as other project related issues. If CAIDA is an appropriate route, the applicant will complete and submit an application that outlines certain information and data, including anticipated level of job creation and retention that the project will generate. The application is reviewed by staff and counsel to determine project qualification and address other due diligence issues. The seven-member CAIDA Board meets monthly or as necessary to consider project applications focusing on the "public benefits" related to the proposed project, other economic impacts and benefits on the local economy, and the anticipated employment impact. 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 that requests financial incentives greater than \$100,000 in value.

**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 December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Total revenues, gains, and other support	\$ 187,538	\$1,186,999
Total expenses	<u>722,419</u>	<u>57,506</u>
Excess Of Revenues Over Expenses/ (Expenses Over Revenues)	<u>\$(534,881)</u>	<u>\$ 429,493</u>

Agency revenues are predominantly derived from a 1% administrative fee paid by applicants for projects that close with a PILOT and a ½% administrative fee for all other projects that close within a given year. As a result, revenues will fluctuate from year to year based on the level of project activity. The following one project that closed in 2016 and paid an administrative fee to the Agency was as follows:

99 Pine Street, LLC

This project is a mixed use project that consists of the acquisition of the Capital Center located at 55 North Pearl Street. When completed this mixed use project will have renovated approximately 34,000 square feet on the property's third, fourth, and fifth floors into 35 market rate residential units. The first and second floors will contain commercial units. This approximately \$6.7 million project will create an estimated 15 construction jobs.

A condensed summary of CAIDA's net assets at December 31, 2016 and 2015 is shown below:

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$1,867,362	\$2,386,372
Mortgage Notes Receivable	<u>131,970</u>	<u>131,970</u>
TOTAL ASSETS	<u>\$1,999,332</u>	<u>\$2,518,342</u>
<u>Liabilities and Net Assets</u>		
Accounts Payable	\$ 74,481	\$ 58,610
Mortgage Notes Payable	<u>131,970</u>	<u>131,970</u>
Total Liabilities	206,451	190,580
Net Assets	<u>1,792,881</u>	<u>2,327,762</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,999,332</u>	<u>\$2,518,342</u>

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

Management's Discussion And Analysis

FUTURE OPERATIONS

As of December 31, 2016 the following projects have been approved by the CAIDA Board and are expected to close in 2017:

1385 Washington Avenue Associates, LLC

This project will be an acquisition and demolition of the existing Red Carpet Inn and construction of an approximately 142,000 square foot student housing complex with an approximately 48,000 square foot parking garage. When completed this project will have 101 units of 1 to 4 bedroom and bathroom combinations that will share a kitchen area and common room space. Additionally there will be 180 parking spaces for residents. This approximately \$30.5 million project will create an estimated 7 permanent jobs and an estimated 90 construction jobs.

Capital District Apartments, LLC

This project, located at 2 Thurlow Terrace, consists of the acquisition and renovation of the existing 136 units of Section 8 senior and handicapped housing. The 9-story structure was built in 1979 and encompasses 85,000 square foot. This approximately \$21.7 million project will retain an estimated 3 permanent jobs and create an estimated 75 construction jobs.

191 North Pearl Street, LLC

This project consists of the acquisition of +/- 0.21 acres of vacant land located in Downtown Albany. A 3.5 story complex will be constructed which contains approximately 27,070 square feet of market rate apartments. When completed this project will have 18 units of 1 and 2 bedroom market rate rental apartment units and interior parking spaces located on the ground level. This approximately \$2.8 million project will create an estimated 30 construction jobs.

Nipper Apartments, LLC

Located at 991 Broadway in the Warehouse District, this project consists of the acquisition of an existing vacant warehouse and storage building of approximately 101,000 square feet and the demolition of an existing structure on site. The property will be redeveloped into 75 market rate residential rental apartment units on the upper floors and approximately 7,750 square feet of commercial space with parking. This approximately \$13 million project will create approximately 70 construction jobs and 19 permanent jobs.

760 Broadway, LLC

This project consists of the acquisition of an underutilized parcel and the construction of an approximately 130,000 square foot, 5-story residential rental apartment complex. When completed this project will have 100 units of 1 and 2 bedroom market rate apartment units over an approximate 110 space parking garage. This approximately \$16.5 million project will create approximately 100 construction jobs and 2 permanent jobs.

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

Management's Discussion And Analysis

FUTURE OPERATIONS (CONTINUED)

960 Broadway, LLC

This project consists of the redevelopment of a .42 acre site with an existing approximately 53,000 square feet vacant warehouse located in the Warehouse District. The existing 4-story brick structure has a 2-story brick addition on the south side of the building which will be renovated to include 24 market rate rental apartments on the upper three floors and an approximately 3,000 square feet ground floor restaurant. The existing 2-story addition on the south side of the building will be renovated into approximately 2,000 square feet of additional commercial space. This approximately \$6 million project will create an estimated 15 permanent jobs and an estimated 40 construction jobs.

