

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

FINANCIAL REPORT

December 31, 2009 and 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2010, 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.

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 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 supplemental information on pages 24 and 25 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 30, 2010

ALBANY PARKING AUTHORITY

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, 2009, 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 25) 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, 2009. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The year 2009 marked a good year for the Authority despite the state of the national, state, and local economy. The Authority continued to see consistent performance of both the on-street parking meter system and the off-street garages and surface lots. Management believes the Authority's financial position remains strong, with significant opportunity for growth when the economy recovers. Following are some of the key highlights of 2009:

- Total parking revenue was up .19 percent from 2008.
- Year four of a five-year garage restoration project was completed and funded two-thirds out of operating revenues (all except \$374,470 out of \$1,193,500).
- Utility costs decreased by \$48,796, and this included a one-time tax credit pass-through from Novus Engineering due to the Clean Energy Tax Stimulus Act of 2008 in the amount of \$12,232.
- CashKey sales continued to increase, and approximately 6.9% of meter revenue was via this platform rather than cash.

- The 11 lots opened in April 2008 have experienced a spectacular increase in revenue during 2009. After adjusting 2008 for the 9-month period, the result is an impressive 30% increase.
- Negative net assets, resulting from the high cost of acquiring two garages from developers in the 1980s, has been improving annually until 2009 when the new reporting requirements for other postemployment benefits as specified by GASB 45 had a negative effect on the change in net assets of \$538,649, resulting in negative net assets of \$1,135,903.

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 24 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.

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.

During October 2006, rental permit #14338 for use of New York State owned property resulted in the addition of 170 surface lot parking spaces on Central Avenue under the APA jurisdiction. There is a \$1 annual fee for this permit. These lots generated \$95,439 during 2009.

During January 2007, rental permit #14357 for use of New York State owned property resulted in the addition of 198 surface lot parking spaces in the Quackenbush parking lot under the APA jurisdiction. There is a \$1 annual fee for this permit. This lot generated \$95,897 during 2009.

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, including a parking locator map, increased details regarding parking facility and meter locations, rates, and availability. These applications have been very successful.

General Authority Information

Selected Data (parking revenue only)

Parking Facilities	Average Monthly Revenue		Difference	% Change
	2009	2008		
Columbia Street	\$ 101,056	\$ 104,672	\$ (3,616)	-3.45%
Green-Hudson	\$ 118,350	\$ 125,559	\$ (7,209)	-5.75%
Quackenbush	\$ 76,154	\$ 79,134	\$ (2,980)	-3.77%
Q Lot & C Lots	\$ 15,945	\$ 12,249*	\$ 3,696	30.17%
Parking Meters	\$183,454	\$ 174,651	\$ 8,803	5.04%

* 2008 lot average adjusted to reflect only April through December due to the April opening.

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

	December 31,			
	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 1,423,080	\$ 1,410,003	\$ 13,077	0.9%
Property and equipment, net	17,355,072	17,998,735	(643,663)	-3.6%
Other assets	<u>6,757,477</u>	<u>7,265,904</u>	<u>(508,427)</u>	<u>-7.0%</u>
Total assets	<u>\$ 25,535,629</u>	<u>\$ 26,674,642</u>	<u>\$ (1,139,013)</u>	<u>-4.3%</u>
Current liabilities	\$ 2,090,719	\$ 2,110,322	\$ (19,603)	-0.9%
Long-term liabilities	<u>24,580,813</u>	<u>25,271,443</u>	<u>(690,630)</u>	<u>-2.7%</u>
Total liabilities	<u>26,671,532</u>	<u>27,381,765</u>	<u>(710,233)</u>	<u>-2.6%</u>
Net assets, capital	(5,870,890)	(6,523,275)	652,385	-10.0%
Net assets, restricted	5,399,969	5,796,040	(396,071)	-6.8%
Net assets, unrestricted	<u>(664,982)</u>	<u>20,112</u>	<u>(685,094)</u>	<u>-3406.4%</u>
Total net assets	<u>(1,135,903)</u>	<u>(707,123)</u>	<u>(428,780)</u>	<u>-60.6%</u>
Total liabilities and net assets	<u>\$ 25,535,629</u>	<u>\$ 26,674,642</u>	<u>\$ (1,139,013)</u>	<u>-4.3%</u>

