

ALBANY PARKING AUTHORITY
(An Enterprise Fund of the City of Albany, New York)
FINANCIAL REPORT
December 31, 2006 and 2005

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Albany Parking Authority

We have audited the balance sheets of the Albany Parking Authority (a New York State public benefit corporation and an Enterprise Fund of the City of Albany, New York) as of December 31, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Albany Parking Authority's management. Our responsibility is to express an opinion 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 *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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements as listed in the Contents of this report present fairly, in all material respects, the financial position of the Albany Parking Authority as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 20-21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2007, on our consideration of the Albany Parking Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Bollam Shedy Torani & Co. LLP

Albany, New York
March 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Albany Parking Authority, hereafter referred to as the "Authority," is pleased to present its Financial Report for the year ended December 31, 2006, developed in compliance with Statement of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereafter "GASB 34"), and related standards. We encourage readers to consider the information on pages 2 to 8 in conjunction with the Authority's financial statements and supplementary information (presented on pages 9 to 21) to enhance their understanding of the Authority's financial performance.

RESPONSIBILITY AND CONTROLS

The Authority has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on the recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority's system of internal accounting controls is evaluated on an ongoing basis by the Authority's internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America.

AUDIT ASSURANCE

The unqualified (i.e., clean) opinion of our independent external auditors, Bollam, Sheedy, Torani & Co. LLP, CPAs, is included on page 1 of this report.

This section presents management's discussion and analysis of the Authority's financial condition and activities for the year ended December 31, 2006. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The year 2006 marked another outstanding year for the Authority. The Authority continued to see strong performance of both the on-street parking meter system and greater utilization of the off-street garages. Management believes the Authority's financial position remains very strong. Following are some of the key highlights of 2006:

- Total parking revenue increased over 2 percent from 2005 without a garage rate increase.
- Revenue increases from parking primarily resulted from higher occupancy at the Quackenbush garage, new revenue from the Quackenbush surface lot, and from meter revenue due to operational improvements.
- New investment was made in computerization, marketing, and garage restoration.

- CashKey sales increased significantly as more CashKey-enabled meters were added to the system.
- Assets decreased by \$489,000 and liabilities decreased by \$1,064,000 as bonds were retired. Negative net assets, resulting from the high cost of acquiring two garages from developers in the 1980s, also declined from \$2,381,000 in 2005 to \$1,805,000 in 2006.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information about the Authority's use of accounting methods which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The balance sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its parking garage and meter fees.

The final required financial statement is its statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities, and the change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

SUMMARY OF ORGANIZATION AND BUSINESS

The Authority was established in 1983 as a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York by the Albany Parking Authority Act (the enabling act). The Act authorizes the Authority to construct, operate, and maintain locations in the City for the parking or storing of motor vehicles, and in order to discharge its responsibilities, it is authorized to issue and sell tax exempt bonds. Pursuant to the Act, the aggregate outstanding principal amount of bonds issued by the Authority may not exceed fifty million dollars at any one time. Such bonds must generally be self-supporting from user fees, and the Authority ordinarily receives no Federal, State, or City subsidies.

The Authority Board of Directors is composed of a chairman and four other members appointed by the Mayor of the City with the advice and consent of the City Common Council. The members serve until reappointed or replaced at the pleasure of the Mayor. The Authority has a budgeted staff of 26 persons, and the accompanying Organizational Chart illustrates the division of those positions.

Centralized on-line revenue control system equipment installed in all garages includes fee computers, proximity card readers, automatic ticket dispensers, and gated barriers. Parkers who do not purchase monthly-rate access cards are required to take a ticket upon entry and pay a cashier when exiting. Cash handling activity of garage staff is constantly monitored at the Authority main office via dedicated circuits to a central computer. Monthly parking access cards are activated only by central office staff before distribution to customers by garage managers. All cards must be paid in advance by the first of each month to be valid. The anti-pass-back card system prevents unauthorized use.

handling activity of garage staff is constantly monitored at the Authority main office via dedicated circuits to a central computer. Monthly parking access cards are activated only by central office staff before distribution to customers by garage managers. All cards must be paid in advance by the first of each month to be valid. The anti-pass-back card system prevents unauthorized use.

The Authority operates the parking meter system for the City of Albany under a management agreement with the City. The agreement permits the Authority to install and operate parking meters in consultation with the Chief of Police. The revenues generated by the parking meters are the property of the Authority, and the expenses of operating the meters are payable by the Authority. Fines and penalties from parking violations remain the property of the City rather than the Authority. Enforcement of parking meters and other on-street parking violations is carried out by the Albany Police Department. Under the Parking Meter Agreement, the Authority contributes toward the cost of salary, fringe benefits, and other related expenses of the public service officers and traffic aides who provide enforcement under Police Department supervision.

Electronic parking meters operate with a sealed coin collection system. Coins inserted by parkers are never seen or touched by Authority staff. Pre-locked collection containers go directly to the Authority's bank for counting. A hand-held auditing device used by Authority personnel during every collection provides a money estimate for the Authority in advance for comparison with the amount deposited. Historically, the average difference between the advance audit and the collected amount in Albany meters has been less than one percent, and has been in favor of the Authority bank deposit (that is, collections have always been greater than audited downloads).