FINANCIAL STATEMENTS

CAIDA's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America 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. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to:

City of Albany Industrial Development Agency
Attention: Chief Financial Officer & Assistant Treasurer
21 Lodge Street
Albany, New York 12207

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

Statements Of Net Position

December 31

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,867,362	\$ 2,386,372
Total current assets	1,867,362	2,386,372
Mortgage notes receivable (Note 2)	<u>131,970</u>	<u>131,970</u>
Total Assets	<u>\$ 1,999,332</u>	<u>\$ 2,518,342</u>
<u>Liabilities And Net Position</u>		
Current liabilities:		
Accounts payable	\$ 74,481	\$ 58,610
Total current liabilities	74,481	58,610
Mortgage payable (Note 3)	<u>131,970</u>	<u>131,970</u>
Total liabilities	206,451	190,580
Net position - unrestricted	<u>1,792,881</u>	<u>2,327,762</u>
Total Liabilities And Net Position	<u>\$ 1,999,332</u>	<u>\$ 2,518,342</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, Expenses, And Changes In Fund Net Position

For The Years Ended December 31

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Fees	\$ 176,788	\$ 1,186,758
Total operating revenues	<u>176,788</u>	<u>1,186,758</u>
Operating expenses:		
Professional services	403,788	334,402
Economic development support	250,000	350,000
Other	<u>3,752</u>	<u>6,225</u>
Total operating expenses	<u>657,540</u>	<u>690,627</u>
Operating income (loss)	<u>(480,752)</u>	<u>496,131</u>
Non-operating revenues:		
Interest income	<u>10,750</u>	<u>241</u>
Total non-operating revenues	<u>10,750</u>	<u>241</u>
Non-operating expenses:		
Lease expenses (Note 5)	<u>64,879</u>	<u>66,879</u>
Total non-operating expenses	<u>64,879</u>	<u>66,879</u>
Net income (loss)	(534,881)	429,493
Net position - beginning	<u>2,327,762</u>	<u>1,898,269</u>
Net Position - Ending	<u>\$ 1,792,881</u>	<u>\$ 2,327,762</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>2016</u>	<u>2015</u>
Cash flows from (for) operating activities:		
Receipts from fees	\$ 177,788	\$ 1,185,758
Payments for economic development support	(250,000)	(350,000)
Payments for professional services	(403,788)	(334,402)
Payments for other expenses	<u>(5,456)</u>	<u>(4,640)</u>
Net cash provided by (used by) operating activities	<u>(481,456)</u>	<u>496,716</u>
 Cash flows for investing activities:		
Interest	10,750	241
Lease expenses	<u>(48,304)</u>	<u>(67,279)</u>
Net cash used by investing activities	<u>(37,554)</u>	<u>(67,038)</u>
 Net increase (decrease) in cash and cash equivalents	 (519,010)	 429,678
 Balances - beginning of year	 <u>2,386,372</u>	 <u>1,956,694</u>
 Balances - End Of Year	 <u>\$ 1,867,362</u>	 <u>\$ 2,386,372</u>
 Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (480,752)	\$ 496,131
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Changes in assets and liabilities:		
Accounts payable	<u>(704)</u>	<u>585</u>
 Net Cash Provided By (Used By) Operating Activities	 <u>\$ (481,456)</u>	 <u>\$ 496,716</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 accordance with accounting principles generally accepted in the United States of America (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) 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.

**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)

(b) Cash and cash equivalents (continued)

At December 31, 2016, the carrying amount of the Agency's deposits, including cash and a money market account, was \$1,867,362. 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	\$ 1,617,362
Covered by federal deposit insurance	<u>250,000</u>
Total Bank Balances	<u>\$ 1,867,362</u>

(c) Statement of cash flows and cash equivalents

The Agency follows accounting principles generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America.

(d) Mortgage notes receivable

Substantially all of the mortgage notes receivable are considered collectible. Accordingly, no allowance for doubtful accounts is required.

(e) Property and equipment

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.

**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)

(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.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

(g) Income taxes

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

(h) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America require 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. The application of these accounting principles involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Agency periodically evaluates estimates and assumptions used in the preparation of the financial statements and makes changes on a prospective basis when adjustments are necessary.

(i) Presentation

Certain reclassifications, when applicable, are made to the prior year financial statement presentation to correspond to the current year's format. Reclassifications, when made, have no effect on net position or net income.

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.

