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

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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

Independent Auditors' Report

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, 2012 and 2011, 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

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 audit. 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. Those standards require that we plan and perform the audit 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 auditor considers 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, 2012 and 2011, 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 March 28, 2013, 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 & Chiaramonte CPAs PC

Albany, New York
March 28, 2013

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, 2012 and 2011. Following this MD&A are the basic financial statements of CAIDA together with the notes 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.

OPERATIONS SUMMARY

The City of Albany Industrial Development Agency's mission is to encourage investment and job creation and retention within the City of Albany. To do this, the Agency offers conduit tax-exempt and taxable bond issuance and extends mortgage recording, sales, and real-property tax abatements to offset or finance construction, rehabilitation, and equipping costs for eligible projects. 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 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, 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 anticipated employment impact, 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 estimated costs to the project's local community, 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 request financial incentives greater than $100,000 in value.

FINANCIAL OPERATIONS HIGHLIGHTS

The chart below provides a condensed summary of revenues and expenses for the years December 31, 2012 and 2011:

	2012	2011
Total revenues, gains, and other support	$787,655	$633,954
Total expenses	610,396	228,960
EXCESS OF REVENUES OVER EXPENSES	**$177,259**	**$404,994**

Agency revenues are predominantly derived from a 1% 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 Straight Lease projects closed in 2012:

FC 178WAE, LLC

This project consists of the construction of a new single story medical and general office building of approximately 24,000 square feet on Washington Avenue Extension. Total project cost is approximately $4.5 million and this project is estimated to create 18 new jobs and 30 construction jobs.

Honest Weight Food Cooperative, Inc.

Construction of a new 30,700 square foot natural foods grocery store on approximately 2.7 acres. Total project cost is approximately $8.9 million. Approximately 70 jobs will be retained with 30 new jobs created within the first two years. An estimated 200 construction jobs will be created.

Scanell Properties #145, LLC

Demolition of a vacant former dairy facility and construction of a new 125,000 square foot distribution facility. Total project cost is $7.75 million and the project anticipates the creation of 25 new jobs and 40 construction jobs.

Sixty State Place, LLC

Rehabilitation of a four story, 25,000 square foot commercial building at 60 State Street into a mixed-use structure with 14 market rate apartments and restaurant space on the first floor. Total project cost is estimated to be $6.5 million. An estimated 40 construction jobs will be created.

Penta on Broadway, LLC

Acquisition and conversion of approximately 18,000 square feet of vacant commercial space at 522-524 Broadway into 14 residential rental units and approximately 3,000 square feet commercial space. Total project cost is estimated to be approximately $1.5 million and the project anticipates creating nine construction jobs.

4-6 Sheridan, LLC

Rehabilitation of a five-story, 21,000 square foot commercial building at 4-6 Sheridan Avenue into a mixed-use structure housing 13 market-rate apartments and 3,000 square feet of restaurant space. Total project cost is estimated to be $1.75 million. The project will create or retain an estimated 50 permanent jobs and create an estimated 40 construction jobs.

A condensed summary of CAIDA's net position at December 31, 2012 and 2011 is shown below:

	2012	2011
Assets		
Cash and Cash Equivalents	$740,057	$655,512
Accounts Receivable	108,040	-
Mortgage Notes Receivable	131,970	131,970
TOTAL ASSETS	**$980,067**	**$787,482**
Liabilities and Net Position		
Accounts Payable	$124,428	$109,102
Mortgage Notes Payable	131,970	131,970
Total Liabilities	256,398	241,072
Net Position - unrestricted	723,669	546,410
TOTAL LIABILITIES AND NET POSITION	**$980,067**	**$787,482**

FUTURE OPERATIONS

As of December 31, 2012 the following projects have been approved by the CAIDA Board and are expected to close by March 31, 2013:

Columbia Harriman 455, LLC

This project consists of the acquisition of land at 455 Patroon Creek Boulevard and construction of an approximately 42,000 square foot office building on the site. This approximately $9.2 million project will create or retain an estimated 80 permanent 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

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 740,057	$ 655,512
Accounts receivable	108,040	-
Total current assets	848,097	655,512
Mortgage notes receivable (Note 2)	131,970	131,970
Total Assets	$ 980,067	$ 787,482
Liabilities And Net Position		
Current liabilities:		
Accounts payable	$ 124,428	$ 109,102
Total current liabilities	124,428	109,102
Mortgage notes payable (Note 4)	131,970	131,970
Total liabilities	256,398	241,072
Net position - unrestricted	723,669	546,410
Total Liabilities And Net Position	$ 980,067	$ 787,482