During July 2005, a pilot program to allow debit payments ("CashKey") at the meters began. Due to the interest and success of the program, it has been expanded several times.

During October 2006 rental permit #14338 for use of New York State owned property resulted in the addition of 170 surface lot parking spaces under the APA jurisdiction. There is a \$1 annual fee for this permit.

General Authority Information

Selected Data (parking revenue only)

Parking Facilities	Average Monthly Revenue		Difference	% Change
	2006	2005		
Columbia Street	\$ 102,476	\$ 106,062	\$ (3,586)	(3.4%)
Green-Hudson	\$ 124,313	\$ 125,759	\$ (1,446)	(1.1%)
Quackenbush	\$ 79,161	\$ 75,903	\$ 3,258	4.3%
Q Lot	\$ 41,470	\$ 0	\$ 41,470	New
Parking Meters	\$174,666	\$ 169,342	\$ 5,324	3.1%

FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

Condensed Balance Sheets

	<u>2006</u>	<u>2005</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 1,978,997	\$ 2,059,142	\$ (80,145)	-3.9%
Property and equipment, net	18,593,019	19,274,391	(681,372)	-3.5%
Other assets	<u>5,927,935</u>	<u>5,655,391</u>	<u>272,544</u>	4.8%
Total assets	<u>\$ 26,499,951</u>	<u>\$ 26,988,924</u>	<u>\$ (488,973)</u>	-1.8%
Current liabilities	\$ 1,770,499	\$ 1,956,469	\$ (185,970)	-9.5%
Long-term liabilities	<u>26,534,833</u>	<u>27,413,537</u>	<u>(878,704)</u>	-3.2%
Total liabilities	<u>28,305,332</u>	<u>29,370,006</u>	<u>(1,064,674)</u>	-3.6%
Net assets, capital	(7,185,919)	(7,376,908)	190,989	2.2%
Net assets, restricted	5,028,251	4,680,086	348,165	7.4%
Net assets, unrestricted	<u>352,287</u>	<u>315,740</u>	<u>36,547</u>	11.6%
Total net assets	<u>(1,805,381)</u>	<u>(2,381,082)</u>	<u>575,701</u>	-24.2%
Total liabilities and net assets	<u>\$ 26,499,951</u>	<u>\$ 26,988,924</u>	<u>\$ (488,973)</u>	-1.8%

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

Operating revenue	\$ 5,808,861	\$ 5,724,801	\$ 84,060	1.5%
Non-operating revenue	<u>289,365</u>	<u>166,728</u>	<u>122,637</u>	73.6%
Total revenues	<u>6,098,226</u>	<u>5,891,529</u>	<u>206,697</u>	3.5%
Depreciation expense	686,543	692,349	(5,806)	-0.8%
Amortization expense	75,621	77,606	(1,985)	-2.6%
Other operating expenses	3,188,421	2,495,572	692,849	27.8%
Non-operating expense	<u>1,571,940</u>	<u>1,638,811</u>	<u>(66,871)</u>	-4.1%
Total expenses	<u>5,522,525</u>	<u>4,904,338</u>	<u>618,187</u>	12.6%
Change in net assets	575,701	987,191	(411,490)	-41.7%
NET ASSETS, beginning of year	<u>(2,381,082)</u>	<u>(3,368,273)</u>	<u>987,191</u>	-29.3%
NET ASSETS, end of year	<u>\$ (1,805,381)</u>	<u>\$ (2,381,082)</u>	<u>\$ 575,701</u>	-24.2%

GENERAL TRENDS AND SIGNIFICANT EVENTS

Special Event parking revenue during 2006 increased 45% as compared to 2005. Parking demand for access to events at the Corning Preserve continues to benefit the Columbia Street Garage, and increased events and more frequent, larger, nationally-oriented events at the Times Union Center and Palace Theatre are increasing revenue at the Green-Hudson and Quackenbush Garages. Promotion, marketing, and new partnerships supporting garage parking for special events have also lead to increased revenue.

Use of meters on a system-wide basis has increased from 46% to 47% paid occupancy, and 115 meters were added to the system during 2006. Taken together with continued expansion of the CashKey program and good business activity in Albany, meter revenue is expected to continue as a growth area.

The absorption rate for commercial space downtown is providing upward pressure for monthly parking in the garages, and projects on the horizon are expected to also increase demand for garage parking in the Central Business District.

During late 2006, partnership arrangements were made with the local mass transit provider (CDTA) that is expected to increase use of several surface lots. This partnership is expected to generate new revenue beginning in mid-2007.

FINANCIAL CONDITION

The overall financial position of the Authority was strong at year-end. Parking revenue increased in 2006 by \$84,000 over 2005. Total costs in 2006, less depreciation, amortization, and interest expense, increased \$686,000 from the prior year. This reflects new investment in facility renovation in excess of \$600,000 for design and construction and minimal inflationary effects.

The Authority paid \$879,525 in bond principal during 2006. The 2001 bond issue Series A and B, which advance-refunded older garage issues at savings greater than \$1.3 million and financed construction of the new Quackenbush Garage and the Authority's permanent office at 655 Broadway, resulted in generally level annual payments of principal and interest and are reducing debt at a more rapid pace than the earlier bond issues at lower interest rates. Older bond issues with limited amounts of Capital Appreciation Bonds that could not be retired will be completely paid off in 2017, while the 2001 issues will be retired in 2025.

