

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**FINANCIAL REPORT**

**December 31, 2010 and 2009**

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**FINANCIAL REPORT**

**December 31, 2010 and 2009**

**C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	2
Responsibility and Controls	2
Audit Assurance	2
Financial Highlights	2
Required Financial Statements	3
Summary of Organization and Business	3
General Authority Information	4
Financial Analysis	
Condensed Balance Sheets	5
Condensed Statements of Revenues, Expenses, and Changes in Net Assets	5
General Trends and Significant Events	6
Financial Condition	6
Results of Operations	6
Long-Term Obligations	6
Final Comments	7
Contacting the Authority’s Financial Manager	7
Principal Officials	7
Organization Chart	8
<b>FINANCIAL STATEMENTS</b>	
Balance Sheets	9
Statements of Revenues, Expenses, and Changes in Net Assets	10
Statements of Cash Flows	11
Notes to Financial Statements	12-24
<b>SUPPLEMENTAL INFORMATION</b>	
Revenues and Expenses by Operating Department	25
Property and Equipment	26
<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	27

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Albany Parking Authority  
Albany, New York

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, 2010 and 2009, 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 referred to above present fairly, in all material respects, the financial position of the Albany Parking Authority as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows 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 a report dated March 24, 2011, 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 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 should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplemental 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 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 supplemental information on pages 25 and 26 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.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
March 24, 2011

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010 and 2009**

The Albany Parking Authority, hereafter referred to as the "Authority," is pleased to present its Financial Report for the year ended December 31, 2010, 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 supplemental information (presented on pages 9 to 24) 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, 2010. This information should be read in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

- The Parking Incentive Program (PIP) was introduced during 2010, and created a new category of monthly garage customers; long-term lease agreements with terms of 1 to 10 years.
- During 2010, the PIP generated 119 new customers with revenue of \$20,230. Moreover, these contracts represent guaranteed payments of \$704,060 during the life of the agreements.
- Actual revenue and expense performance exceeded budget plans by \$215,115.
- Year five of a six-year garage restoration project was completed and funded two thirds out of operating revenues. (All except \$214,806 out of \$683,809.)
- Utility costs continued to decline due to proactive efforts of management, and a project to reduce them further was authorized during December 2010.
- CashKey sales continued to increase, and approximately 7.36% of meter revenue was via this platform rather than cash.
- The surface lots continued to increase utilization, and, during 2010, total revenue was \$221,194.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010 and 2009**

**FINANCIAL HIGHLIGHTS - Continued**

- Negative net assets, resulting from the high cost of acquiring two garages from developers in the 1980s, had been improving annually until 2009 when the new reporting requirements for other post-retirement benefits as specified by GASB 45 had a negative effect on the change in net assets, to date totaling \$1,094,415. Excluding this accrual, negative net assets declined from \$577,254 in 2009 to \$186,997 in 2010. Furthermore, net assets were impacted by rule changes promulgated by the Governmental Accounting Standards Board; as a result of the requirements of GASB 53, there has been a negative effect on the change in net assets of \$495,000 during 2010 and \$425,000 during 2009 (as restated), resulting in negative net assets of \$2,201,411 as of December 31, 2010.

**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 23 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.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010 and 2009**

**SUMMARY OF ORGANIZATION AND BUSINESS - Continued**

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 this compares favorably to industry standards.

The APA added 11 surface lots to the system during 2006 and 2007. These facilities have increased utilization and revenue each year since inception and contributed \$221,194 during 2010.

E-Business applications were incorporated on the ParkAlbany.com website during 2005 to allow for the purchase and reloading payments of Cashkeys, in 2006 for the purchase and payments of garage monthly permits, and in 2008 added the purchase of Central Avenue lot permits. During 2009, additional features were added; a parking locator map, increased details regarding parking facility and meter locations, rates, and availability. During 2010, the parking locator map was updated and the PIP information was added to the site. These applications have been very successful.

**GENERAL AUTHORITY INFORMATION**

Selected Data (parking revenue only)

<b>Parking Facilities</b>	<b>Average Monthly Revenue</b>		<b>Difference</b>	<b>% Change</b>
	<b>2010</b>	<b>2009</b>		
Columbia Street	\$ 95,224	\$ 101,139	\$ (5,915)	-5.85%
Green-Hudson	\$ 102,077	\$ 118,350	\$ (16,273)	-13.75%
Quackenbush	\$ 64,986	\$ 76,154	\$ (11,168)	-14.67%
Q Lot & C Lots	\$ 18,433	\$ 15,945	\$ 2,488	15.60%
Parking Meters	\$ 183,924	\$ 183,454	\$ 470	.26%

**ALBANY PARKING AUTHORITY**  
(An Enterprise Fund of the City of Albany, New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010 and 2009**

**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**

	<b>December 31,</b>			
	<b>2010</b>	<b>2009</b>	<b>\$ Change</b>	<b>% Change</b>
Current assets	\$ 1,026,796	\$ 1,423,080	\$ (396,284)	-27.8%
Property and equipment, net	16,698,494	17,355,072	(656,578)	-3.8%
Other assets	6,952,223	6,757,477	194,746	2.9%
<b>Total assets</b>	<b>\$ 24,677,513</b>	<b>\$ 25,535,629</b>	<b>\$ (858,116)</b>	<b>-3.4%</b>
Current liabilities	\$ 2,108,625	\$ 2,090,719	\$ 17,906	0.9%
Long-term liabilities	24,770,299	25,005,813	(235,514)	-0.9%
<b>Total liabilities</b>	<b>26,878,924</b>	<b>27,096,532</b>	<b>(217,608)</b>	<b>-0.8%</b>
Net assets, capital	(5,176,915)	(5,870,890)	693,975	-11.8%
Net assets, restricted	5,707,070	5,399,969	307,101	5.7%
Net assets, unrestricted	(2,731,566)	(1,089,982)	(1,641,584)	150.6%
<b>Total net assets</b>	<b>(2,201,411)</b>	<b>(1,560,903)</b>	<b>(640,508)</b>	<b>-41.0%</b>
<b>Total liabilities and net assets</b>	<b>\$ 24,677,513</b>	<b>\$ 25,535,629</b>	<b>\$ (858,116)</b>	<b>-3.4%</b>

