

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

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013



Teal, Becker & Chiamonte™
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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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, 2014 and 2013, 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, 2014 and 2013, 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 7 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 March 24, 2015, 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.

Teal Becker & Charamonte CPAs PC

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, 2014 and 2013. 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, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|---------------------------|--------------------------|
| Total revenues, gains, and other support | \$1,934,171 | \$597,206 |
| Total expenses | <u>686,794</u> | <u>669,983</u> |
| Excess Of Revenues Over Expenses/(Expenses Over Revenues) | <u>\$1,247,377</u> | <u>\$(72,777)</u> |

Agency revenues are predominantly derived from a 1% administrative fee paid by applicants for 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 projects closed in 2014 and paid an administrative fee to the Agency:

LV Apartments, LP

This project will convert the former Philip Livingston Magnet Academy into quality affordable senior housing to residents earning 50%, 60%, and 90% of AMI. When complete the building will contain 105 residential rental units. This approximately \$28.9 million project will create 3 permanent jobs and create an estimated 100 construction jobs.

412 Broadway Realty, LLC

This project will convert a vacant five-story mixed-use retail and commercial office building into approximately a 40,000 square foot mixed-use retail and residential space. When complete, the building will contain 32 residential rental units and commercial space of over 6,400 square feet. This approximately \$3 million project will create an estimated 8 permanent jobs, and create an estimated 26 construction jobs.

488 Broadway Arcade, LLC

This project will convert an approximately 75,000 square foot mixed-use retail and commercial office building into mixed-use retail and residential space. Upon completion, this building will feature 68 residential rental units and 12,000 square feet of rentable commercial space. This approximately \$10 million project will create an estimated 20 permanent jobs, and create an estimated 55 construction jobs.

Fuller Road Management Corporation

Redevelopment of the vacant Kiernan Plaza (formerly Union Station) building in Downtown as the Smart Cities Technology Innovation Center (SCiTI Center) to serve as an urban catalyst for business innovation, economic vitality, and educational outreach. Fuller Road Management Corporation (FRMC) is undertaking this project on behalf of the College of Nanoscale Science and Engineering (CNSE). This approximately \$10 million project will create an estimated 150 permanent jobs, retain an additional 100 jobs, and create an estimated 50 construction jobs.

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

Management's Discussion and Analysis

144 State Street Properties, LLC

This project will be an acquisition and renovation of the historic Wellington Hotel in Downtown Albany. Once completed, this project will be an 180,000 square foot Renaissance by Marriott consisting of 204 rooms as well as a full banquet and event space. This approximately \$47 million renovation project will create 162 permanent jobs and 200 construction jobs.

132 State Street Properties, LLC

This project will be an acquisition and renovation of a five-story vacant building into an approximately 9,500 square foot mixed-use retail and commercial office building. Upon completion, this building will feature a full retail bank on the ground floor and 4 stories of commercial office space. This renovation valued at approximately \$2.3 million will create and retain 40 permanent jobs and create 25 construction jobs.

136 State Street Properties, LLC

This project will be an acquisition and renovation of two five-story vacant buildings into commercial office space. Upon completion, these buildings will feature approximately 18,000 square feet of commercial office space. This renovation valued at approximately \$3.6 million will create 5 permanent jobs and 25 construction jobs.

140 State Street Properties, LLC

This project will be an acquisition and renovation of an approximately 5,500 square foot five-story vacant building into a mixed-use retail and residential space. Upon completion, this building will feature retail space on the first floor and 4 residential units on the upper floors. This renovation valued at approximately \$1.3 million will create 5 permanent jobs and 25 construction jobs.

Aeon Nexus Corporation

This project will be an acquisition and renovation of an approximately 8,700 square foot three-story vacant building into commercial office space. This renovation valued at approximately \$1.3 million will create 12 permanent jobs and 25 construction jobs.

Sheridan Hollow Village, LLC/Sheridan Hollow Enterprises

This project will construct a total of 17 buildings and will be a mixed-use project consisting of both commercial and affordable housing space. When complete, this project will contain 57 affordable residential rental units and approximately 10,900 square feet of commercial space. This approximately \$15.3 million project will create or retain 18 permanent jobs and create an estimated 45 construction jobs.