During late 2006 planning began to refinance portions of the 2001 series bonds to take advantage of the flat yield curve and improve the Authority's financial position. It is anticipated that this will be implemented in 2007 and result in net present value savings in excess of \$700,000 over the life of the bonds.

RESULTS OF OPERATIONS

Revenue

Total revenue for 2006, exclusive of unrealized gain/loss on investments, was \$6,123,000, compared to \$5,996,000 in 2005. Monthly garage revenues increased \$86,000. Hourly and daily parking revenue decreased \$66,000 in garages but increased \$64,000 at meters. This demonstrates that meter activity is replacing garage activity for occasional users.

Expense

Total expense for 2006, exclusive of depreciation, amortization, and interest, was \$3,193,000, compared to \$2,507,000 in 2005.

LONG-TERM OBLIGATIONS

As of December 31, 2006, the Authority had \$25,898,061 outstanding related to three revenue refunding bonds issued during 1992 and 2001. 1991 refunding bonds were fully paid in 2006. There were no new bonds issued during 2006.

Cash or equivalents on hand for debt service payments are in excess of \$1.8 million.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 15-17.

FINAL COMMENTS

The Authority periodically is requested by institutional or commercial interests to review options for expansion of the parking system. The Trust Indenture requires such expansion to be financially feasible and to have no material effect on the Authority's ability to make current debt payments. The Authority closely monitors downtown parking inventory and parking demand among other factors in determining feasibility of additional facilities.

Under terms of the Trust Indenture the Authority has agreed to adopt rates which shall be sufficient to produce net revenue for each fiscal year: (i) to pay Authority expenses; (ii) to pay debt service on outstanding parking system obligations; and (iii) to produce a debt service coverage ratio of 1.50 to 1 in each fiscal year.

To prevent neglect of maintenance and deterioration of Authority facilities over time, the recent bond issue provided a requirement for a Renewal and Replacement Reserve Fund to be held by the Trustee. The amount required is equal to \$50,000 for each structured parking facility, payable annually into the fund. As of year-end, the fund has in excess of \$900,000. There are also plans in place to accelerate the transfer of funds to the reserve fund to the extent that all planned facility renovations will be funded through this account line. Furthermore, a minimum balance will be maintained in order to provide a safety net to fund required facility maintenance.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

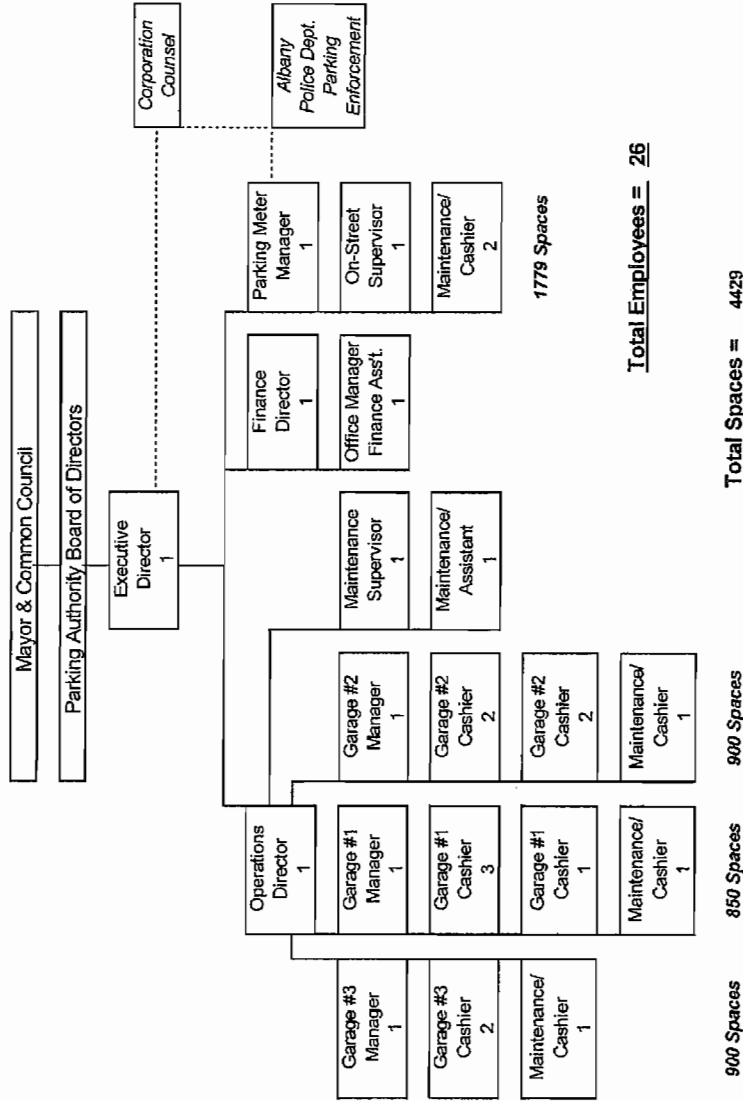
This financial report is intended to provide a general overview of the Authority's financial position and to illustrate the Authority's accountability for the revenue it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, Albany Parking Authority, 655 Broadway, Albany, New York 12207, or on the internet at www.parkalbany.com.