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

Operating revenue	\$ 5,575,719	\$ 5,938,524	\$ (362,805)	-6.1%
Non-operating revenue	156,087	178,652	(22,565)	-12.6%
<b>Total revenues</b>	<b>5,731,806</b>	<b>6,117,176</b>	<b>(385,370)</b>	<b>-6.3%</b>
Depreciation expense	695,408	692,462	2,946	0.4%
Amortization expense	112,356	112,356	-	0.0%
Other operating expenses	3,837,192	4,361,061	(523,869)	-12.0%
Non-operating expense	1,727,358	1,805,077	(77,719)	-4.3%
<b>Total expenses</b>	<b>6,372,314</b>	<b>6,970,956</b>	<b>(598,642)</b>	<b>-8.6%</b>
<b>Change in net assets</b>	<b>(640,508)</b>	<b>(853,780)</b>	<b>213,272</b>	<b>-25.0%</b>
<b>NET ASSETS, beginning of year</b>	<b>(1,560,903)</b>	<b>(707,123)</b>	<b>(853,780)</b>	<b>-120.7%</b>
<b>NET ASSETS, end of year</b>	<b>\$ (2,201,411)</b>	<b>\$ (1,560,903)</b>	<b>\$ (640,508)</b>	<b>-41.0%</b>

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010 and 2009**

**GENERAL TRENDS AND SIGNIFICANT EVENTS**

The PIP is counteracting downward pressure associated with the occupancy and absorption rate for commercial space downtown, providing stability with regard to monthly parking in the garages, and when the economy recovers, projects on the horizon are expected to increase demand for garage parking in the Central Business District.

With the creation of the PIP, there has been an increased dialogue and activity with developers and real estate brokers. Parking now has a seat at the table, and is stimulating economic development in Albany. The APA is continuing to investigate partnerships to support economic development that increase parking demand.

The APA performed a reorganization that reduced management staff and created career ladders.

There is a continuing dialogue between the City of Albany and the State of New York to create a convention center in downtown Albany, immediately south of the Green-Hudson garage. Displacement of surface parking lots and new parking demand would provide upward pressure for parking demand in APA facilities.

The APA has bar-coded meters to streamline enforcement and as a bridge to rolling out new meter initiatives.

**FINANCIAL CONDITION**

Although parking revenue was down \$364,785 in 2010, this was consistent with budget plans developed based on commercial office occupancy projections. Total costs in 2010, less depreciation, amortization, and interest expense, were flat with an increase of \$34,780 from the prior year, and these expenses include investment in facility renovation of \$684,000 for design and construction. Given the success of the Parking Incentive Program to generate new revenue combined with reductions in expenses for salaries/benefits and utilities, the prospects for the future are promising.

The Authority paid \$1,360,000 in bond principal during 2010. 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.

**RESULTS OF OPERATIONS**

**Revenue**

Total revenue for 2010, exclusive of unrealized gain/loss on investments, was \$5,731,806, compared to \$6,119,155 in 2009. Monthly garage revenues decreased \$291,896 mainly due to restructuring and cost-cutting measures by several corporate customers. Hourly and daily parking revenue decreased \$84,460 in garages for similar reasons relating to corporate "belt tightening," but increased \$5,643 at meters.

**Expense**

Total expense for 2010, exclusive of depreciation, amortization, and interest, was \$3,837,191, compared to \$3,802,411 in 2009.

**LONG-TERM OBLIGATIONS**

As of December 31, 2010, the Authority had \$21,913,061 outstanding related to three revenue refunding bonds issued during 1992 and 2001, and two new refundings during 2007. No bonds were issued or defeased during 2010.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010 and 2009**

**LONG-TERM OBLIGATIONS - Continued**

Cash or equivalents on hand for debt service payments are in excess of \$933,000.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 15-18.

**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 2001 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 \$934,000. Consideration is currently being given 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](http://www.parkalbany.com).

