

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

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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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

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, 2007 and 2006, 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, 2007 and 2006, and the respective changes in financial position and, where applicable, cash flows, 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 June 10, 2008, 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 the 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 is important for assessing the results of our audits.

City of Albany Industrial Development Agency,
a Component Unit of the City of Albany
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The management's discussion and analysis and budgetary comparison information on pages three through seven and Schedule I are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Paul Becker & Charomonte LLPs P.C.

Albany, New York
June 10, 2008

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, 2007 and 2006. 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 the CAIDA's financial operations.

OPERATION SUMMARY

The City of Albany Industrial Development Agency's mission is essentially 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 to consider projects and actions that advance this mission as well as CAIDA's financial position. Albany Local Development Corporation (ALDC) provides staff support to CAIDA. In their role as the economic development agency for the City of Albany, ALDC will meet with prospective developers to discuss the specifics of a particular project or development. ALDC staff then make 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 CAIDA staff and counsel in determining project qualification and 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 IDA 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

A condensed summary of revenues and expenses for the years ended December 31, 2007 and 2006 are shown below:

	<u>2007</u>	<u>2006</u>
Total revenues, gains, and other support	\$1,025,125	\$486,585
Total expenses	<u>713,894</u>	<u>523,152</u>
Excess Of Revenues Over Expenses/(Expenses Over Revenues)	<u>\$ 311,231</u>	<u>\$ (36,567)</u>

Agency revenues are predominantly derived from a $\frac{3}{4}$ of 1% 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 2007 and paid an administrative fee to the agency were as follows:

Central Veterinary Project (\$1,075,910)

This \$1,075,910 project consisted of the renovation and expansion of the Central Avenue Veterinary Hospital. The project allowed for the expansion and the addition of services offered by the project beneficiary in a "highly distressed" area of the City. These services included such things as cages, surgery tables, upgraded x-ray and dental equipment, plus the creation on six new jobs.

Living Resources (\$7,645,000)

CAIDA issued Civic Facility Bonds in the amount of \$7,645,000 to facilitate to acquisition of land and construction of a new headquarters building consisting of approximately 54,000 square feet. The project will culminate in the creation of 25 new jobs.

Brighter Choice Schools (\$18,490,000)

\$18,490,000 of Civic Facility Bonds were issued by the CAIDA for the renovation of an existing 10,400 sq. ft. Charter School for girls and the construction of a new 41,380 sq. ft. school for boys. This project allows the school to increase enrollment for City of Albany residents and will create a total of 19 new jobs.

109 State Street (\$650,000)

This \$650,000 straight lease project facilitated the rehabilitation and conversion of a historic building in downtown Albany from an office/retail building with two vacant floors into an office/retail building with nine apartments which met the criteria as initiative outlined in the 2002 Albany Downtown Study.

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

Management's Discussion and Analysis

CHF Holland Suites (\$13,110,000)

CAIDA issued Civic Facility Bonds in the amount of \$13,110,000 for the renovation of an office building into student housing for the Albany College of Pharmacy. This project will create four new jobs.

Albany Law School (\$19,065,000)

Civic Facility Bonds were issued by the CAIDA in the amount of \$19,065,000 of which \$16,760,000 refinanced previous CAIDA bonds issuances from 1999 and 2000. The remaining proceeds financed the acquisition of 4.12 acres of land on the University Heights campus.

College of St. Rose (\$40,600,000)

The Massary Center, as well as renovations for other campus facilities, was funded by the issuance of Civic Facility Bonds in the amount of \$40,600,000. Additionally, a portion of the proceeds refinanced the Series 2001A bonds.

Albany Medical Center (\$12,535,000)

CAIDA issued bonds in the amount of \$12,535,000, which supports several different projects at the Albany Medical Center's South Campus. Those projects include: reclaiming licensed beds, expanding cardiac labs, and renovations for future expansion. These projects enhance the Medical Center's services to the City of Albany's residents.

Teresian House (\$13,545,000)

\$13,545,000 in Civic Facility Bonds were issued to the Teresian House, a 300 bed nursing facility. Proceeds from the bonds were used to refinance existing debt, allowing for the retention of nearly 600 jobs while adding approximately five new positions.

Arbor Hill IIIB (\$3,200,000)

CAIDA issued bonds totaling \$3,200,000 to be utilized for the construction of thirteen housing units in a "high distressed" area of the City of Albany. The project would provide affordable housing as well as the creation of approximately three jobs.