PRINCIPAL OFFICIALS

The Authority's Board of Directors, appointed by the Mayor with consent of the Common Council, is as follows:

<u>Name</u>	<u>Board Office</u>	<u>Term Expiration</u>
Kevin O'Connor	Chair	January 2, 2010
Christine Miles	Secretary	January 2, 2006
William O. Pettit, III	Treasurer	January 2, 2007
Christine Sisto Mertes	Vice Chair	January 2, 2008
Margaret E. DiGiulio	Asst. Sec/Treas	January 2, 2009

**ALBANY PARKING AUTHORITY
ORGANIZATION CHART**



Total Employees = 26

Total Spaces = 4429

ii:

ALBANY PARKING AUTHORITY

BALANCE SHEETS
December 31,

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,841,700	\$ 1,918,213
Parking revenues receivable	37,521	24,524
Other receivables	69,775	78,967
Prepaid expenses	30,001	37,438
Total current assets	<u>1,978,997</u>	<u>2,059,142</u>
PROPERTY AND EQUIPMENT, at cost	26,769,238	26,769,199
Less accumulated depreciation and amortization	<u>8,176,219</u>	<u>7,494,808</u>
	<u>18,593,019</u>	<u>19,274,391</u>
OTHER ASSETS		
Cash and cash equivalents, restricted	1,232,114	1,214,085
Investments, restricted	3,796,137	3,466,001
Intangible assets, net of accumulated amortization	<u>899,684</u>	<u>975,305</u>
	<u>5,927,935</u>	<u>5,655,391</u>
TOTAL ASSETS	<u>\$ 26,499,951</u>	<u>\$ 26,988,924</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 155,489	\$ 82,615
Current maturities of long-term debt	1,040,000	879,525
Current maturities of accrued interest on capital appreciation bonds	-	410,475
Accrued interest	<u>575,010</u>	<u>583,854</u>
Total current liabilities	<u>1,770,499</u>	<u>1,956,469</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	24,858,061	25,898,061
Discount on revenue bonds	(119,123)	(126,287)
Accrued interest, capital appreciation bonds, less current maturities	<u>1,795,895</u>	<u>1,641,763</u>
	<u>26,534,833</u>	<u>27,413,537</u>
NET ASSETS		
Investment in capital assets, less related debt	(7,185,919)	(7,376,908)
Restricted	5,028,251	4,680,086
Unrestricted	<u>352,287</u>	<u>315,740</u>
	<u>(1,805,381)</u>	<u>(2,381,082)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,499,951</u>	<u>\$ 26,988,924</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

ALBANY PARKING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended December 31,

	<u>2006</u>	<u>2005</u>
PARKING REVENUES	\$ 5,808,861	\$ 5,724,801
OPERATING EXPENSES		
Salaries and related expenses	1,211,661	1,162,106
Repairs and maintenance	749,837	216,041
Utilities	165,538	142,882
Professional fees	140,590	78,033
Depreciation	686,543	692,349
Meter supplies and equipment	36,454	33,684
PSO expense reimbursement	670,000	639,008
Other	214,341	223,818
	<u>3,874,964</u>	<u>3,187,921</u>
Operating Income	<u>1,933,897</u>	<u>2,536,880</u>
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	313,820	270,853
Unrealized gain (loss) on investments	(24,455)	(104,125)
Amortization of bond issue costs	(75,621)	(77,606)
Interest expense	(1,566,923)	(1,627,458)
Letter-of-credit fees	(5,017)	(11,353)
Total nonoperating revenue (expenses), net	<u>(1,358,196)</u>	<u>(1,549,689)</u>
Change in net assets	575,701	987,191
NET ASSETS, <i>beginning of year</i>	<u>(2,381,082)</u>	<u>(3,368,273)</u>
NET ASSETS, <i>end of year</i>	<u>\$ (1,805,381)</u>	<u>\$ (2,381,082)</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

ALBANY PARKING AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended December 31,

	<u>2006</u>	<u>2005</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	\$ 5,795,864	\$ 5,717,047
Cash paid to suppliers and other vendors	(1,896,449)	(1,318,418)
Cash paid for salaries and employee benefits	<u>(1,211,661)</u>	<u>(1,162,106)</u>
	<u>2,687,754</u>	<u>3,236,523</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income	323,012	244,796
Purchase of investments, restricted	<u>(354,591)</u>	<u>-</u>
	<u>(31,579)</u>	<u>244,796</u>
 NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(5,171)	(42,004)
Payments of long-term debt	(879,525)	(827,025)
Interest paid	(1,824,946)	(1,838,330)
Letter-of credit fees	<u>(5,017)</u>	<u>(11,353)</u>
	<u>(2,714,659)</u>	<u>(2,718,712)</u>
 Net increase in cash and cash equivalents	 (58,484)	 762,607
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>3,132,298</u>	 <u>2,369,691</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u>\$ 3,073,814</u>	 <u>\$ 3,132,298</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH		
Excess of parking revenues over operating expenses, before nonoperating revenue	\$ 1,933,897	\$ 2,536,880
Adjustments to reconcile excess of parking revenue over operating expenses, before nonoperating revenue (expense) to net cash provided (used) by operating activities		
Depreciation	686,543	692,349
(Increase) decrease in		
Accounts receivable	(12,997)	(7,754)
Prepaid expenses	7,437	8,277
Increase (decrease) in		
Accounts payable and accrued expenses	<u>72,874</u>	<u>6,771</u>
	<u>\$ 2,687,754</u>	<u>\$ 3,236,523</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