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

Operating revenue	\$ 5,938,524	\$ 5,928,833	\$ 9,691	0.2%
Non-operating revenue	<u>97,931</u>	<u>330,677</u>	<u>(232,746)</u>	<u>-70.4%</u>
Total revenues	<u>6,036,455</u>	<u>6,259,510</u>	<u>(223,055)</u>	<u>-3.6%</u>
Depreciation expense	692,462	705,168	(12,706)	-1.8%
Amortization expense	112,356	112,356	-	0.0%
Other operating expenses	4,361,061	3,629,695	731,366	20.1%
Non-operating expense	<u>1,299,356</u>	<u>1,339,444</u>	<u>(40,088)</u>	<u>-3.0%</u>
Total expenses	<u>6,465,235</u>	<u>5,786,663</u>	<u>678,572</u>	<u>11.7%</u>
Change in net assets	(428,780)	472,847	(901,627)	-190.7%
NET ASSETS, beginning of year	<u>(707,123)</u>	<u>(1,179,970)</u>	<u>472,847</u>	<u>40.1%</u>
NET ASSETS, end of year	<u>\$ (1,135,903)</u>	<u>\$ (707,123)</u>	<u>\$ (428,780)</u>	<u>-60.6%</u>

GENERAL TRENDS AND SIGNIFICANT EVENTS

Paid occupancy of meters on a system-wide basis has been stable for several years. Taken together with continued expansion of the CashKey program and when the current economic softness subsides, meter revenue is expected to continue as a growth area unless gasoline prices spike as they did during early 2008.

The absorption rate for commercial space downtown is low given conditions in the real estate market, providing downward pressure for 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.

The APA is continuing to investigate partnerships to support economic development that increase parking demand.

FINANCIAL CONDITION

The overall financial position of the Authority was strong at year-end. Parking revenue was flat in 2009, total costs in 2009, less depreciation, amortization, and interest expense, increased \$172,716 from the prior year. This reflects new investment in facility renovation in excess of \$1,224,800 for design and construction and minimal inflationary effects.

The Authority paid \$1,300,000 in bond principal during 2009. 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 2009, exclusive of unrealized gain/loss on investments, was \$6,119,155, compared to \$6,166,795 in 2008. Monthly garage revenues decreased \$116,737 mainly due to restructuring and cost-cutting measures by several corporate customers. Hourly and daily parking revenue decreased \$11,390 in garages for similar reasons relating to corporate "belt tightening," but increased \$105,632 at meters.

Expense

Total expense for 2009, exclusive of depreciation, amortization, and interest, was \$3,802,411, compared to \$3,629,695 in 2008.

LONG-TERM OBLIGATIONS

As of December 31, 2009, the Authority had \$23,273,061 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 2009.

Cash or equivalents on hand for debt service payments are in excess of \$1.3 million.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 15 through 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 \$790,000. 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