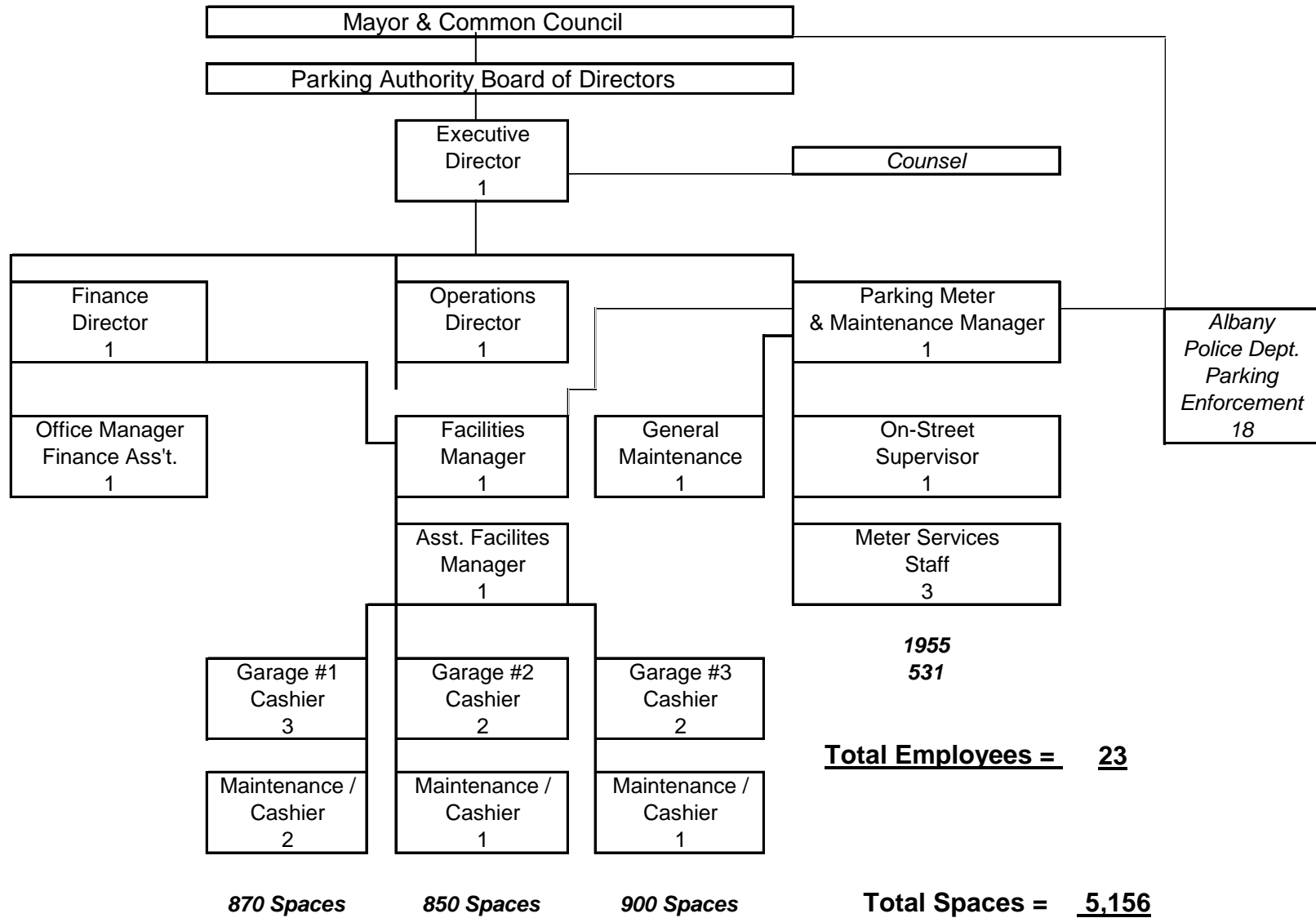
**PRINCIPAL OFFICIALS**

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, 2015
Open	Asst. Sec/Treas	January 2, 2011
William O. Pettit, III	Vice Chair	January 2, 2012
Beth Lacey	Secretary	January 2, 2013
Chris Burke	Treasurer	January 2, 2014

**ALBANY PARKING AUTHORITY**  
 (An Enterprise Fund of the City of Albany, New York)

**ORGANIZATION CHART**



**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**BALANCE SHEETS**

	<b>December 31,</b>	
<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
		<b>(Restated)</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 933,371	\$ 1,312,014
Parking revenues receivable	26,193	18,175
Other receivables	38,845	63,277
Prepaid expenses	28,387	29,614
Total current assets	1,026,796	1,423,080
<b>PROPERTY AND EQUIPMENT, at cost</b>	27,430,043	27,432,348
Less accumulated depreciation and amortization	10,731,549	10,077,276
	16,698,494	17,355,072
<b>OTHER ASSETS</b>		
Cash and cash equivalents, restricted	2,747,503	2,418,743
Investments, restricted	2,959,567	2,981,226
Intangible assets, net	1,245,153	1,357,508
	6,952,223	6,757,477
<b>TOTAL ASSETS</b>	<b>\$ 24,677,513</b>	<b>\$ 25,535,629</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 271,373	\$ 259,790
Current maturities of long-term debt	1,390,000	1,360,000
Accrued interest	447,252	470,929
Total current liabilities	2,108,625	2,090,719
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current maturities	20,523,061	21,913,061
Discount on revenue bonds	(43,148)	(47,099)
Interest rate swap, deferred outflow of resources	920,000	425,000
Accrued post-retirement health benefits	1,067,415	538,649
Accrued interest, capital appreciation bonds, less current maturities	2,302,971	2,176,202
	24,770,299	25,005,813
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Investment in capital assets, less related debt	(5,176,915)	(5,870,890)
Restricted	5,707,070	5,399,969
Unrestricted	(2,731,566)	(1,089,982)
	(2,201,411)	(1,560,903)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,677,513</b>	<b>\$ 25,535,629</b>

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

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

	<b>Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
		<b>(Restated)</b>
PARKING REVENUES	\$ 5,575,719	\$ 5,938,524
OPERATING EXPENSES		
Salaries and related expenses	1,855,951	1,851,470
Repairs and maintenance	765,186	1,319,694
Utilities	117,280	106,785
Professional fees	116,869	93,281
Depreciation	695,408	692,462
Meter supplies and equipment	41,198	20,736
PSO expense reimbursement	716,667	754,000
Other	224,041	215,095
	<u>4,532,600</u>	<u>5,053,523</u>
<b>Operating income</b>	<b><u>1,043,119</u></b>	<b><u>885,001</u></b>
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	156,087	178,652
Unrealized loss on investments, net	(21,660)	(80,721)
Amortization of bond issue costs	(112,356)	(112,356)
Interest expense	(1,210,698)	(1,299,356)
Unrealized decrease in fair value of interest rate swap	(495,000)	(425,000)
Total nonoperating expenses, net	<u>(1,683,627)</u>	<u>(1,738,781)</u>
<b>Change in net assets</b>	<b>(640,508)</b>	<b>(853,780)</b>
NET ASSETS, <i>beginning of year</i>	<u>(1,560,903)</u>	<u>(707,123)</u>
NET ASSETS, <i>end of year</i>	<b><u><u>\$ (2,201,411)</u></u></b>	<b><u><u>\$ (1,560,903)</u></u></b>

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

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 5,567,701	\$ 5,944,543
Cash paid to suppliers and other vendors	(1,439,665)	(2,028,272)
Cash paid for salaries and employee benefits	(1,855,951)	(1,851,470)
	<u>2,272,085</u>	<u>2,064,801</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Interest income	180,519	166,450
Purchase of investments, restricted	(2,831,812)	(2,784,330)
Proceeds from sale of investments, restricted	2,831,810	3,420,821
	<u>180,517</u>	<u>802,941</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of property and equipment	(38,830)	(48,799)
Payments of long-term debt	(1,360,000)	(1,300,000)
Interest paid	(1,103,655)	(1,190,896)
	<u>(2,502,485)</u>	<u>(2,539,695)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(49,883)</b>	<b>328,047</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<u>3,730,757</u>	<u>3,402,710</u>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<u><b>\$ 3,680,874</b></u>	<u><b>\$ 3,730,757</b></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ 1,043,119	\$ 885,001
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation and amortization	695,408	692,462
(Increase) decrease in		
Accounts receivable	(8,018)	6,019
Prepaid expenses	1,227	12
Increase (decrease) in		
Accounts payable and accrued expenses	11,583	(57,342)
Accrued post-retirement health benefits	528,766	538,649
	<u>2,272,085</u>	<u>2,064,801</u>

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

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*a. 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.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*b. 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 Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 (total assets less 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.