True North Albany (\$10,500,000)

This straight lease project facilitated the renovation of a vacant nursing home facility into a Marriott Towne Place Suites Hotel. The project, which is located in a depressed census track area, and its location would make it a visitor destination location. The project is projected to create 25 new jobs.

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

Management's Discussion and Analysis

Albany Medical Center Hospital Project (Building F) (\$14,625,000)

Civic Facility Bonds were issued in the amount of \$14,625,000 to facilitate the renovation and addition of two stories to Building F. This is an initial phase of an overall major comprehensive plan to support the overall growth of the hospital and the future increase of employment.

A condensed summary of CAIDA's net assets at December 31, 2007 and 2006 is shown below:

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$513,725	\$170,611
Mortgage Notes Receivable	143,155	170,676
Other Assets	-	299
TOTAL ASSETS	<u>\$656,880</u>	<u>\$341,586</u>
<u>Liabilities and Net Assets</u>		
Grants Payable	\$ 55,759	\$ 51,696
City of Albany, Mortgage Payable	<u>131,970</u>	<u>131,970</u>
Total Liabilities	187,729	183,666
Net Assets	<u>469,151</u>	<u>157,920</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$656,880</u>	<u>\$341,586</u>

FUTURE OPERATIONS

So far in 2008, the following projects have been introduced by the CAIDA Board:

CHF Holland Suites II

A \$7,815,000 project, which is the 2nd phase of the renovation of an office building into student housing for the Albany College of Pharmacy.

Albany College of Pharmacy

This \$7,200,000 project will finance the purchase of land and a building on the University Heights campus.

St. Peter's Hospital

A six-phase project consisting of the construction of new medical and non-medical space, parking garage, and renovations to the existing facilities. The entire project cost is estimated to be approximately \$362 million with anticipated CAIDA bonding of approximately \$250 million.

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

Management's Discussion and Analysis

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 for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Chief Financial Officer, City of Albany Industrial Development Agency, 21 Lodge Street, Albany, NY 12207.

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

Balance Sheets

December 31

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 513,725	\$ 170,611
Accrued interest receivable	-	299
Mortgage notes receivable, net (Note 2)	<u>143,155</u>	<u>170,676</u>
Total Assets	<u>\$ 656,880</u>	<u>\$ 341,586</u>
 <u>Liabilities And Net Assets</u>		
Grant payable	\$ 55,759	\$ 51,696
Mortgages payable long-term (Note 3)	<u>131,970</u>	<u>131,970</u>
Total liabilities	187,729	183,666
Net assets	<u>469,151</u>	<u>157,920</u>
Total Liabilities And Net Assets	<u>\$ 656,880</u>	<u>\$ 341,586</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, Expenditures, And Changes In Net Assets

For The Years Ended December 31

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Fees	\$ 1,004,365	\$ 473,372
Total operating revenues	<u>1,004,365</u>	<u>473,372</u>
Operating expenditures:		
Grant expenses	569,600	365,380
Contractual expenses	<u>144,294</u>	<u>142,392</u>
Total operating expenditures	<u>713,894</u>	<u>507,772</u>
Operating income (loss)	<u>290,471</u>	<u>(34,400)</u>
Other revenues (expenditures):		
Interest income	20,760	13,213
Interest expense	-	(6,477)
Loss on disposal of assets	<u>-</u>	<u>(8,903)</u>
Total other revenues (expenditures), net	<u>20,760</u>	<u>(2,167)</u>
Net income (loss)	311,231	(36,567)
Net assets - beginning	<u>157,920</u>	<u>194,487</u>
Net Assets - Ending	<u>\$ 469,151</u>	<u>\$ 157,920</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>2007</u>	<u>2006</u>
Cash Flows From Operating Activities:		
Receipts from fees	\$ 1,004,365	\$ 473,372
Receipts from interest	299	1,347
Payments for contractual expenses	(144,294)	(142,392)
Payments for grants	<u>(565,537)</u>	<u>(362,564)</u>
Net cash provided by (used by) operating activities	<u>294,833</u>	<u>(30,237)</u>
 Cash Flows From Capital And Related Financing Activities:		
Proceeds from disposal of assets	-	7,000
Interest paid on debt	-	(8,222)
Principal paid on debt	<u>-</u>	<u>(215,000)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(216,222)</u>
 Cash Flows From Investing Activities:		
Principal payments on mortgages receivable	27,521	1,421
Interest	<u>20,760</u>	<u>13,213</u>
Net cash provided by investing activities	<u>48,281</u>	<u>14,634</u>
 Net increase (decrease) in cash and cash equivalents	 343,114	 (231,825)
 Balances - beginning of year	 <u>170,611</u>	 <u>402,436</u>
 Balances - End Of Year	 <u>\$ 513,725</u>	 <u>\$ 170,611</u>
 Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used By) Operating Activities:		
Operating income (loss)	\$ 290,471	\$ (34,400)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Changes in assets and liabilities:		
Interest receivable	299	1,347
Grants payable	<u>4,063</u>	<u>2,816</u>
 Net Cash Provided By (Used By) Operating Activities	 <u>\$ 294,833</u>	 <u>\$ (30,237)</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 generally accepted accounting principles (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) Income taxes