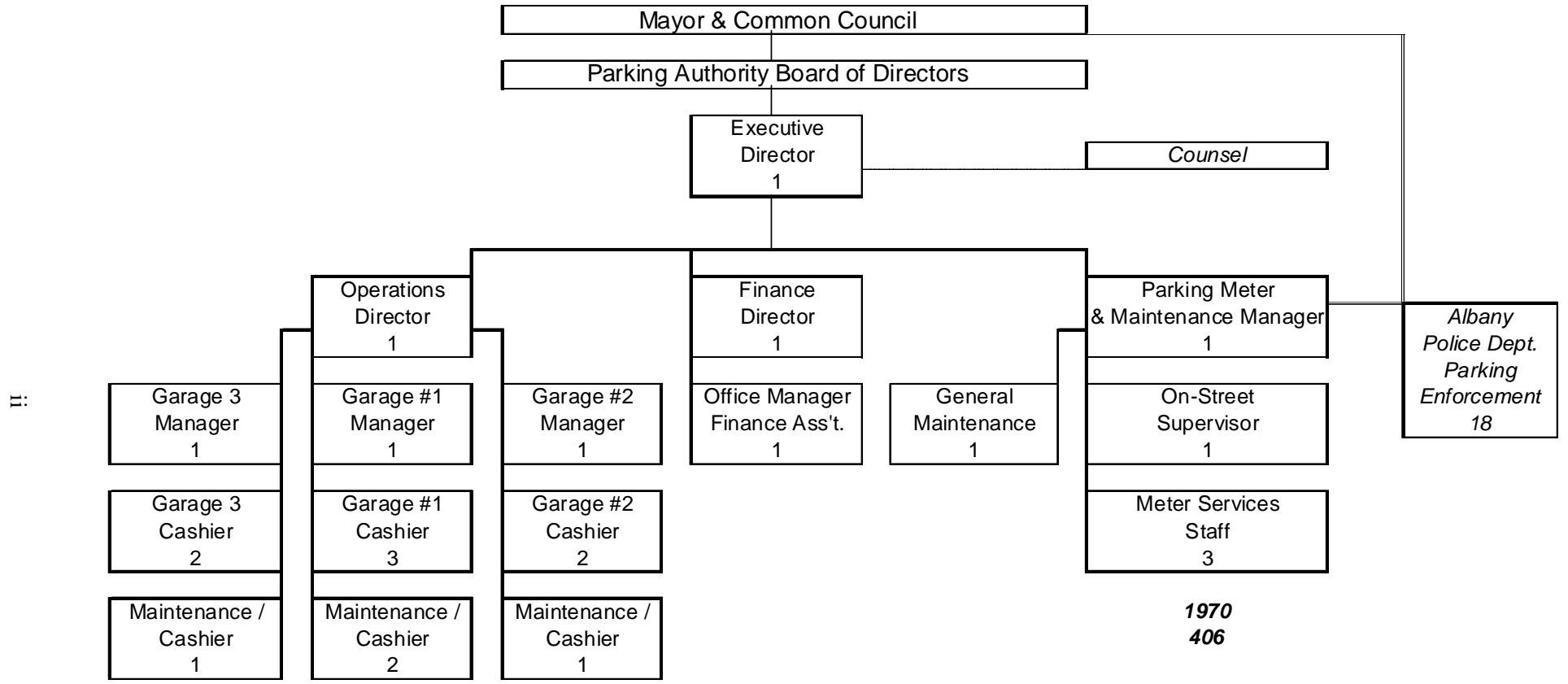
This financial report is intended to provide a general overview of the Authority's financial position and to illustrate the Authority's accountability for the revenue it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, Albany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

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
ORGANIZATION CHART**



**1970
406**

Total Employees = 24

870 Spaces

850 Spaces

900 Spaces

Total Spaces = 4906

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

BALANCE SHEETS

	December 31,	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,312,014	\$ 1,305,108
Parking revenues receivable	18,175	24,194
Other receivables	63,277	51,075
Prepaid expenses	29,614	29,626
Total current assets	1,423,080	1,410,003
PROPERTY AND EQUIPMENT, at cost	27,432,348	27,424,467
Less accumulated depreciation and amortization	10,077,276	9,425,732
	17,355,072	17,998,735
OTHER ASSETS		
Cash and cash equivalents, restricted	2,418,743	2,097,602
Investments, restricted	2,981,226	3,698,438
Intangible assets, net	1,357,508	1,469,864
	6,757,477	7,265,904
TOTAL ASSETS	\$ 25,535,629	\$ 26,674,642
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 259,790	\$ 317,132
Current maturities of long-term debt	1,360,000	1,300,000
Accrued interest	470,929	493,190
Total current liabilities	2,090,719	2,110,322
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	21,913,061	23,273,061
Discount on revenue bonds	(47,099)	(51,051)
Accrued post-retirement health benefits	538,649	-
Accrued interest, capital appreciation bonds, less current maturities	2,176,202	2,049,433
	24,580,813	25,271,443
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Investment in capital assets, less related debt	(5,870,890)	(6,523,275)
Restricted	5,399,969	5,796,040
Unrestricted	(664,982)	20,112
	(1,135,903)	(707,123)
TOTAL LIABILITIES AND NET ASSETS	\$ 25,535,629	\$ 26,674,642