*c. New Accounting Standards*

On January 1, 2010, the Authority adopted GASB Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments, and authorities. This statement requires derivatives to be recorded on the balance sheet at fair value. See Notes 1(i), 5(iv), 11, and 12.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*d. Fair Value Measurement*

The Authority reports certain assets and liabilities at fair value. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an “exit” price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date (Note 11).

*e. Cash, Cash Equivalents, and Investments*

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.

*f. Parking Revenues Receivable 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, 2010 and 2009, 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. There were no amounts written off at December 31, 2010 and 2009.

*g. 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. Routine maintenance and repairs are expensed as incurred.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset’s carrying amount over the fair value of the asset.

*h. Bond Issue Costs*

Bond issue costs are amortized on a straight-line basis over the life of the related bonds.

*i. Interest Rate Swap, Deferred Outflow of Resources*

The Authority on occasion enters into interest rate swaps to hedge its exposure to interest rate risk associated with changes in a benchmark interest rate. At December 31, 2010 and 2009, there was one such swap in place that had a fair value of (\$920,000) and (\$425,000), respectively. As is more fully described in Note 5, the swap is a pay-fixed, receive-variable interest rate swap used to hedge the variable cash flows associated with a variable rate bond. The Authority determined that the swap is a hedging derivative instrument using the regression analysis method. Accordingly, the changes in fair values of the swap are reported as deferrals on the balance sheet over the life of the swap, and the swap is reported as a liability.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*j. Deferred Revenue*

The Authority recognizes revenue from parking fees as earned in the time period in which the parking space is provided. All payments received prior to the time period in which the parking space is provided are accounted for as deferred revenue.

*k. Subsequent Events*

In preparing the financial statements and notes thereto, the Authority considered subsequent events through March 24, 2011, the date the financial statements were available to be issued.

**NOTE 2 - INVESTMENTS, RESTRICTED**

The Authority accounts for its investments at fair value. The Authority recognized unrealized losses of \$21,660 and \$80,721 during 2010 and 2009, 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.

	December 31, 2010		
	Cost	Carrying Amount	Fair Value
Investments in U.S. Government obligations	\$ 1,733,651	\$ 1,882,067	\$ 1,882,067
Guaranteed Income Contract	1,077,500	1,077,500	1,077,500
	<b>\$ 2,811,151</b>	<b>\$ 2,959,567</b>	<b>\$ 2,959,567</b>
	December 31, 2009		
	Cost	Carrying Amount	Fair Value
Investments in U.S. Government obligations	\$ 1,733,651	\$ 1,903,726	\$ 1,903,726
Guaranteed Income Contract	1,077,500	1,077,500	1,077,500
	<b>\$ 2,811,151</b>	<b>\$ 2,981,226</b>	<b>\$ 2,981,226</b>

**NOTE 3 - PROPERTY AND EQUIPMENT**

A summary of year-end balances and changes in property and equipment:

	Years Ended December 31, 2010 and 2009				
	Land, Garages, and Improvements	Furniture and Equipment	Meters and Other Equipment	Leasehold Improvements	Total
Balance as of January 1, 2009	\$ 25,248,993	\$ 997,355	\$ 806,508	\$ 371,611	\$ 27,424,467
Additions	-	48,799	-	-	48,799
Disposals	-	(9,233)	(31,685)	-	(40,918)
Balance as of December 31, 2009	25,248,993	1,036,921	774,823	371,611	27,432,348
Additions	-	38,832	-	5,000	43,832
Disposals	-	(44,832)	(1,305)	-	(46,137)
Balance December 31, 2010	<b>\$ 25,248,993</b>	<b>\$ 1,030,921</b>	<b>\$ 773,518</b>	<b>\$ 376,611</b>	<b>\$ 27,430,043</b>

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 4 - INTANGIBLE ASSETS**

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

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	\$ 1,069,282	\$ 402,029	\$ 667,253
Deferred amount on defeased Revenue Bonds (b)	1,214,819	636,919	577,900
	\$ 2,284,101	\$ 1,038,948	\$ 1,245,153
	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	\$ 1,069,282	\$ 356,471	\$ 712,811
Deferred amount on defeased Revenue Bonds (b)	1,214,819	570,122	644,697
	\$ 2,284,101	\$ 926,593	\$ 1,357,508

- (a) Includes financing costs incurred relative to the 1992, 2001, and 2007 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 2007, \$108,203 of 2001 Revenue Bond financing costs were expensed in connection with the partial defeasance of the Bonds. Amortization of financing costs including defeased amounts totaled \$45,558 during the years ended December 31, 2010 and 2009.
- (b) The difference between the net carrying amount of the defeased bonds (1992A and 2001A) and reacquisition price of the Bonds is deferred and amortized over the life of the new bond. The deferred amounts are being amortized over the life of the bonds using the effective interest rate method.