ALBANY PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Organization

The Albany Parking Authority (Authority) is a public benefit corporation of the State of New York. It is a discretely presented component unit of the City of Albany (City) that was created by New York State legislation under Section 1493 during 1983. The Authority will exist until all of its liabilities have been met, and its bonds have been discharged. All rights and properties shall pass to the City upon the cessation of the Authority's existence. The financial statements present only the Authority and are not intended to present the financial position of the City, and its discretely presented component units and the results of their operations and cash flows in conformity with accounting principles generally accepted in the United States of America as applied to government units.

The Authority owns and operates various parking facilities throughout the City. The Authority's operating budget is subject to the approval of the City Common Council. The Common Council is also required to approve proposed capital improvements to the Authority's facilities.

2. Accounting Method

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has implemented GASB No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. This standard provides for significant changes in terminology, inclusion of a management discussion and analysis as supplementary information, and other changes.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the balance sheets. Net assets (i.e., total assets net of total liabilities) are segregated into restricted, unrestricted, and contribution components.

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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 those estimates.

ALBANY PARKING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

3. Cash, Cash Equivalents, and Investments

For purposes of reporting cash flows, cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of purchase, whether unrestricted or restricted.

Unrestricted and restricted cash equivalents are fully collateralized by either federal depository insurance or securities held by the pledging bank's trust department in the Authority's name.

Cash, cash equivalents, and investments, restricted, consist of amounts held by trustees in reserve funds established in connection with bond issues.

Investments are carried at fair value.

4. Parking Revenues and Other Receivables

The Authority determines the allowance for doubtful accounts based on management's evaluation of anticipated collectibility of outstanding accounts and past collection experience. Management considers receivables at December 31, 2006 and 2005, to be fully collectible. Accordingly, there is no allowance for doubtful accounts. If, in the future, management determines that amounts may be uncollectible, an allowance will be established and operations will be charged when that determination is made. The Authority had written off accounts receivable of \$-0- and \$8,710 during the years ended December 31, 2006 and 2005, respectively.

5. Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives (3-40 years). When property and equipment are retired or have been fully depreciated, their cost and the related accumulated depreciation are eliminated from the respective accounts. Gains or losses arising from the dispositions are reported as revenue or expense.

6. Bond Issue Costs

Bond issue costs are amortized on a straight-line basis over the life of the bonds (see Note E).

NOTE B - INVESTMENTS, RESTRICTED

The Authority accounts for its investments at fair value. The Authority recognized unrealized (losses) of \$(24,455) and \$(104,125) during 2006 and 2005, respectively. These investments are held by the Trust Departments of The Bank of New York and M & T Bank, in the Authority's name. The following table presents the cost, carrying amount, and fair value of investments at December 31, 2006 and 2005.

ALBANY PARKING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE B - INVESTMENTS, RESTRICTED - Continued

	<u>Cost</u>	<u>2006 Carrying Amount</u>	<u>Fair Value</u>
Investments in U.S. Government obligations	<u>\$3,768,613</u>	<u>\$3,796,137</u>	<u>\$3,796,137</u>
		<u>2005</u>	
	<u>Cost</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments in U.S. Government obligations	<u>\$3,414,020</u>	<u>\$3,466,001</u>	<u>\$3,466,001</u>

NOTE C - PROPERTY AND EQUIPMENT

A summary of year-end balances and changes in property and equipment for the years ended December 31, 2006 and 2005, is as follows:

	<u>Land, Garages and Improvements</u>	<u>Furniture and Equipment</u>	<u>Meters and Other Equipment</u>	<u>Total</u>
Balance as of January 1, 2005	\$ 25,246,513	\$ 743,791	\$ 781,915	\$ 26,772,219
Additions	-	38,859	3,145	42,004
Reclassifications	-	(28,540)	28,540	
Disposals	-	(41,706)	(3,318)	(45,024)
Balance as of December 31, 2005	25,246,513	712,404	810,282	26,769,199
Additions	2,480	2,691	-	5,171
Disposals	-	(5,132)	-	(5,132)
Balance December 31, 2006	<u>\$ 25,248,993</u>	<u>\$ 709,963</u>	<u>\$ 810,282</u>	<u>\$ 26,769,238</u>

NOTE D - INTANGIBLE ASSETS

A summary of intangible assets and accumulated amortization as of December 31, is as follows:

	<u>Cost</u>	<u>2006 Accumulated Amortization</u>	<u>Net Book Value</u>
Financing costs (a)	\$ 530,567	\$ 151,343	\$ 379,224
Deferred amount on defeased Revenue Bonds	<u>792,436</u>	<u>271,976</u>	<u>520,460</u>
	<u>\$ 1,323,003</u>	<u>\$ 423,319</u>	<u>\$ 899,684</u>