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

	2012	2011
Operating revenues:		
Fees	$ 684,552	$ 633,492
Total operating revenues	684,552	633,492
Operating expenses:		
Contractual expenses	318,466	102,876
Grant expenses	291,930	126,085
Total operating expenses	610,396	228,961
Operating income	74,156	404,531
Other revenues:		
Grant revenues (Note 3)	102,500	-
Interest income	603	463
Total other revenues	103,103	463
Net income	177,259	404,994
Net position - beginning	546,410	141,416
Net Position - Ending	$ 723,669	$ 546,410

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

	2012	2011
Cash flows from (for) operating activities:		
Receipts from fees	$ 587,211	$ 633,492
Payments for grants	(313,312)	(110,155)
Payments for contractual expenses	(292,457)	(119,124)
Net cash provided by (used by) operating activities	(18,558)	404,213
Cash flows from investing activities:		
Interest	603	463
Net cash provided by investing activities	603	463
Cash flows from financing activities:		
Grant revenue	102,500	-
Net cash provided by financing activities	102,500	-
Net increase in cash and cash equivalents	84,545	404,676
Balances - beginning of year	655,512	250,836
Balances - End Of Year	$ 740,057	$ 655,512
Reconciliation of operating income to net cash provided by (used by) operating activities:		
Operating income	$ 74,156	$ 404,531
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(108,040)	-
Accounts payable	15,326	(318)
Net Cash Provided By (Used By) Operating Activities	$ (18,558)	$ 404,213

The accompanying notes are an integral part of these 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.

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

At December 31, 2012, the carrying amount of the Agency's deposits, including cash and a money market account, is $740,057. 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.	$ 493,791
Covered by federal deposit insurance	250,000
Total Bank Balances	$ 743,791

(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. If it is probable accounts are uncollectible, they are charged to operations and an allowance is established when that determination is made.

(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.

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

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

(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.

Note 3: Related Party

The Agency shares a common board of directors with the City of Albany Capital Resource Corporation, a Component Unit of the City of Albany. The Agency received a one-time grant from the City of Albany Capital Resource Corporation in the amount of $102,500 during the current year.

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, 2012 and 2011, long-term debt was $131,970 each year, 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, 2012 total $569,507,100.

Note 6: Commitments

The Agency had 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, 2012 and 2011 was $140 per space per month. This agreement was terminated during the current year.

Included in contractual expenses for December 31, 2012 and 2011 were expenses totaling $10,500 and $21,000, respectively, related to the agreement.

The Agency had an agreement with the New Covenant Charter School to lease a portion of the New Covenant Charter School (the 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 were approximately $41,930 and $76,486 for the years ended December 31, 2012 and 2011, respectively. The original agreement was effective through November 30, 2099. In June 2010, the New Covenant Charter School closed and ownership rights have reverted back to the bondholders. The Agency's obligation under the lease continues despite the closing of the Charter School. The Agency will continue to be required to pay a portion of all operating and maintenance expenses, fees, and charges until the Charter School building is purchased. The Agency's obligation for the year ended December 31, 2011 included usage charges that were incurred from August 9, 2010 through January 5, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule I

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, 2012

	Budget	Actual	Variance
Revenues:			
Agency fees	$ 470,000	$ 684,552	$ 214,552
Grant revenue	155,000	102,500	(52,500)
Interest income	500	603	103
Total revenues	625,500	787,655	162,155
Expenses:			
ED support	250,000	250,000	-
Management contracts	250,000	250,000	-
Agency counsel	42,000	45,189	(3,189)
Sub-lease AHCC	50,000	41,930	8,070
APA Contract	23,100	10,500	12,600
Audits/accounting	7,000	9,500	(2,500)
Other miscellaneous	2,200	2,009	191
Insurance	1,200	1,268	(68)
Total expenses	625,500	610,396	15,104
Excess Of Revenue Over Expenses	$ -	$ 177,259	$ 177,259

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, 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, 2012, and the related notes to the financial statements which collectively comprise the Agency's, financial statements and have issued our report thereon dated March 28, 2013.

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 as 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 & Chiaramonte, CPAs PC

Albany, New York
March 28, 2013