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

For the year ending December 31,	2011	\$ 112,351
	2012	105,753
	2013	80,679
	2014	80,679
	2015	80,679

**NOTE 5 - LONG-TERM DEBT**

A summary of long-term debt ending balances and transactions for the years ended December 31, 2010 and 2009, is as follows:

Balance as of January 1, 2009	\$ 24,573,061
Principal payments	(1,300,000)
Balance as of December 31, 2009	23,273,061
Principal payments	(1,360,000)
Balance at December 31, 2010	\$ 21,913,061

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 5 - LONG-TERM DEBT - Continued**

Long-term debt consisted of the following:

	December 31,	
	2010	2009
<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 through 2017, collateralized by a first lien on the property (i)(ii)	\$ 773,061	\$ 773,061
<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 (iii)	8,590,000	9,240,000
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	2,035,000	2,660,000
Parking revenue refunding bonds, Series 2007A, interest at 3.5% to 5%, payable semi-annually, principal due in various installments amortized through 2025, collateralized by a first lien on the property (iv)	10,445,000	10,510,000
Parking revenue refunding bonds, Series 2007B, interest at 5.38%, payable semi-annually, principal due in various installments amortized through 2013, collateralized by a first lien on the property (iv)	70,000	90,000
	21,913,061	23,273,061
Less current maturities	1,390,000	1,360,000
Long-term debt, less current maturities	\$ 20,523,061	\$ 21,913,061

- (i) 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, 2010 and 2009.
- (ii) 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 financial statements. \$6,845,000 in 1992 Bonds outstanding are considered defeased.
- (iii) The Authority defeased a portion of the 2001A Revenue Bonds by placing the proceeds of the 2007A Revenue Bonds in an irrevocable trust to provide for all future debt service payments on a portion of the 2001A Bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. \$9,885,000 in 2001A Bonds outstanding are considered defeased.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 5 - LONG-TERM DEBT - Continued**

- (iv) On May 4, 2007, the Authority issued \$10,775,000 of Parking Revenue Bonds Series A and \$150,000 of Parking Revenue Bonds Series B maturing in the years 2007 through 2025, to refund \$9,885,000 of 2001 Series A Bonds then outstanding. The 2007 Series A Bonds pay a rates of interest between 3.5% and 5%, and the Series B Bonds pay a fixed rate of 5.38%.

As part of the 2007 bond agreement, the Authority entered into an agreement to issue Series 2011 Bonds, the proceeds of which will be used to finance the balance of the 2001 Series A Bonds and cover certain costs of issuing the 2011 Bonds and fund the Debt Service Reserve Fund. The Series 2011 Bonds will be delivered on or about July 19, 2011. The Series 2011 Bonds will bear interest at a variable rate (floating rate) equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index plus .35 hundredths. The rate will be determined weekly and payable January 15 and July 15 commencing on January 15, 2012. The SIFMA rate was .34% and .25% at December 31, 2010 and 2009, respectively.

As part of the transaction, the Authority has entered into a swap agreement dated April 20, 2007, with Dexia Credit Local (Dexia) (swap provider). The agreement with Dexia was entered into by the Authority to hedge the variable interest rate of the Series 2011 Bonds. Under the terms of the swap agreement, which goes into effect on July 19, 2011, and expires on July 15, 2025, the Authority will pay a fixed rate of 3.876% to Dexia, and Dexia will pay a floating rate equal to 69% of One-Month London InterBank Offered Rate (1M-LIBOR), reset weekly, to the Authority. The 1M-LIBOR rate was .26% and .23% at December 31, 2010 and 2009, respectively. The specified rates are applied to the amortizing notional amount stated in the swap agreement, which begins at \$8,090,000 on July 19, 2011, and amortizes down to \$1,125,000 at the termination date of the swap. The scheduled payments to be made by the Authority under the swap agreement will be secured by a financial guarantee insurance policy. In conjunction with the swap agreement, Dexia paid \$32,500 to secure the financial guarantee.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of approximately \$920,000 and \$425,000 as of December 31, 2010 and 2009, respectively. The fair value was estimated by the counterparty using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Upon the adoption of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, for the fiscal year ended December 31, 2010, the Authority has recognized the swap agreement on its balance sheet and restated the 2009 financial statements.

The swap agreement is expected to expose the Authority to basis risk given that the variable rate on the swap is based on 1M-LIBOR, and the variable rate of the bonds is expected to be based on SIFMA.

As of December 31, 2010, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value.

In the event of default and certain additional termination events specified in the swap agreement, the non-defaulting party has the right to terminate the agreement. The Authority has the option to terminate the agreement at any time with five days' written notice. If the swap is terminated, the variable rate bond would no longer carry a synthetic interest rate. Also, at the time of termination, the Authority could be liable to Dexia for a termination fee depending on the circumstances of the termination and the fair value of the swap on the termination date.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 5 - LONG-TERM DEBT - Continued**

iv. - Continued

Using rates as of December 31, 2010, future net swap payments, assuming current interest rates remain the same for the term of the swap, are as follows. As rates vary, net swap payments will vary.

2011	\$	134,489
2012		293,955
2013		283,006
2014		271,662
2015		259,252
2016 through 2025		<u>1,407,870</u>
		<u><u>\$ 2,650,234</u></u>

Interest expense incurred on long-term debt totaled \$1,103,656 and \$1,169,407 for the years ended December 31, 2010 and 2009, 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 2013 through 2017. Accrued interest on capital appreciation bonds totaled \$2,302,971 and \$2,176,202 at December 31, 2010 and 2009, respectively.

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

	Principal	Interest	Total
For the year ending December 31, 2011	\$ 1,390,000	\$ 1,034,097	\$ 2,424,097
2012	2,015,000	962,952	2,977,952
2013	862,618	1,473,961	2,336,579
2014	850,777	1,455,606	2,306,383
2015	938,936	1,431,298	2,370,234
2016 through 2020	6,995,730	4,470,789	11,466,519
2021 through 2025	<u>8,860,000</u>	<u>1,422,327</u>	<u>10,282,327</u>
	<u><u>\$ 21,913,061</u></u>	<u><u>\$ 12,251,030</u></u>	<u><u>\$ 34,164,091</u></u>

The 2001A and B Bonds were issued at a discount of \$143,592 and \$12,047, respectively. The 2007A and B Bonds were issued at a premium of \$24,461. The bond discount and premium have been combined in these financial statements. 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, 1992, and 2001 Bonds was \$437,623, \$354,813, and \$422,383, respectively. The discount and deferred amounts are being amortized over the life of the Bonds using the straight-line method. Amortization was \$66,797 for the years ended December 31, 2010 and 2009.