ALBANY PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE D - INTANGIBLE ASSETS - Continued

	<u>Cost</u>	<u>2005 Accumulated Amortization</u>	<u>Net Book Value</u>
Financing costs (a)	\$ 530,567	\$ 125,571	\$ 404,996
Deferred amount on defeased Revenue Bonds	<u>792,436</u>	<u>222,127</u>	<u>570,309</u>
	<u>\$ 1,323,003</u>	<u>\$ 347,698</u>	<u>\$ 975,305</u>

(a) Includes financing costs incurred relative to the 1991, 1992, and 2001 Revenue Bonds. These costs include insurance, underwriter's discount, and other Bond related costs and are being amortized over the life of the Bonds using the straight-line method. During 2001, \$217,510 and \$119,165 of 1991 and 1992 Revenue Bond financing costs, respectively, were expensed in connection with the partial defeasance of the Bonds. Amortization of financing costs was \$25,772 and \$27,757 during the years ended December 31, 2006 and 2005, respectively

A schedule of estimated intangible assets amortization over the next five years is as follows:

For the year ending December 31, 2007	\$ 70,800
2008	70,800
2009	70,800
2010	70,800
2011	70,800

NOTE E - LONG-TERM DEBT

A summary of long-term debt ending balances and transactions for the years ended December 31, 2006 and 2005, is as follows:

Balance as of January 1, 2005	\$ 27,604,611
Principal payments	<u>(827,025)</u>
Balance as of December 31, 2005	26,777,586
Principal payments	<u>(879,525)</u>
Balances at December 31, 2006	<u>\$ 25,898,061</u>

ALBANY PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE E - LONG-TERM DEBT - Continued

Long-term debt at December 31, consisted of the following:

	<u>2006</u>	<u>2005</u>
<i>Garage #1</i>		
Parking revenue refunding bonds, Series 1992A (including capital appreciation bonds), interest at 6.5% to 7.25%, payable semiannually, principal due in various installments annually, principal due in various installments through 2017, collateralized by a first lien on the property (a)(b)	\$ 773,061	\$ 773,061
<i>Garage #2</i>		
Parking revenue refunding bonds, Series 1991 (including capital appreciation bonds), interest at 5.75% to 7.15%, payable semi-annually, principal due in various installments through 2016, collateralized by a first lien on the property (c)	-	214,525
<i>Quackenbush Garage</i>		
Parking revenue refunding bonds, Series 2001A, interest at 4% to 5.63%, payable semi-annually, principal due in various installments through 2025, collateralized by a first lien on the property	20,735,000	20,880,000
Parking revenue refunding bonds, Series 2001B, interest at 5.25%, payable semi-annually, principal due in various installments through 2018, collateralized by a first lien on the property	<u>4,390,000</u>	<u>4,910,000</u>
	25,898,061	26,777,586
Less current maturities	<u>1,040,000</u>	<u>879,525</u>
Long-term debt, less current maturities	<u>\$ 24,858,061</u>	<u>\$ 25,898,061</u>

(a) The City entered into a lease agreement with the Authority whereby the City has agreed to lease Garage #1 from the Authority. The lease payments made under the agreement shall be in an amount equal to the amount payable as principal, interest, and premium, if any, on the Authority's Parking Revenue Refunding Bonds, Series 1992A. The City's payment is subject to reduction to the extent any money has been deposited with the Bond trustee by the Authority as of the date of the lease payment. The lease payments are due semi-annually through 2017. There were no payments under the lease agreement for the years ended December 31, 2006 and 2005.

ALBANY PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE E - LONG-TERM DEBT - Continued

(b) The Authority defeased a portion of the 1992A Revenue Bonds by placing the proceeds of the 2001B Revenue Bonds in an irrevocable trust to provide for all future debt service payments on a portion of the 1992A Bonds. Accordingly, the trust account assets and the liabilities for the defeased Bonds are not included in the Authority's 2001 financial statements. \$6,845,000 in 1992 Bonds outstanding are considered defeased.

(c) The Authority defeased a portion of the 1991 Revenue Bonds by placing a portion of the proceeds of the 2001A Revenue Bonds in an irrevocable trust to provide for all future debt service payments on a portion of the 1991 Bonds. Accordingly, the trust account assets and the liabilities for the defeased Bonds are not included on the Authority's 2001 financial statements. \$8,035,000 in 1991 Bonds outstanding are considered defeased.

Interest expense incurred on long-term debt totaled \$1,559,759 and \$1,620,292 for the years ended December 31, 2006 and 2005, respectively.

Compounded interest on capital appreciation bonds (Series 1991 and 1992A) is accrued on a straight-line basis over 25 years, the life of the bonds. This interest will be paid by the Authority during the years 2002 through 2006 and 2013 through 2017. Accrued interest on capital appreciation bonds totaled \$1,795,895 and \$2,052,238 at December 31, 2006 and 2005, respectively.