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

Notes To Financial Statements

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, 2016 and 2015, long-term debt was \$131,970 each year, 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 New York State, the City of Albany, and are not general obligations of the Agency. Accordingly, the Agency does not record related activity in its accounts. The Agency acts 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, 2016 total \$176,624,669.

Note 5: Sublease Agreement

The Agency had an agreement with the New Covenant Charter School (the Charter School) to lease a portion of the Charter School's building as a community center. The Agency paid the Community Center's share of all operating and maintenance expenses, fees, and charges. The annual costs of this lease were approximately \$64,879 and \$66,879 for the years ended December 31, 2016 and 2015, respectively. The original agreement was effective through November 30, 2099.

In June 2010, the Charter School closed and ownership rights reverted back to the bondholders. The Agency's obligation under the lease continues despite the closing of the Charter School. Under a revised agreement, the Agency was required to pay 80% of all operating and maintenance expenses, fees, and charges until the Charter School building was purchased.

During the fourth quarter of 2013, the building was leased to the Albany City School District. In connection with the lease with the Albany City School District, the Agency's obligation under the lease will continue with respect to sharing of operating and maintenance expenses, fees, and charges.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

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

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

For The Year Ended December 31, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Agency fees	\$ 839,783	\$ 176,788	\$ (662,995)
Interest income	<u>499</u>	<u>10,750</u>	<u>10,251</u>
 Total revenues	 <u>840,282</u>	 <u>187,538</u>	 <u>(652,744)</u>
Expenses:			
Management contracts	348,582	300,082	48,500
Economic development support	250,000	250,000	-
Strategic activity	100,000	-	100,000
Sub-lease AHCC	75,000	64,879	10,121
Agency counsel	52,000	62,020	(10,020)
Audits/accounting	7,000	7,000	-
Other miscellaneous	6,000	3,752	2,248
Insurance	1,700	1,526	174
Professional service other	<u>-</u>	<u>33,160</u>	<u>(33,160)</u>
 Total expenses	 <u>840,282</u>	 <u>722,419</u>	 <u>117,863</u>
 Deficit Of Revenues Over Expenses	 <u>\$ -</u>	 <u>\$ (534,881)</u>	 <u>\$ (534,881)</u>

See paragraph on supplementary schedules in independent 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
21 Lodge Street
Albany, New York 12207

Independent Auditors' Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated _____ xx, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albany, New York
_____, xx, 2017

2016 Assessment of the Effectiveness of Internal Controls

City of Albany Industrial Development Agency's ("IDA") Major Business Functions:

The primary mission of the IDA is as follows:

Assist in the enhancement and diversity of the economy of the City of Albany (the "City") by acting in support of projects in the City that create and/or retain jobs and/or promote private sector investment utilizing the statutory powers of the Agency as set forth under the provisions of the laws of the State of New York.

No changes have occurred with respect to funding sources, mission or objectives of the IDA during 2016. Accomplishments, including financial status, committee accomplishments and legal requirements are outlined on a monthly basis via publically advertised and open meetings. Minutes of these meetings as well as supporting documents are maintained on the agency's website.

Risks Associated with IDA Operations:

Public meeting rules are in place and regularly followed. The Chair of the Board of Directors is regularly engaged as are other board members. The Treasurer regularly reviews financial information which is then presented to the board at publically open meetings. Additionally, for both legal and financial aspects, IDA utilizes outside sources with expertise in the associated functions to lend additional controls. As such, risks are deemed to be low for all activities and functions within IDA. A review for 2016 finds no change to the differing levels of involvement and approval.

Internal Control Systems in Place

There has been a longstanding set of policies, procedures and guidelines in place at the IDA that are designed to ensure the IDA's mission is carried out in full and to minimize risk. These items remained in place during 2016. Some of the key internal controls in place include:

- Public meeting and disclosure requirements are in effect and regularly followed.
- Board of Directors annually reviews and accepts the Agency policy manual and NYS PAAA policies.
- As noted previously, the use of external parties provides additional levels of internal control. Additionally, personnel with appropriate backgrounds and experience are utilized to help identify such items as legal or financial risks.
- Consistent reports are provided to management as well as the Treasurer and the full Board of Directors.
- The IDA annually has a financial audit. The financial audit provides an opinion on the financial statements and also includes the audit related assessment of internal controls.
- The Agency's board actions have addressed internal controls through review and adoption of policies and procedures within the Agency's policy manual. These policy and procedures include the following:
 - Annual Board adoption and review of Agency Policy Manual
 - Annual Board adoption and acceptance of NYS PAAA policies
 - Annual Board adoption and acceptance of PARIS reports
 - Annual Board adoption and review of Open Meetings and Conduct & Notification of Public Hearings policies