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.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 6 - PENSION PLANS**

*a. 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, New York 12244.

*b. 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:

2010	\$ 107,923
2009	65,265
2008	75,704

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

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*a. Plan Description*

The Authority provides health care insurance benefit programs for most retired Authority employees and, in certain instances, their dependents. All Authority employees become eligible for such benefits when they attain a certain age and service requirements while employed by the Authority. As of December 31, 2010, the Authority is providing health care insurance to current retirees or their dependents.

*b. Reporting Requirements*

The Authority reports its post-employment benefits in accordance with GASB Statement No. 45, which was required to be adopted by the Authority during 2009. GASB No. 45 views a post-employment benefit plan as a deferred compensation arrangement, whereby an employer promises to exchange future benefits for employees' current services. GASB No. 45 specifies that accounting for these benefits should be determined under an accrual basis, where the expected value of the benefit is actuarially calculated and recognized as a cost over the working lifetime of employees.

*c. Funding Policy*

Currently, the Authority's cost of its post-employment benefits program is determined on a pay-as-you-go basis and is; therefore, unfunded.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued**

*c. Funding Policy - Continued*

Premiums paid by the Authority on behalf of current retirees and their spouses totaled \$11,020 for both years ended December 31, 2010 and 2009.

*Annual OPEB Cost and Net OPEB Obligation.* The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the Plan:

	December 31,	
	2010	2009
Annual required contribution	\$ 569,822	\$ 578,320
Interest on net OPEB obligation	11,174	-
Adjustment to annual required contribution	(18,622)	-
Annual OPEB cost	562,374	578,320
Expected contributions	(26,608)	(19,671)
Net OPEB obligation, beginning of year	558,649	-
Net OPEB obligation, end of year	1,094,415	558,649
Less current portion	27,000	20,000
Net OPEB obligation, less current portion	\$ 1,067,415	\$ 538,649

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/10	\$ 562,374	4.70%	\$ 1,094,415
12/31/09	\$ 578,320	3.40%	\$ 558,649

*Funded Status and Funding Progress.* The actuarial accrued liability for benefits was \$4,698,860 as of December 31, 2010 and 2009, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$942,346 for both the years ended December 31, 2010 and 2009, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 498.63 percent as of December 31, 2010 and 2009.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued**

*c. Funding Policy - Continued*

*Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial computations under GASB No. 45 were provided by the Authority's independent actuaries.

The following simplifying assumptions were made:

*Retirement Age for Active Employees* - Rates of decrement due to retirement based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

*Marital Status* - It is assumed that 70% of retirees will be married at the time of their retirement, with the male spouse assumed to be approximately three years older than the female.

*Mortality* - Life expectancies were based on RP-2000 mortality tables for males and for females.

*Turnover* - Rates of decrement due to turnover based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

*Healthcare Cost Trend Rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services.

*Health Insurance Premiums* - 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation Rate* - The expected long-term inflation assumption of 3.3% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll Growth Rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount rate of two percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was twenty-nine years.

**NOTE 8 - DEFERRED COMPENSATION PLAN**

During November 2010, the Authority adopted the State of New York Deferred Compensation Plan in accordance with Section 457 of the Internal Revenue Code and Section 5 of the State Finance Law of the State of New York. The Authority adopted the Plan for the voluntary participation of all eligible employees. The plan will become effective in 2011.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

*a. 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 \$716,667 and \$754,000 for the years ended December 31, 2010 and 2009, 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 5), as defined in the agreement.

*b. 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 second five-year option, which will expire in June 2014.

Rental payments in the amount of \$83,000 and \$77,000 were received during the years ended December 31, 2010 and 2009, respectively. Future minimum annual rentals receivable under the lease at December 31, 2010, are as follows:

For the year ending December 31, 2011	\$ 83,000
2012	83,000
2013	83,000
2014	41,500
	<u>\$ 290,500</u>

*c. Memorandum of Understanding*

During June 2007, the Authority entered into a memorandum of understanding (memorandum) with WAMC, a not-for-profit education corporation, located in Albany, New York, for the shared use of a parking facility. The purpose of the memorandum was for the Authority to construct, maintain, and operate two surface parking lots on premises owned by WAMC. The Authority maintains all rights to revenues produced by the parking lots. The parking lots were placed into service on April 1, 2008. Construction costs related to the parking lots totaled \$371,611 at December 31, 2008, and are included in leasehold improvements (Note 3).

As part of the memorandum, the Authority has agreed to lease fifty parking spaces within these lots to the Capital District Transit Authority (CDTA). Terms of the lease include a ten-year rental for a total of \$150,000, which was prepaid by CDTA during December 2007. As of December 31, 2009, the balance was \$115,120, which is reported as deferred revenue in these financial statements. The deferred revenue balance is being amortized into income over a ten-year period, using the straight-line method.

In addition, WAMC is entitled to twenty annual parking passes for its employees and patrons. In consideration of these annual parking passes, WAMC will provide the Authority with in-kind advertising in the sum of \$25,000 per annum.

Terms of the agreement terminate during 2017; however, WAMC has the right to terminate the agreement at any time. Should WAMC terminate the agreement before the termination date, WAMC has agreed to make remuneration to both the Authority and CDTA for the unexpired term of the agreement on a pro-rata basis as further defined by the agreement.

The agreement may be renewed for up to three additional five-year terms, under the same terms as the original agreement.

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 10 - NET ASSETS**

The Authority has net assets of (\$2,201,411) and (\$1,560,903) at December 31, 2010 and 2009, 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 certain revenue bonds in 2007, thereby reducing interest costs. The accumulated deficit has been reduced \$2,398,897 since December 31, 1998.

**NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Authority determines the fair value of financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs that may be used to measure fair value:

- Level 1      Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2      Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.
- Level 3      Unobservable inputs that are supported by little or no market activity.

