

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

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



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, 2015 and 2014, 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, 2015 and 2014, 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 22, 2016 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.

Leah Becker & Charonette 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, 2015 and 2014. 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 required 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 assist in the enhancement and diversity of the economy of the City of Albany by acting in support of projects within the City that create and/or retain jobs and/or promote private sector investment utilizing the statutory powers of the Agency as set forth under the provisions of the laws of the State of New York. To do this, CAIDA is authorized and empowered by the provisions of the laws of New York State to, among other things: acquire, own, lease, and dispose of property as well as provide certain financial assistance to qualifying projects. CAIDA can provide conduit bond financing, real property tax exemptions, mortgage recording tax exemptions, and sales and use tax exemptions to qualifying projects for the purpose of promoting, developing, encouraging, and assisting in the acquisition, construction, reconstruction, improvement, maintenance, equipping and/or furnishing of commercial facilities - among others. 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, an independent, not-for-profit economic development corporation and public authority, 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 the anticipated level of job creation and retention that the project is expected to generate. Staff and counsel review the application to determine project qualifications and perform necessary due diligence activities. The five-member CAIDA Finance Committee and the seven-member CAIDA Board meet monthly or as necessary to consider project applications and assess the public benefits associated with the proposed project, economic impacts and benefits to the local economy as well as the anticipated employment impact. As part of the review process, the CAIDA members also consider the project's potential costs and revenues to the local community, including an analysis of the potential increase in overall tax revenues due to increases in the value of improved property as well as the impact of providing for a gradual increase in new tax revenues in the form of temporary abatements. 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.

**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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Total revenues, gains, and other support	\$1,186,999	\$1,934,171
Total expenses	<u>757,506</u>	<u>686,794</u>
Excess Of Revenues Over Expenses	<u>\$ 429,493</u>	<u>\$1,247,377</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 2015 and paid an administrative fee to the Agency:

Park South Partners

This project is comprised of the acquisition of land located on Morris, Dana, and Robin streets and construction of a mixed-use project. When completed, this mixed-use project will include approximately 21,000 square feet of retail space as well as 268 market-rate apartments. This approximately \$52.6 million project will create an estimated 11 permanent jobs and 200 construction jobs.

67 Howard Street, LLC

This project is comprised of the acquisition and construction of a parking facility containing approximately 300 parking spaces adjacent to the Capital Center convention facility and Renaissance by Marriott. This approximately \$8 million project will create an estimated two permanent jobs and 20 construction jobs.

Eleftheria Properties, LLC

This project, located at 241 South Allen Street, is comprised of the acquisition and construction of two, three-story garden apartment buildings. Each building will contain 24 units of one and two bedroom market-rate apartments. This approximately \$6.2 million project will create an estimated one permanent job and 50 construction jobs.

Broadway Albany Realty, LLC

This project, located at 833 Broadway, is comprised of the acquisition and rehabilitation of a mostly vacant existing 140,000 square foot office building. After renovations of the building are completed, approximately 112,000 square feet will be occupied by Maximus Inc. for a call center. This approximately \$4.4 million project will create an estimated 430 permanent jobs and 40 construction jobs.

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

Management's Discussion And Analysis

40-48 South Pearl Street, LLC

This project is comprised of the acquisition and redevelopment of two adjoining vacant buildings across the street from the Times Union Center. When completed, this mixed-use project will include approximately 16 market-rate apartments, a 4,500 square foot restaurant, and three 600 square foot retail spaces on the ground floor. This approximately \$2.4 million project will create an estimated 35 permanent jobs and 15 construction jobs.

1475 Washington Avenue Associates, LLC

This project is comprised of land acquisition and construction of an approximately 183,750 square foot, four-story private student housing complex. When completed, this project will have approximately 118 units of one to four bedroom and bathroom combinations. Units will share a kitchen and common areas. Additionally, the project will include 145 parking spaces for residents. This approximately \$27.5 million project will create an estimated seven permanent jobs and 90 construction jobs.

One Columbia Realty, LLC

This project is comprised of the acquisition and redevelopment of a vacant 25,369 square foot office building into approximately 21 one and two bedroom market-rate apartments. This approximately \$2.6 million project will create an estimated one permanent job and 25 construction jobs.