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

	Years Ended December 31,	
	2009	2008
PARKING REVENUES	\$ 5,938,524	\$ 5,928,833
OPERATING EXPENSES		
Salaries and related expenses	1,851,470	1,359,088
Repairs and maintenance	1,319,694	1,022,572
Utilities	106,785	155,580
Professional fees	93,281	106,416
Depreciation	692,462	705,168
Meter supplies and equipment	20,736	30,722
PSO expense reimbursement	754,000	725,000
Other	215,095	230,317
	<u>5,053,523</u>	<u>4,334,863</u>
Operating income	<u>885,001</u>	<u>1,593,970</u>
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	178,652	237,962
Unrealized gain on investments	(80,721)	92,715
Amortization of bond issue costs	(112,356)	(112,356)
Interest expense	(1,299,356)	(1,339,444)
Total nonoperating expenses, net	<u>(1,313,781)</u>	<u>(1,121,123)</u>
Change in net assets	(428,780)	472,847
NET ASSETS, beginning of year	<u>(707,123)</u>	<u>(1,179,970)</u>
NET ASSETS, end of year	<u>\$ (1,135,903)</u>	<u>\$ (707,123)</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)

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2009	2008
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	\$ 5,944,543	\$ 5,936,059
Cash paid to suppliers and other vendors	(2,028,272)	(2,437,380)
Cash paid for salaries and employee benefits	(1,851,470)	(1,359,088)
	2,064,801	2,139,591
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income	166,450	238,107
Purchase of investments, restricted	(2,784,330)	(2,655,216)
Proceeds from sale of investments, restricted	3,420,821	2,655,216
	802,941	238,107
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(48,799)	(134,868)
Payments of long-term debt	(1,300,000)	(1,165,000)
Interest paid	(1,190,896)	(1,228,182)
	(2,539,695)	(2,528,050)
Net increase (decrease) in cash and cash equivalents	328,047	(150,352)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	3,402,710	3,553,062
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 3,730,757	\$ 3,402,710
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 885,001	\$ 1,593,970
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	692,462	705,168
(Increase) decrease in		
Accounts receivable	6,019	7,226
Prepaid expenses	12	1,993
Increase (decrease) in		
Accounts payable and accrued expenses	(57,342)	(168,766)
Accrued post-retirement health benefits	538,649	-
	\$ 2,064,801	\$ 2,139,591

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, 2009 and 2008

NOTE 1 - SUMMARY OF 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 Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has implemented GASB Statement 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 (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. 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 (see Note 10).

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - Continued

d. 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.

e. 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, 2009 and 2008, 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, 2009 and 2008.

f. 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.

g. Bond Issue Costs

Bond issue costs are amortized on a straight-line basis over the life of the bonds (see Note 5).

h. 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.

i. Subsequent Events

In preparing the financial statements and notes thereto, the Authority considered subsequent events through March 30, 2010, the date the financial statements were issued.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - INVESTMENTS, RESTRICTED

The Authority accounts for its investments at fair value. The Authority recognized unrealized gains (losses) of \$(80,721) and \$92,715 during 2009 and 2008, 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, 2009		
	Cost	Carrying Amount	Fair Value
Investments in U.S. Government obligations	\$ 2,811,151	\$ 2,981,226	\$ 2,981,226
	December 31, 2008		
	Cost	Carrying Amount	Fair Value
Investments in U.S. Government obligations	\$ 3,447,642	\$ 3,698,438	\$ 3,698,438

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Authority to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The Authority determined that there were no other-than-temporary impairments as of December 31, 2009 and 2008.

NOTE 3 - PROPERTY AND EQUIPMENT

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

	Years Ended December 31, 2009 and 2008				
	Land, Garages, and Improvements	Furniture and Equipment	Meters and Other Equipment	Leasehold Improvements	Total
Balance as of January 1, 2008	\$ 25,248,993	\$ 914,893	\$ 779,478	\$ 349,801	\$ 27,293,165
Additions	-	86,027	27,030	21,810	134,867
Disposals	-	(3,565)	-	-	(3,565)
Balance as of December 31, 2008	25,248,993	997,355	806,508	371,611	27,424,467
Additions	-	48,799	-	-	48,799
Disposals	-	(40,918)	-	-	(40,918)
Balance December 31, 2009	\$ 25,248,993	\$ 1,005,236	\$ 806,508	\$ 371,611	\$ 27,432,348

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 4 - INTANGIBLE ASSETS

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

	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	1,214,819	570,122	644,697
	<u>\$ 2,284,101</u>	<u>\$ 926,593</u>	<u>\$ 1,357,508</u>
	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	\$ 1,069,282	\$ 310,913	\$ 758,369
Deferred amount on defeased Revenue Bonds	1,214,819	503,324	711,495
	<u>\$ 2,284,101</u>	<u>\$ 814,237</u>	<u>\$ 1,469,864</u>

(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, 2009 and 2008.