*U.S. Government Securities:* Valued at the closing price reported in the active market in which the individual securities are traded.

*Guaranteed Income Contract:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering credit-worthiness of the issuer.

*Interest Rate Swap, Deferred Outflow of Resources:* The fair value of the swap agreement is estimated by discounting the expected future cash flows using relevant mid-market data inputs and based on assumptions of no unusual market conditions or forced liquidation.

Fair value of the swap was determined by using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
U.S. Government Securities	\$ 1,882,067	\$ -	\$ -	\$ 1,882,067
Guaranteed Income Contract	-	-	1,077,500	1,077,500
	<u>\$ 1,882,067</u>	<u>\$ -</u>	<u>\$ 1,077,500</u>	<u>\$ 2,959,567</u>
<b>Liabilities</b>				
Interest rate swap, deferred outflow of resources	\$ -	\$ 920,000	\$ -	\$ 920,000

**ALBANY PARKING AUTHORITY**  
**(An Enterprise Fund of the City of Albany, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued**

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
U.S. Government Securities	\$ 1,903,726	\$ -	\$ -	\$ 1,903,726
Guaranteed Income Contract	-	-	1,077,500	1,077,500
	<u>\$ 1,903,726</u>	<u>\$ -</u>	<u>\$ 1,077,500</u>	<u>\$ 2,981,226</u>
Liabilities				
Interest rate swap, deferred outflow of resources	\$ -	\$ 420,000	\$ -	\$ 420,000
	<u>\$ -</u>	<u>\$ 420,000</u>	<u>\$ -</u>	<u>\$ 420,000</u>

**NOTE 12 - RESTATEMENT**

As approved by GASB Statement No. 53, the Authority has restated its December 31, 2009, financial statements to properly report the adoption of GASB Statement No. 53 (See notes 1c, 1i, and 5(iv)). The following accounts have been restated at December 31, 2009:

	As Previously Reported	Restatement Increase (Decrease)	As Restated
<u>Balance sheet, December 31, 2009:</u>			
Interest rate swap, deferred outflow of resources	\$ -	\$ 425,000	\$ 425,000
Net assets, unrestricted	\$ (664,982)	\$ (425,000)	\$ (1,089,982)
<u>Statements of revenues, expenses, and changes in net assets, December 31, 2009:</u>			
Unrealized decrease in fair value of interest rate swap	\$ -	\$ 425,000	\$ 425,000
Net assets, end of year	\$ (1,135,903)	\$ (425,000)	\$ (1,560,903)

**NOTE 13 - ACCOUNTING PRONOUNCEMENT ISSUED BUT NOT YET IMPLEMENTED**

GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. This statement is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The Authority has not yet adopted this statement.

**ALBANY PARKING AUTHORITY**

**SUPPLEMENTAL INFORMATION - REVENUE AND EXPENSES BY OPERATING DEPARTMENT**

	<b>Year Ended December 31, 2010</b>						
	<b>Garage #1</b>	<b>Garage #2</b>	<b>Garage #3</b>	<b>Parking Meters</b>	<b>Surface Lots</b>	<b>Office/ Administration</b>	<b>Total</b>
<b>PARKING REVENUES</b>	<b>\$ 1,142,686</b>	<b>\$ 1,224,923</b>	<b>\$ 779,829</b>	<b>\$ 2,207,086</b>	<b>\$ 221,195</b>	<b>\$ -</b>	<b>\$ 5,575,719</b>
<b>OPERATING EXPENSES</b>							
Salaries and related expenses	240,190	165,309	155,666	160,681	1,589	1,132,516	1,855,951
Insurance	-	-	-	-	-	61,410	61,410
Repairs and maintenance	74,096	594,184	45,272	8,961	10,006	32,667	765,186
Utilities	34,282	25,846	54,960	-	2,192	-	117,280
Professional fees	21,781	37,197	3,613	-	-	54,278	116,869
Depreciation	157,635	218,906	235,984	5,799	51,206	25,878	695,408
Meter supplies and equipment	-	-	-	41,033	165	-	41,198
Contributions	-	-	-	-	-	2,500	2,500
PSO expense reimbursement	-	-	-	566,167	150,500	-	716,667
Miscellaneous	4,086	4,408	1,625	2,338	58,049	89,625	160,131
<b>Total operating expenses</b>	<b>532,070</b>	<b>1,045,850</b>	<b>497,120</b>	<b>784,979</b>	<b>273,707</b>	<b>1,398,874</b>	<b>4,532,600</b>
<b>Operating income (loss)</b>	<b>610,616</b>	<b>179,073</b>	<b>282,709</b>	<b>1,422,107</b>	<b>(52,512)</b>	<b>(1,398,874)</b>	<b>1,043,119</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>							
Interest income	51,661	-	-	-	-	104,426	156,087
Unrealized (gain) loss on investments	18,465	-	-	-	-	(40,125)	(21,660)
Amortization of bond issue costs	(32,884)	(12,498)	-	-	-	(66,974)	(112,356)
Interest expense	(126,769)	-	-	-	-	(1,083,929)	(1,210,698)
Unrealized decrease in fair value of interest rate swap	(79,200)	(89,100)	(84,150)	(193,050)	(49,500)	-	(495,000)
Allocation of administration expenses	(397,676)	(447,386)	(422,532)	(969,335)	(248,547)	2,485,476	-
<b>Total nonoperating revenue (expenses)</b>	<b>(566,403)</b>	<b>(548,984)</b>	<b>(506,682)</b>	<b>(1,162,385)</b>	<b>(298,047)</b>	<b>1,398,874</b>	<b>(1,683,627)</b>
<b>Change in net assets</b>	<b>\$ 44,213</b>	<b>\$ (369,911)</b>	<b>\$ (223,973)</b>	<b>\$ 259,722</b>	<b>\$ (350,559)</b>	<b>\$ -</b>	<b>\$ (640,508)</b>

