

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

FINANCIAL STATEMENTS

DECEMBER 31, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion And Analysis	3-6
Balance Sheets	7
Statements Of Revenues, Expenses, And Changes In Net Assets	8
Statements Of Cash Flows	9
Notes To Financial Statements	10-14
	<u>Schedule Number</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION</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
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, 2010 and 2009, 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, 2010 and 2009, 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 March 29, 2011, 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* 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
Page Two

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 audit 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.

Teal Beecher & Charamonte LLPs P.C.

Albany, New York
March 29, 2011

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 2010 and 2009. 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. 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 (4) years until taxes are paid on 100% of the assessed value of the property.

The seven-member Board meets on a monthly basis or as necessary to consider projects and actions that advance this mission as well as CAIDA's financial position. Through a management 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 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 staff and counsel to determine project qualification and address 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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Total revenues, gains, and other support	\$ 239,726	\$ 429,432
Total expenses	<u>422,167</u>	<u>679,213</u>
Excess Of Expenses Over Revenues	<u>\$(182,441)</u>	<u>\$(249,781)</u>

The CAIDA has been unable to provide financial assistance to Civic Facility projects since January 31, 2008. To date, authorization to restore CAIDA's ability to undertake Civic Facility projects has not been restored. During 2010, acting on a request by CAIDA, the City of Albany Capital Resource Corporation (CACRC), a not-for-profit local development corporation was formed by resolution of the City of Albany Common Council. The CACRC has been established to undertake projects that CAIDA cannot do or projects that CAIDA requests the CACRC to undertake. It is anticipated that formation of the CACRC will allow Civic Facility projects to move forward within the City of Albany.

CAIDA experienced reduced project closing activity in 2010. Although this has resulted in a decrease in agency fee revenue when compared to 2009, CAIDA has continued to meet its contractual obligations supporting various economic and community development commitments during 2010.

Section 2975-A of the Public Authorities Law establishes a Cost Recovery System under which Industrial Development Agencies are assessed annually for the costs of unreimbursed services provided to them by New York State's central service agencies and the New York State Legislature. The New York State Division of the Budget (DOB) has determined the 2010-11 total unreimbursed central service costs pursuant to Section 2975-A to be \$2,900,571. Assessments to individual IDA's were calculated based upon the 2009 operating revenue information submitted by each IDA to the State's Public Authorities Reporting Information System (PARIS). CAIDA's calculated obligation under Section 2975-A is \$19,464.82. An accrual has been recorded in 2010 and the amount is payable by March 31, 2011.

Agency revenues are predominantly derived from a .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 2010 and paid an administrative fee to the Agency were as follows:

NS Parking Garage Facility

CAIDA issued \$14,506,500 in bonds to finance the construction of a parking facility with a minimum capacity of 1,250 vehicles. Albany Medical Center will operate the facility and it will serve the public on a first come, first served basis with prevailing hourly/daily rates. An estimated nine permanent full time jobs will be created by this project along with 200 construction jobs. The bonds issued in 2010 supplemented \$25 million in bonds issued for the project in 2009.

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

Management's Discussion and Analysis

Columbia 50 NS, LLC

This \$15,208,672 straight lease project facilitated the acquisition of approximately .2 acres of land at 50 New Scotland Avenue and the construction of a 67,500 square foot building consisting of retail, medical office, and/or commercial uses. The project will create an estimated 60 new jobs and 200 construction jobs.

A condensed summary of CAIDA's net assets at December 31, 2010 and 2009 is shown below:

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$250,836	\$460,637
Mortgage Notes Receivable	131,970	143,155
Other Assets	-	10,125
TOTAL ASSETS	<u>\$382,806</u>	<u>\$613,917</u>
<u>Liabilities and Net Assets</u>		
Accounts Payable	\$109,420	\$158,090
Mortgage Notes Payable	131,970	131,970
Total Liabilities	241,390	290,060
Net Assets	141,416	323,857
TOTAL LIABILITIES AND NET ASSETS	<u>\$382,806</u>	<u>\$613,917</u>

FUTURE OPERATIONS

As of March 31, 2011, the following projects have been presented to the CAIDA Board:

39 Sheridan Realty, LLC

This \$6,250,000 straight lease project will consist of the purchase, renovation, and conversion of a vacant industrial building located on Sheridan Avenue into an approximately 58,000 square foot loft-style apartment building consisting of 43 units. An estimated 50 construction jobs will be created by this project.

Morris Street Development, LLC

This residential housing project will consist of the total rehab of an abandoned building into a nine-unit residential housing apartment building. Located at 70 Morris Street in the Park South section of the City of Albany, the project investment will be approximately \$850,000 in this straight lease project.

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

Management's Discussion and Analysis

FC DCI, LLC

This \$2,492,700 straight lease project by First Columbia, LLC will consist of the construction of a new single story medical office building of approximately 13,000 square feet on Washington Avenue Extension. This project estimates creating 15 new jobs.