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

For the year ending December 31, 2010	\$ 112,351
2011	112,351
2012	105,753
2013	80,679
2014	80,679

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt ending balances and transactions for the years ended December 31, 2009 and 2008, is as follows:

Balance as of January 1, 2008	\$ 25,738,061
New bond issue	-
Principal payments	(1,165,000)
Balance as of December 31, 2008	24,573,061
New bond issue	-
Principal payments	(1,300,000)
Balance at December 31, 2009	<u>\$ 23,273,061</u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - LONG-TERM DEBT - Continued

Long-term debt consisted of the following:

	December 31,	
	2009	2008
<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)	9,240,000	9,860,000
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	2,660,000	3,260,000
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)	10,510,000	10,570,000
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)	90,000	110,000
	23,273,061	24,573,061
Less current maturities	1,360,000	1,300,000
Long-term debt, less current maturities	\$ 21,913,061	\$ 23,273,061

- (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, 2009 and 2008.
- (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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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 at December 31, 2009, was .25%.

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 at December 31, 2009, was .2329%. 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 \$425,000 as of December 31, 2009. 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 Statement No. 53 of the Governmental Accounting Standards Board for the fiscal year ending December 31, 2010, the Authority will recognize the swap agreement on its balance sheet at the adoption date fair value.

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, 2009, 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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - LONG-TERM DEBT - Continued

iv. - Continued

Using rates as of December 31, 2009, 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.

2010	\$ -
2011	134,756
2012	297,433
2013	284,447
2014	273,043
2015 through 2025	<u>1,676,583</u>
	<u><u>\$ 2,666,262</u></u>

Interest expense incurred on long-term debt totaled \$1,169,407 and \$1,228,182 for the years ended December 31, 2009 and 2008, 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 \$2,176,202 and \$2,049,433 at December 31, 2009 and 2008, respectively.

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

For the year ending December 31, 2010	\$ 1,360,000
2011	1,390,000
2012	2,015,000
2013	862,618
2014	850,777
2015 through 2019	6,619,666
2020 through 2024	7,605,000
2025	<u>2,570,000</u>
	<u><u>\$ 23,273,061</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, 2009 and 2008.

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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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:

2009	\$ 65,265
2008	75,704
2007	80,493

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, 2009, the Authority provided health care insurance to current retirees or their dependents.

b. Reporting Requirements

The Authority reports its post-employment benefits in accordance with Governmental Accounting Standards Statement No. 45 (GASB 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

c. Funding Policy - Continued

During 2009, premiums paid by the Authority on behalf of current retirees and their spouses totaled \$11,020.

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:

Annual required contribution	\$ 578,320
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	578,320
Expected contributions	(19,671)
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 558,649

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
12/31/09	\$578,320	3.40%	\$558,649

Funded Status and Funding Progress. As of December 31, 2009, the actuarial accrued liability for benefits was \$4,698,860, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$947,148, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 496 percent.

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.

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 Milliman, Inc., the Authority's independent actuaries.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

d. Funding Policy - Continued

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, 2009, was thirty years.

NOTE 8 - 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 \$754,000 and \$725,000 for the years ended December 31, 2009 and 2008, 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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 - COMMITMENTS AND CONTINGENCIES - Continued

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 \$77,000 and \$72,000 were received during the years ended December 31, 2009 and 2008, respectively. Future minimum annual rentals receivable under the lease at December 31, 2009, are as follows:

For the year ending December 31, 2010	\$ 83,000
2011	83,000
2012	83,000
2013	83,000
2014	<u>41,500</u>
	<u><u>\$ 373,500</u></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 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 \$123,750, 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.

NOTE 9 - NET ASSETS

The Authority has net assets of (\$1,135,903) and (\$707,123) at December 31, 2009 and 2008, 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 \$3,318,897 since December 31, 1998.

ALBANY PARKING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Authority determines the fair value of financial instruments based on the fair value hierarchy described in ASC 820, *Fair Value Measurements and Disclosures*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes 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.