Future aggregate principal payments under long-term debt obligations are as follows:

For the year ending December 31, 2007	\$ 1,040,000
2008	1,080,000
2009	1,220,000
2010	1,275,000
2011	1,300,000
2012-2016	5,170,271
2017-2021	7,122,790
2022-2025	<u>7,690,000</u>
	<u>\$25,898,061</u>

The 2001A and B Bonds were issued at a discount of \$143,592 and \$12,047, respectively. The difference between the net carrying amount of defeased bonds and the reacquisition price of the Bonds is deferred and amortized over the life of the new Bond. The deferred amount of the refunding of the 1991 and 1992 Bonds was \$437,623 and \$354,813, respectively. The discount and deferred amounts are being amortized over the life of the Bonds using the straight-line method. Amortization was \$57,013 for both years ended December 31, 2006 and 2005.

The bonds and other obligations of the Authority are not considered to be a debt of the State of New York (State) or of the City, and neither the State nor the City is liable thereon.

In connection with the Parking Revenue Bonds, there exists a letter-of-credit agreement in an amount equal to the outstanding Bond principal and interest of Garage #2. Fees paid by the Authority for this

agreement are based on fixed and variable formulas and totaled \$11,353 and \$17,731 during 2005 and 2004, respectively.

ALBANY PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2005 and 2004

NOTE F - PENSION PLANS

1. Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (ERS). The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administration head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement Systems, 110 State Street, Albany, NY 12244.

2. Funding Policy

ERS is noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Authority is required to contribute at an actuarially determined rate. The required contributions to ERS for the current year and the two preceding years were:

2006	\$ 86,244
2005	84,583
2004	81,999

The Authority's contributions to ERS were equal to 100% of the contributions required for each year.

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Salary Reimbursement Agreement

The Authority has entered into an agreement with the City for the acquisition, installation, maintenance, and management of on-street parking meters. As part of the agreement, the Authority will reimburse the City for salary, fringe benefits, and other costs related to parking enforcement officers and traffic aides employed by the City. Reimbursement is not to exceed the City's actual annual costs based on current staffing levels. Reimbursed costs totaled \$670,000 and \$639,008 for the years ended December 31, 2006 and 2005, respectively, and are reported as PSO expense reimbursement in these financial statements.

The Authority's obligations under the agreement are subject and subordinate to the Authority's obligations to pay scheduled debt service on its bond obligations (Note E), as defined in the agreement.

ALBANY PARKING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE G - COMMITMENTS AND CONTINGENCIES - Continued

2. Lease Rental Revenue

The Authority entered into an agreement with the United States Postal Service (Postal Service) to lease a portion of Garage #2 to the Postal Service. The lease, which includes options for two consecutive five-year renewals at the discretion of the Postal Service, originally expired during June 2004. The Postal Service has exercised the first five-year option, which will expire in 2009.

Rental payments in the amount of \$72,000 were received during the years ended December 31, 2006 and 2005. Future minimum annual rentals receivable under the lease at December 31, 2006, are as follows:

For the year ending December 31, 2007		\$ 72,000
2008		72,000
2009		<u>39,000</u>
		<u>\$ 183,000</u>

NOTE H - NET ASSETS

The Authority has net assets of \$(1,805,381) and (\$2,381,082) at December 31, 2006 and 2005, respectively. In recent years, the Authority has implemented a long-term financial plan to reduce this deficit and establish positive net assets. In addition, this plan was designed to increase cash flows from operations. This plan includes increasing parking revenues via rate increases, the addition of a new garage, and the operating of on-street parking meters (established during April 1998). In addition, the Authority refinanced (and has plans to refinance) certain revenue bonds, thereby reducing interest costs. The accumulated deficit has been reduced \$2,649,419 since December 31, 1998.

NOTE I - SUBSEQUENT EVENT

During the later part of 2006, the Authority began the process of restructuring their long-term debt. The process is expected to be completed during the first quarter of 2007.

ALBANY PARKING AUTHORITY

REVENUE AND EXPENSES BY OPERATING DEPARTMENT
Year Ended December 31, 2006

	Garage #1	Garage #2	Garage #3	Garage #4	Parking Meters	Office/ Administration	2006 Total
PARKING REVENUES	\$ 1,229,709	\$ 1,491,758	\$ 949,927	\$ 41,470	\$ 2,095,997	\$ -	\$ 5,808,861
OPERATING EXPENSES							
Salaries and related expenses	198,843	212,734	138,564	-	159,480	502,040	1,211,661
Insurance	-	-	-	-	-	51,743	51,743
Repairs and maintenance	113,975	502,619	74,368	7,102	11,927	39,846	749,837
Utilities	51,611	32,337	81,590	-	-	-	165,538
Professional fees	26,593	31,520	5,721	-	-	76,756	140,590
Depreciation	140,097	189,689	260,134	-	79,266	17,357	686,543
Meter supplies and equipment	-	-	-	-	36,454	-	36,454
Contributions	-	-	-	21,581	-	4,560	26,141
PSO expense reimbursement	-	-	-	-	670,000	-	670,000
Miscellaneous	5,102	3,637	7,651	617	835	118,615	136,457
Total operating expenses	536,221	972,536	568,028	29,300	957,962	810,917	3,874,964
Excess (deficiency) of parking revenues over operating expenses, before nonoperating revenue (expenses)	693,488	519,222	381,899	12,170	1,138,035	(810,917)	1,933,897
NONOPERATING REVENUE (EXPENSES)							
Interest income	65,289	-	-	-	-	248,531	313,820
Unrealized (loss) gain on investments	(21,067)	-	-	-	-	(3,388)	(24,455)
Amortization of bond issue costs	(32,880)	(22,998)	-	-	-	(19,743)	(75,621)
Interest expense	(116,205)	(27,365)	-	-	-	(1,423,353)	(1,566,923)
Letter-of-credit fees	-	(5,017)	-	-	-	-	(5,017)
Allocation of administration expenses	(367,798)	(402,113)	(381,686)	(38,161)	(819,112)	2,008,870	-
Total nonoperating revenue (expenses)	(472,661)	(457,493)	(381,686)	(38,161)	(819,112)	810,917	(1,358,196)
Net income (loss)	\$ 220,827	\$ 61,729	\$ 213	\$ (25,991)	\$ 318,923	\$ -	\$ 575,701