Tricentennial Properties, LLC

This project will be an acquisition of land located on the CNSE campus located off Fuller Road and Tricentennial Drive. When completed, this project will have constructed a 25,000 square foot building that will be leased to Tech Valley High School for interdisciplinary academic uses and other direct and indirect related activities. This approximately \$8.5 million project will create 25 permanent jobs and create an estimated 25 construction jobs.

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

Management's Discussion and Analysis

733 Broadway, LLC

This project will be an acquisition and renovation of a 45,000 square foot building into a mixed-use commercial space and 29 loft market rate apartments. This renovation valued at approximately \$5.1 million will create or retain 5 permanent jobs and create an estimated 27 construction jobs.

40 Steuben, LLC

This project will be an acquisition and renovation of a 47,000 square foot building into a mixed-use commercial space and 26 market rate apartments. This renovation valued at approximately \$5 million will create 5 permanent jobs and create an estimated 15 construction jobs.

TMG-NY Albany I, LP

This project will consist of the acquisition and renovation of the B’Nia B’Rith Parkview Apartments located at 400 Hudson Avenue. In addition to providing renovations to the existing affordable housing units, an additional three units will be constructed. The construction and renovation project valued at approximately \$21.5 million is estimated to retain 5 permanent jobs as well as create approximately 60 construction jobs.

Albany Medical Center - 91 Myrtle Avenue

This project will be an acquisition of various parcels of land located on Myrtle Avenue and Morris Street. When completed, this project will have constructed a 135,000 square foot medical office complex. The approximately \$32.1 million project will create 6 new permanent jobs and create approximately 200 construction jobs.

A condensed summary of CAIDA’s net assets at December 31, 2014 and 2013 is shown below:

| <u>Assets</u> | <u>2014</u> | <u>2013</u> |
|---|---------------------------|-------------------------|
| Cash and Cash Equivalents | \$1,956,694 | \$725,300 |
| Mortgage Notes Receivable | <u>131,970</u> | <u>131,970</u> |
| TOTAL ASSETS | <u>\$2,088,664</u> | <u>\$857,270</u> |
| <u>Liabilities and Net Assets</u> | | |
| Accounts Payable | \$ 58,425 | \$ 74,408 |
| Mortgage Notes Payable | <u>131,970</u> | <u>131,970</u> |
| Total Liabilities | 190,395 | 206,378 |
| Net Assets | <u>1,898,269</u> | <u>650,892</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$2,088,664</u> | <u>\$857,270</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, 2014, the following projects have been approved by the CAIDA Board and are expected to close by March 31, 2015:

Park South Partners

This project will be an acquisition of land located on Morris, Dana, and Robin Streets. When completed, this mixed-use project will have constructed an approximately 319,500 square foot building that will contain 21,000 square feet of retail space as well as 268 market rate apartments. This approximately \$52.6 million project will create 11 permanent jobs and create an estimated 200 construction jobs.

67 Howard Street

This project will be an acquisition of land to construct a parking facility containing approximately 200 parking spaces adjacent to the Capital Center convention facility and Renaissance by Marriott. This approximately \$6.5 million project will create 2 permanent jobs and create an estimated 20 construction jobs.