A condensed summary of CAIDA's net assets at December 31, 2015 and 2014 is shown below:

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$2,386,372	\$1,956,694
Mortgage Notes Receivable	<u>131,970</u>	<u>131,970</u>
TOTAL ASSETS	<u>\$2,518,342</u>	<u>\$2,088,664</u>
<u>Liabilities and Net Assets</u>		
Accounts Payable	\$58,610	\$ 58,425
Mortgage Notes Payable	<u>131,970</u>	<u>131,970</u>
Total Liabilities	190,580	190,395
Net Assets	<u>2,327,762</u>	<u>1,898,269</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,518,342</u>	<u>\$2,088,664</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, 2015, the following projects have been approved by the CAIDA Board and are expected to close in 2016:

CDP Holland, LLC

This project, located at 25 Holland Avenue, 19 Holland Avenue, and 1 Cortland Street, comprises the acquisition and demolition of existing deteriorating structures to construct a new seven story, 122,500 square foot market-rate apartment building. When completed, this project will include approximately 125 units of one and two bedroom market-rate apartments, as well as 170 structured parking spaces. This approximately \$23 million project will create an estimated four permanent jobs and 175 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>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	<u>\$ 2,386,372</u>	<u>\$ 1,956,694</u>
Total current assets	2,386,372	1,956,694
Mortgage notes receivable (Note 2)	<u>131,970</u>	<u>131,970</u>
Total Assets	<u><u>\$ 2,518,342</u></u>	<u><u>\$ 2,088,664</u></u>
<u>Liabilities And Net Position</u>		
Current liabilities:		
Accounts payable	<u>\$ 58,610</u>	<u>\$ 58,425</u>
Total current liabilities	58,610	58,425
Mortgage payable (Note 3)	<u>131,970</u>	<u>131,970</u>
Total liabilities	190,580	190,395
Net position - unrestricted	<u>2,327,762</u>	<u>1,898,269</u>
Total Liabilities And Net Position	<u><u>\$ 2,518,342</u></u>	<u><u>\$ 2,088,664</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 Revenues, Expenses, And Changes In Fund Net Position

For The Years Ended December 31

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Fees	\$ 1,186,758	\$ 1,933,821
Total operating revenues	<u>1,186,758</u>	<u>1,933,821</u>
Operating expenses:		
Economic development support	350,000	250,000
Professional services	334,402	364,397
Other	<u>6,225</u>	<u>3,241</u>
Total operating expenses	<u>690,627</u>	<u>617,638</u>
Operating income	<u>496,131</u>	<u>1,316,183</u>
Non-operating revenues:		
Interest income	<u>241</u>	<u>350</u>
Total non-operating revenues	<u>241</u>	<u>350</u>
Non-operating expenses:		
Lease expenses (Note 5)	<u>66,879</u>	<u>69,156</u>
Total non-operating expenses	<u>66,879</u>	<u>69,156</u>
Net income	429,493	1,247,377
Net position - beginning	<u>1,898,269</u>	<u>650,892</u>
Net Position - Ending	<u><u>\$ 2,327,762</u></u>	<u><u>\$ 1,898,269</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>2015</u>	<u>2014</u>
Cash flows for operating activities:		
Receipts from fees	\$ 1,185,758	\$ 1,933,821
Payments for economic development support	(350,000)	(250,000)
Payments for professional services	(334,402)	(374,397)
Payments for other expenses	<u>(4,640)</u>	<u>(3,250)</u>
Net cash provided by operating activities	<u>496,716</u>	<u>1,306,174</u>
 Cash flows from investing activities:		
Interest	241	350
Lease expenses	<u>(67,279)</u>	<u>(75,130)</u>
Net cash used by investing activities	<u>(67,038)</u>	<u>(74,780)</u>
 Net increase in cash and cash equivalents	429,678	1,231,394
 Balances - beginning of year	<u>1,956,694</u>	<u>725,300</u>
 Balances - End Of Year	<u><u>\$ 2,386,372</u></u>	<u><u>\$ 1,956,694</u></u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 496,131	\$ 1,316,183
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts payable	<u>585</u>	<u>(10,009)</u>
 Net Cash Provided By Operating Activities	<u><u>\$ 496,716</u></u>	<u><u>\$ 1,306,174</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**

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, 2015, the carrying amount of the Agency's deposits, including cash and a money market account, was \$2,386,372. 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	\$ 1,886,515
Covered by federal deposit insurance	<u>500,000</u>
Total Bank Balances	<u>\$ 2,386,515</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.

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, 2015 and 2014, 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, 2015 total \$198,909,482.

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 \$66,879 and \$69,156 for the years ended December 31, 2015 and 2014, 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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Agency fees	\$ 726,974	\$ 1,186,758	\$ 459,784
Interest income	523	241	(282)
	<u>727,497</u>	<u>1,186,999</u>	<u>459,502</u>
Expenses:			
Management contracts	300,000	258,666	41,334
Economic development support	250,000	350,000	(100,000)
Sub-lease AHCC	75,000	66,879	8,121
Agency counsel	47,000	67,326	(20,326)
Audits/accounting	7,000	7,000	-
Other miscellaneous	5,000	6,225	(1,225)
Insurance	1,700	1,410	290
	<u>685,700</u>	<u>757,506</u>	<u>(71,806)</u>
Excess Of Revenues Over Expenses	<u>\$ 41,797</u>	<u>\$ 429,493</u>	<u>\$ 387,696</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, 2015, 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 22, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Albany, New York
March 22, 2016