- Annual Board adoption and review of Project Monitoring & Enforcement and Agency Administrative & Other Fees policies
- Maintenance of website in accordance with the Agency's Access to Agency Records Policy
- Agency board has annually reviewed the Agency mission and Policy Manual to ensure the IDA's primary operations and functions will help fulfill its mission
- IDA staff is trained to understand the IDA objectives, functions, policies, procedures and guidelines
- Annual Board adoption and review of Conflicts of Interest Policy
- Annual Board adoption and review of financial records and Annual Financial Statement policy
- Monthly financial reports reviewed by Board of Directors
- Annual Board adoption and review of deposits & investments of Agency funds
- Annual Board adoption and review of Procurement policy
- Annual Board adoption and review of annual budget and budget policy
- Annual Board adoption and review of Agency property acquisition & disposition policies
- Annual external financial audit with Audit Committee oversight

Extent to Which the Internal Control System is Effective

Management has reviewed the internal control system for 2016 and finds that the items as outlined above remain in place and functioning as expected. The IDA's most recent financial audit (for the calendar year 2015 and the year ended December 31, 2015) identified no material weaknesses or significant deficiencies. Policies and procedures in place are deemed sufficient. As noted previously, IDA staff regularly reviews updates to pertinent rules.

Corrective Action

No specific corrective action is required at this time. Management consistently works to strengthen controls as possible.

Mission Statement and Performance Measurements

Name of Public Authority: City of Albany Industrial Development Agency (the “Agency”).

Agency’s Mission Statement:

Assist in the enhancement and diversity of the economy of the City of Albany (the “City”) by acting in support of projects in the City that create and/or retain jobs and/or promote private sector investment utilizing the statutory powers of the Agency as set forth under the provisions of the laws of the State of New York.

Date Adopted: December 16, 2010. **The mission statement did not change during 2016.**

Agency Stakeholders:

Agency Stakeholders include the following: (A) The Mayor of the City of Albany, (B) The members of the Albany Common Council, (C) The residents of the City of Albany, (D) The businesses located or intending to locate in the City of Albany, (E) The City of Albany School District, (F) the State of New York, and (G) local trade unions.

At a minimum, Agency Stakeholders expect the Agency’s members to carry out the business of the Agency in a manner that accomplishes its mission while strengthening the local economy.

List of Performance Measurements:

- A. Number of firms assisted (with cash, loans, technical assistance, and problem-solving) by the Agency. **73**
- B. Number of jobs created with help from Agency assistance. **4,507**
- C. Number of jobs retained with help from Agency assistance. **1,952**
- D. Capital investment made in the City (both total and private funds leveraged with public assistance). **\$977,783,816**
- E. Number and dimension of efforts to support local efforts that support continued job growth and economic gains for the City. **Continue to assist projects that support the Albany 2030 initiative (as well as neighborhood plans and IMPACT Downtown). This initiative supports increased job opportunities for all residents, encourages investment in urban land and buildings for employment and housing including the promotion of a variety of housing types to meet the varied needs of Albany’s households.**
- F. Number and dimension of efforts to support regional efforts that support continued job growth and economic gains in the region. **Many of the entities that receive assistance from the agency create and retain permanent jobs as well as temporary construction jobs by hiring local labor that encompasses workers from around the Capital Region.**

ADDITIONAL QUESTIONS:

1. **Have the members of the Agency acknowledged that they have read and understood the mission of the public authority?** The members of the Agency have reviewed the mission statement and have not made amendment to the approved resolution dated December 16, 2010.
2. **Who has the power to appoint the management of the public authority?** The members of the Agency appoint the Chief Executive Officer and Chief Financial Officer of the Agency, as well as the other staff of the Agency.
3. **If the members appoint management, do you have a policy you follow when appointing the management of the Agency?** To the extent that the expertise needed by the Agency resides within the Capitalize Albany Corporation (the "Corporation"), the Agency first looks at candidates from within the Corporation when appointing management of the Agency.
4. **Briefly describe the role of the members and the role of management in the implementation of the mission.** The Mission of the Agency was developed by the members through much consideration and discussion. The members of the Agency act as an independent body of members who all take their role and responsibility as Agency members very seriously. They consider the facts and implications when making determinations. The members make policy decisions, and look to management to implement said policy. All decisions to grant financial assistance by the Agency ("Project Approvals") require approval of the members; in those cases, the members request insight and recommendations from management; however all final decisions on Project Approvals reside with the voting members of the Agency.
5. **Have the members acknowledged that they have read and understood the responses to each of these questions?** All members participated in the drafting, presentation for discussion, and approval of these responses.