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. 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>2014</u> | <u>2013</u> |
|---|---------------------|-------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,956,694 | \$ 725,300 |
| Total current assets | 1,956,694 | 725,300 |
| Mortgage notes receivable (Note 2) | <u>131,970</u> | <u>131,970</u> |
| Total Assets | <u>\$ 2,088,664</u> | <u>\$ 857,270</u> |
| <u>Liabilities And Net Position</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 58,425 | \$ 74,408 |
| Total current liabilities | 58,425 | 74,408 |
| Mortgage payable (Note 3) | <u>131,970</u> | <u>131,970</u> |
| Total liabilities | 190,395 | 206,378 |
| Net position - unrestricted | <u>1,898,269</u> | <u>650,892</u> |
| Total Liabilities And Net Position | <u>\$ 2,088,664</u> | <u>\$ 857,270</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>2014</u> | <u>2013</u> |
|---------------------------------|----------------------------|--------------------------|
| Operating revenues: | | |
| Fees | \$ <u>1,933,821</u> | \$ <u>596,232</u> |
| Total operating revenues | <u>1,933,821</u> | <u>596,232</u> |
| Operating expenses: | | |
| Professional services | 364,397 | 298,147 |
| Economic development support | 250,000 | 300,000 |
| Other | <u>3,241</u> | <u>2,728</u> |
| Total operating expenses | <u>617,638</u> | <u>600,875</u> |
| Operating income (loss) | <u>1,316,183</u> | <u>(4,643)</u> |
| Non-operating revenues: | | |
| Interest income | <u>350</u> | <u>974</u> |
| Total non-operating revenues | <u>350</u> | <u>974</u> |
| Non-operating expenses: | | |
| Lease expenses (Note 5) | <u>69,156</u> | <u>69,108</u> |
| Total non-operating expenses | <u>69,156</u> | <u>69,108</u> |
| Net income (loss) | 1,247,377 | (72,777) |
| Net position - beginning | <u>650,892</u> | <u>723,669</u> |
| Net Position - Ending | <u><u>\$ 1,898,269</u></u> | <u><u>\$ 650,892</u></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>2014</u> | <u>2013</u> |
|--|-------------------------|-----------------------|
| Cash flows for operating activities: | | |
| Receipts from fees | \$ 1,933,821 | \$ 688,710 |
| Payments for economic development support | (250,000) | (362,500) |
| Payments for professional services | (374,397) | (288,973) |
| Payments for other expenses | <u>(3,250)</u> | <u>(2,600)</u> |
| Net cash provided by operating activities | <u>1,306,174</u> | <u>34,637</u> |
| Cash flows from investing activities: | | |
| Interest | 350 | 974 |
| Lease expenses | <u>(75,130)</u> | <u>(50,368)</u> |
| Net cash used by investing activities | <u>(74,780)</u> | <u>(49,394)</u> |
| Net increase (decrease) in cash and cash equivalents | 1,231,394 | (14,757) |
| Balances - beginning of year | <u>725,300</u> | <u>740,057</u> |
| Balances - End Of Year | <u>\$ 1,956,694</u> | <u>\$ 725,300</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ 1,316,183 | \$ (4,643) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Changes in assets and liabilities: | | |
| Accounts receivable | - | 108,040 |
| Accounts payable | <u>(10,009)</u> | <u>(68,760)</u> |
| Net Cash Provided By Operating Activities | <u>\$ 1,306,174</u> | <u>\$ 34,637</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, 2014, the carrying amount of the Agency's deposits, including cash and a money market account, was \$1,956,694. 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 | \$ 1,706,694 |
| Covered by federal deposit insurance | <u>250,000</u> |
| Total Bank Balances | <u>\$ 1,956,694</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 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. 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 (loss).

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, 2014 and 2013, 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, 2014 total \$438,095,627.

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 \$69,156 and \$69,108 for the years ended December 31, 2014 and 2013, respectively. The original agreement was effective through November 30, 2009.

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 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

**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, 2013

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|-------------------|---------------------|-------------------|
| Revenues: | | | |
| Agency fees | \$ 1,209,392 | \$ 1,933,821 | \$ 724,429 |
| Interest income | <u>1,000</u> | <u>350</u> | <u>(650)</u> |
| | | | |
| Total revenues | <u>1,210,392</u> | <u>1,934,171</u> | <u>723,779</u> |
| | | | |
| Expenses: | | | |
| Management contracts | 300,000 | 300,000 | - |
| Economic development support | 250,000 | 250,000 | - |
| Sub-lease AHCC | 75,000 | 69,156 | 5,844 |
| Agency counsel | 42,000 | 55,750 | (13,750) |
| Audits/accounting | 7,000 | 7,000 | - |
| Other miscellaneous | 4,000 | 3,241 | 759 |
| Insurance | <u>1,700</u> | <u>1,647</u> | <u>53</u> |
| | | | |
| Total expenses | <u>679,700</u> | <u>686,794</u> | <u>(7,094)</u> |
| | | | |
| Excess Of Revenues Over Expenses | <u>\$ 530,692</u> | <u>\$ 1,247,377</u> | <u>\$ 716,685</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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 24, 2015.

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 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 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.

Teal Becker & Charamonte, CPAs PC

Albany, New York
March 24, 2015