Columbia 425 NS, LLC

This \$4,072,340 straight lease project will consist of the acquisition and renovation of 413 & 415 New Scotland Avenue into a senior care and medical facility of 16,500 square feet managed by the Care for LIFE Foundation. The project estimates creating 36 new 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**

Balance Sheets

December 31

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 250,836	\$ 460,637
Accounts receivable	-	10,125
Total current assets	<u>250,836</u>	<u>470,762</u>
Mortgage notes receivable (Note 2)	<u>131,970</u>	<u>143,155</u>
Total Assets	<u>\$ 382,806</u>	<u>\$ 613,917</u>
<u>Liabilities And Net Assets</u>		
Current liabilities:		
Accounts payable (Note 3)	<u>\$ 109,420</u>	<u>\$ 158,090</u>
Total current liabilities	109,420	158,090
Mortgages notes payable (Note 4)	<u>131,970</u>	<u>131,970</u>
Total liabilities	241,390	290,060
Net assets	<u>141,416</u>	<u>323,857</u>
Total Liabilities And Net Assets	<u>\$ 382,806</u>	<u>\$ 613,917</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 Net Assets

For The Years Ended December 31

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Fees	\$ 239,045	\$ 426,690
Total operating revenues	<u>239,045</u>	<u>426,690</u>
Operating expenses:		
Grant expenses	344,955	388,209
Contractual expenses	<u>77,212</u>	<u>291,004</u>
Total operating expenses	<u>422,167</u>	<u>679,213</u>
Operating loss	<u>(183,122)</u>	<u>(252,523)</u>
Other revenues:		
Interest income	<u>681</u>	<u>2,742</u>
Total other revenues	<u>681</u>	<u>2,742</u>
Net loss	(182,441)	(249,781)
Net assets - beginning	<u>323,857</u>	<u>573,638</u>
Net Assets - Ending	<u>\$ 141,416</u>	<u>\$ 323,857</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>2010</u>	<u>2009</u>
Cash Flows For Operating Activities:		
Receipts from fees	\$ 249,170	\$ 416,565
Receipts from mortgage notes receivable	11,185	-
Payments for contractual expenses	(130,590)	(173,161)
Payments for grants	(340,247)	(918,292)
Net cash used by operating activities	<u>(210,482)</u>	<u>(674,888)</u>
 Cash Flows From Investing Activities:		
Interest	<u>681</u>	<u>2,742</u>
Net cash provided by investing activities	<u>681</u>	<u>2,742</u>
 Net decrease in cash and cash equivalents	 (209,801)	 (672,146)
 Balances - beginning of year	 <u>460,637</u>	 <u>1,132,783</u>
 Balances - End Of Year	 <u>\$ 250,836</u>	 <u>\$ 460,637</u>
 Reconciliation Of Operating Loss To Net Cash Used By Operating Activities:		
Operating loss	\$ (183,122)	\$ (252,523)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	10,125	(10,125)
Mortgage notes receivable	11,185	-
Accounts payable	(48,670)	87,760
Grants payable	<u>-</u>	<u>(500,000)</u>
 Net Cash Used By Operating Activities	 <u>\$ (210,482)</u>	 <u>\$ (674,888)</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 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)

At December 31, 2010, the carrying amount of the Agency's deposits, including cash and a money market account, is \$250,836. 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	\$ 836
Covered by federal deposit insurance	<u>250,000</u>

Total Bank Balances \$250,836

(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) Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible amounts has been provided since it is believed that such allowance would not be material.

(e) 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.

(f) 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)

(g) 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 5, there is no liability to the Agency; therefore, the obligations are not accounted for in the accounts of the Agency.

(h) Income taxes

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

(i) 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.

Note 2: Mortgage Notes Receivable

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

Note 3: Accounts Payable

The Agency's accounts payable include charges from New York State representing the Agency's share of central governmental cost recovery. The authorization to levy this charge is codified in Public Authorities Law Section 2975-A. The charge was based upon operating revenue generated in 2009 and 2008, and resulted in an expense accrual of \$19,465 and \$117,843 for the years ended December 31, 2010 and 2009, respectively.

In March 2010, several New York State Senators introduced Bill 6962 repealing the cost recovery charge originally assessed against the Agency a month before. The expense of \$117,843 accrued at December 31, 2009 was reversed.

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

Notes To Financial Statements

Note 4: 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, 2010 and 2009, long-term debt was \$131,970 and matures on December 23, 2022.

Note 5: 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, 2010 total \$680,436,200.

Note 6: 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, 2010 and 2009 is \$140 per space per month. The agreement is effective through August 31, 2018.

Minimum future parking payments under the noncancelable lease agreement having initial terms in excess of one year as of December 31, 2010 are as follows:

2011	\$ 21,000
2012	21,000
2013	21,000
2014	21,000
2015	21,000
Thereafter	<u>56,000</u>
Total	<u>\$161,000</u>

Included in contractual expenses for 2010 and 2009 were expenses totaling \$21,000 for each year.

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

Notes To Financial Statements

Note 6: Commitments (Continued)

The Agency had 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 paid the Community Center's share of all operating and maintenance expenses, fees, and charges. The annual costs of this lease was approximately \$44,955 and \$88,209 for the years ended December 31, 2010 and 2009, respectively. The original agreement was effective through November 30, 2009. In June 2010, the New Covenant Charter School closed and ownership rights have reverted back to the bondholders.

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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Agency fees	\$ 572,000	\$ 239,045	\$ (332,955)
Interest income	<u>1,200</u>	<u>681</u>	<u>(519)</u>
Total revenues	<u>573,200</u>	<u>239,726</u>	<u>(333,474)</u>
Expenses:			
ED Support	300,000	300,000	-
Sub-Lease AHCC	100,000	44,955	55,045
Management contracts	100,000	100,000	-
Agency counsel	42,000	45,000	(3,000)
APA Contract	21,000	21,000	-
Audits/accounting	6,750	6,600	150
Other miscellaneous	2,250	1,980	270
Insurance	1,200	1,010	190
Governmental cost recovery	<u>-</u>	<u>(98,378)</u>	<u>98,378</u>
Total expenses	<u>573,200</u>	<u>422,167</u>	<u>151,033</u>
Excess Of Expenses Over Revenues	<u>\$ -</u>	<u>\$ (182,441)</u>	<u>\$ (182,441)</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

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, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

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 March 29, 2011.

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 & Charamonte CPAs P.C.

Albany, New York
March 29, 2011