Year Ended December 31, 2005

	Garage #1	Garage #2	Garage #3	Garage #4	Parking Meters	Office/ Administration	2005 Total
PARKING REVENUES	\$ 1,272,748	\$ 1,509,111	\$ 910,834	\$ -	\$ 2,032,108	\$ -	\$ 5,724,801
OPERATING EXPENSES							
Salaries and related expenses	183,477	204,000	130,898	-	156,989	486,742	1,162,106
Insurance	-	-	-	-	-	63,522	63,522
Repairs and maintenance	95,813	65,119	26,343	-	3,215	23,551	216,041
Utilities	52,181	28,822	61,879	-	-	-	142,882
Professional fees	17,001	27,572	2,125	-	-	31,335	78,033
Depreciation	140,205	190,824	260,095	-	80,304	20,921	692,349
Meter supplies and equipment	-	-	-	-	33,684	-	33,684
Contributions	-	-	-	-	-	10,000	10,000
PSO expense reimbursement	-	-	-	-	639,008	-	639,008
Miscellaneous	2,986	5,783	18,045	-	11,613	111,869	150,296
Total operating expenses	491,663	522,120	499,385	-	924,813	749,940	3,187,921
Excess (deficiency) of parking revenues over operating expenses, before nonoperating revenue (expenses)	781,085	986,991	411,449	-	1,107,295	(749,940)	2,536,880
NONOPERATING REVENUE (EXPENSES)							
Interest income	57,976	-	-	-	-	212,877	270,853
Unrealized (loss) gain on investments	(14,370)	-	-	-	-	(89,755)	(104,125)
Amortization of bond issue costs	(32,880)	(24,983)	-	-	-	(19,743)	(77,606)
Interest expense	(126,769)	(55,435)	-	-	-	(1,445,254)	(1,627,458)
Letter-of-credit fees	-	(11,353)	-	-	-	-	(11,353)
Allocation of administration expenses	(397,445)	(439,281)	(439,281)	-	(815,808)	2,091,815	-
Total nonoperating revenue (expenses)	(513,488)	(531,032)	(439,281)	-	(815,808)	749,940	(1,549,689)
Net income (loss)	\$ 267,597	\$ 455,959	\$ (27,832)	\$ -	\$ 291,487	\$ -	\$ 987,191

See Report of Independent Certified Public Accountants.

ALBANY PARKING AUTHORITY
PROPERTY AND EQUIPMENT
December 31,

	2006					
	Garage #1	Garage #2	Garage #3	Office/ Administration	Parking Meters/ Other Equipment	Total
Land, garages, and improvements	\$ 4,970,356	\$ 9,640,687	\$ 10,637,950	\$ -	\$ -	\$ 25,248,993
Furniture and equipment	308,743	197,450	125,266	78,504	-	709,963
Parking meters and other equipment	5,279,099	9,838,137	10,763,216	78,504	810,282	810,282
	2,789,198	3,491,776	1,167,080	43,283	684,882	8,176,219
Less accumulated depreciation and amortization	<u>\$ 2,489,901</u>	<u>\$ 6,346,361</u>	<u>\$ 9,596,136</u>	<u>\$ 35,221</u>	<u>\$ 125,400</u>	<u>\$ 18,593,019</u>
Net property and equipment						
	2005					
	Garage #1	Garage #2	Garage #3	Office/ Administration	Parking Meters/ Other Equipment	Total
Land, garages, and improvements	\$ 4,970,356	\$ 9,640,687	\$ 10,635,470	\$ -	\$ -	\$ 25,246,513
Furniture and equipment	308,743	199,237	125,266	79,158	-	712,404
Parking meters and other equipment	5,279,099	9,839,924	10,760,736	79,158	810,282	810,282
	2,649,101	3,303,874	906,946	29,271	605,616	7,494,808
Less accumulated depreciation and amortization	<u>\$ 2,629,998</u>	<u>\$ 6,536,050</u>	<u>\$ 9,853,790</u>	<u>\$ 49,887</u>	<u>\$ 204,666</u>	<u>\$ 19,274,391</u>
Net property and equipment						

See Report of Independent Certified Public Accountants.

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Albany Parking Authority
Albany, New York

We have audited the financial statements of the Albany Parking Authority (Authority) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 9, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by Authority employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than those specified parties.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 9, 2007

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