**Year Ended December 31, 2009**

	<u>Garage #1</u>	<u>Garage #2</u>	<u>Garage #3</u>	<u>Parking Meters</u>	<u>Surface Lots</u>	<u>Office/ Administration</u>	<u>Total</u>
PARKING REVENUES	\$ 1,213,672	\$ 1,420,202	\$ 913,851	\$ 2,199,463	\$ 191,336	\$ -	\$ 5,938,524
OPERATING EXPENSES							
Salaries and related expenses	255,220	177,348	149,703	166,752	741	1,101,706	1,851,470
Insurance	-	-	-	-	-	62,710	62,710
Repairs and maintenance	272,507	973,598	25,518	8,111	4,763	35,197	1,319,694
Utilities	22,017	25,604	56,833	-	2,331	-	106,785
Professional fees	26,028	22,497	-	-	-	44,756	93,281
Depreciation	151,916	218,380	235,110	7,267	50,451	29,338	692,462
Meter supplies and equipment	-	-	-	20,736	-	-	20,736
Contributions	-	-	-	-	-	7,428	7,428
PSO expense reimbursement	-	-	-	595,660	158,340	-	754,000
Miscellaneous	1,998	2,259	1,453	2,408	39,092	97,747	144,957
Total operating expenses	<u>729,686</u>	<u>1,419,686</u>	<u>468,617</u>	<u>800,934</u>	<u>255,718</u>	<u>1,378,882</u>	<u>5,053,523</u>
<b>Operating income (loss)</b>	<b><u>483,986</u></b>	<b><u>516</u></b>	<b><u>445,234</u></b>	<b><u>1,398,529</u></b>	<b><u>(64,382)</u></b>	<b><u>(1,378,882)</u></b>	<b><u>885,001</u></b>
NONOPERATING REVENUE (EXPENSES)							
Interest income	51,675	-	-	-	-	126,977	178,652
Unrealized gain on investments	(43,509)	-	-	-	-	(37,212)	(80,721)
Amortization of bond issue costs	(32,884)	(12,498)	-	-	-	(66,974)	(112,356)
Interest expense	(126,769)	-	-	-	-	(1,172,587)	(1,299,356)
Unrealized decrease in fair value of interest rate sv	(72,250)	(76,500)	(72,250)	(161,500)	(42,500)	-	(425,000)
Allocation of administration expenses	(429,875)	(455,162)	(429,875)	(960,898)	(252,868)	2,528,678	-
Total nonoperating revenue (expenses)	<u>(653,612)</u>	<u>(544,160)</u>	<u>(502,125)</u>	<u>(1,122,398)</u>	<u>(295,368)</u>	<u>1,378,882</u>	<u>(1,738,781)</u>
<b>Change in net assets</b>	<b><u>\$ (169,626)</u></b>	<b><u>\$ (543,644)</u></b>	<b><u>\$ (56,891)</u></b>	<b><u>\$ 276,131</u></b>	<b><u>\$ (359,750)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (853,780)</u></b>

**ALBANY PARKING AUTHORITY**

**SUPPLEMENTAL INFORMATION - PROPERTY AND EQUIPMENT**

**December 31, 2010**

	<u>Garage #1</u>	<u>Garage #2</u>	<u>Garage #3</u>	<u>Parking Meters/ Other Equipment</u>	<u>Surface Lots</u>	<u>Office/ Administration</u>	<u>Total</u>
Land, garages, and improvements	\$ 4,970,356	\$ 9,640,687	\$ 10,637,950	\$ -	\$ -	\$ -	\$ 25,248,993
Leasehold improvements	-	-	-	-	376,611	-	376,611
Furniture and equipment	398,751	329,344	124,011	-	-	111,454	963,560
Parking meters and other equipment	-	-	-	835,384	-	-	835,384
	<u>5,369,107</u>	<u>9,970,031</u>	<u>10,761,961</u>	<u>835,384</u>	<u>376,611</u>	<u>111,454</u>	<u>27,424,548</u>
Less accumulated depreciation and amortization	<u>3,385,576</u>	<u>4,271,529</u>	<u>2,115,298</u>	<u>797,255</u>	<u>104,943</u>	<u>56,949</u>	<u>10,731,550</u>
<b>Net property and equipment</b>	<b><u>\$ 1,983,531</u></b>	<b><u>\$ 5,698,502</u></b>	<b><u>\$ 8,646,663</u></b>	<b><u>\$ 38,129</u></b>	<b><u>\$ 271,668</u></b>	<b><u>\$ 54,505</u></b>	<b><u>\$ 16,692,998</u></b>

**December 31, 2009**

	<u>Garage #1</u>	<u>Garage #2</u>	<u>Garage #3</u>	<u>Parking Meters/ Other Equipment</u>	<u>Surface Lots</u>	<u>Office/ Administration</u>	<u>Total</u>
Land, garages, and improvements	\$ 4,970,356	\$ 9,640,687	\$ 10,637,950	\$ -	\$ -	\$ -	\$ 25,248,993
Leasehold improvements	-	-	-	-	371,611	-	371,611
Furniture and equipment	398,751	324,384	124,011	-	-	126,352	973,498
Parking meters and other equipment	-	-	-	838,246	-	-	838,246
	<u>5,369,107</u>	<u>9,965,071</u>	<u>10,761,961</u>	<u>838,246</u>	<u>371,611</u>	<u>126,352</u>	<u>27,432,348</u>
Less accumulated depreciation and amortization	<u>3,227,940</u>	<u>4,052,623</u>	<u>1,879,313</u>	<u>786,003</u>	<u>65,032</u>	<u>66,365</u>	<u>10,077,276</u>
<b>Net property and equipment</b>	<b><u>\$ 2,141,167</u></b>	<b><u>\$ 5,912,449</u></b>	<b><u>\$ 8,882,648</u></b>	<b><u>\$ 52,243</u></b>	<b><u>\$ 306,579</u></b>	<b><u>\$ 59,987</u></b>	<b><u>\$ 17,355,072</u></b>

**INDEPENDENT AUDITOR'S 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***

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, 2010 and 2009, and have issued our report thereon dated March 24, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**Compliance and Other Matters**

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, including Investment Guidelines for Public Authorities, 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*.

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 24, 2011