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

**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)

(c) Property and equipment

The Agency's property and equipment are stated at historical cost. Expenditures for additions, renewals, and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the costs and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue.

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.

(d) 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.

At December 31, 2007, the carrying amount of the Agency's deposits, including cash and a money market account, is \$513,725. 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	\$415,097
Covered by federal deposit insurance	<u>100,000</u>
Total Bank Balances	<u>\$515,097</u>

**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)

(e) Statement of cash flows and cash equivalents

The Agency follows *Governmental Accounting Standards* (GASB) Statement No. 34, 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 GASB Statement No. 9.

(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.

(g) Accounts receivable

Receivables are considered past due when payment is not received within the period allowed under the terms of the sale or contract. Periodically, management reviews past due receivables and allows for all accounts deemed uncollectible after all reasonable collection efforts have been exhausted. The allowance for doubtful accounts is principally provided in amounts considered to be appropriate, based primarily upon the Agency's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(h) 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.

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

Notes To Financial Statements

Note 2: Mortgage Notes Receivable

The Agency's mortgage notes receivable comprise loans which are recorded at cost less a valuation allowance in the amount of \$-0- at December 31, 2007 and 2006. Repayment terms and interest vary with each borrower.

Note 3: Mortgages Payable

The Agency has entered into loan agreements with the City of Albany. The proceeds are loaned, in turn, to the eligible mortgagors. Loan repayment maturities vary by loan and are collateralized by mortgage notes receivable.

At December 31, 2007 and 2006, long-term debt was \$131,970 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 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, 2007 total \$497,952,806.

Note 5: 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, 2007 and 2006 is \$120 per space per month. The agreement is effective through August 31, 2018.

The Agency has 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 shall pay the Community Center's share of all operating and maintenance expenses, fees, and charges. The annual costs of this lease were approximately \$108,351 and \$105,000 for the years ended December 31, 2007 and 2006, respectively. This agreement is effective through November 30, 2099.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

For The Year Ended December 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Agency fees	\$ 629,250	\$ 1,004,365	\$ 375,115
Loan repayments	1,694	-	(1,694)
Interest income	<u>12,000</u>	<u>20,760</u>	<u>8,760</u>
 Total revenues	 <u>642,944</u>	 <u>1,025,125</u>	 <u>382,181</u>
 Expenditures:			
ED Support	250,000	250,000	-
Sub-Lease AHCC	105,000	108,351	(3,351)
Management contracts	75,000	75,000	-
Agency counsel	42,000	42,000	-
City of Albany service agreement	14,620	14,620	-
APA Contract	19,500	19,500	-
Other legal expenses	5,000	-	5,000
Audits/accounting	4,800	4,800	-
Reimbursement HUD 108 loan	-	196,629	(196,629)
Other miscellaneous	<u>2,500</u>	<u>2,994</u>	<u>(494)</u>
 Total expenditures	 <u>518,420</u>	 <u>713,894</u>	 <u>(195,474)</u>
 Excess Of Expenditures Over Revenues	 <u><u>\$ 124,524</u></u>	 <u><u>\$ 311,231</u></u>	 <u><u>\$ 186,707</u></u>

See paragraph on supplementary schedules in 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, 2007, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated June 10, 2008. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 June 10, 2008.

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.

Tul Becker & Charamonte CPAs P.C.

Albany, New York
June 10, 2008