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

		December 31, 2009			
		Level 1	Level 2	Level 3	Total
Assets					
	Investments	\$ 2,981,226	\$ -	\$ -	\$ 2,981,226
		December 31, 2008			
		Level 1	Level 2	Level 3	Total
Assets					
	Investments	\$ 3,698,438	\$ -	\$ -	\$ 3,698,438

ALBANY PARKING AUTHORITY

SUPPLEMENTAL INFORMATION - REVENUE AND EXPENSES BY OPERATING DEPARTMENT

	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	<u>\$ 1,213,672</u>	<u>\$ 1,420,202</u>	<u>\$ 913,851</u>	<u>\$ 2,199,463</u>	<u>\$ 191,336</u>	<u>\$ -</u>	<u>\$ 5,938,524</u>
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>
Operating income (loss)	<u>483,986</u>	<u>516</u>	<u>445,234</u>	<u>1,398,529</u>	<u>(64,382)</u>	<u>(1,378,882)</u>	<u>885,001</u>
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)
Allocation of administration expenses	<u>(429,875)</u>	<u>(455,162)</u>	<u>(429,875)</u>	<u>(960,898)</u>	<u>(252,868)</u>	<u>2,528,678</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>(581,362)</u>	<u>(467,660)</u>	<u>(429,875)</u>	<u>(960,898)</u>	<u>(252,868)</u>	<u>1,378,882</u>	<u>(1,313,781)</u>
Change in net assets	<u>\$ (97,376)</u>	<u>\$ (467,144)</u>	<u>\$ 15,359</u>	<u>\$ 437,631</u>	<u>\$ (317,250)</u>	<u>\$ -</u>	<u>\$ (428,780)</u>

Year Ended December 31, 2008

	<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	\$ 1,256,058	\$ 1,506,710	\$ 949,607	\$ 2,095,811	\$ 120,647	\$ -	\$ 5,928,833
OPERATING EXPENSES							
Salaries and related expenses	248,456	236,555	143,136	166,089	-	564,852	1,359,088
Insurance	-	-	-	-	-	65,815	65,815
Repairs and maintenance	398,078	532,295	34,626	14,144	248	43,181	1,022,572
Utilities	43,548	35,035	75,388	-	1,609	-	155,580
Professional fees	22,744	9,743	-	-	-	73,929	106,416
Depreciation	152,715	213,755	235,110	46,999	40,006	16,583	705,168
Meter supplies and equipment	-	-	-	26,991	3,731	-	30,722
Contributions	-	-	-	-	-	8,600	8,600
PSO expense reimbursement	-	-	-	572,750	152,250	-	725,000
Miscellaneous	1,758	3,154	1,327	3,268	37,416	108,979	155,902
Total operating expenses	<u>867,299</u>	<u>1,030,537</u>	<u>489,587</u>	<u>830,241</u>	<u>235,260</u>	<u>881,939</u>	<u>4,334,863</u>
Operating income (loss)	<u>388,759</u>	<u>476,173</u>	<u>460,020</u>	<u>1,265,570</u>	<u>(114,613)</u>	<u>(881,939)</u>	<u>1,593,970</u>
NONOPERATING REVENUE (EXPENSES)							
Interest income	58,507	-	-	-	-	179,455	237,962
Unrealized gain on investments	39,572	-	-	-	-	53,143	92,715
Amortization of bond issue costs	(32,884)	(12,498)	-	-	-	(66,974)	(112,356)
Interest expense	(126,769)	-	-	-	-	(1,212,675)	(1,339,444)
Allocation of administration expenses	(327,928)	(347,218)	(327,928)	(756,277)	(169,639)	1,928,990	-
Total nonoperating revenue (expenses)	<u>(389,502)</u>	<u>(359,716)</u>	<u>(327,928)</u>	<u>(756,277)</u>	<u>(169,639)</u>	<u>881,939</u>	<u>(1,121,123)</u>
Change in net assets	<u>\$ (743)</u>	<u>\$ 116,457</u>	<u>\$ 132,092</u>	<u>\$ 509,293</u>	<u>\$ (284,252)</u>	<u>\$ -</u>	<u>\$ 472,847</u>

ALBANY PARKING AUTHORITY

SUPPLEMENTAL INFORMATION - PROPERTY AND EQUIPMENT

Year Ended 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>
Net property and equipment	<u>\$ 2,141,167</u>	<u>\$ 5,912,449</u>	<u>\$ 8,882,648</u>	<u>\$ 52,243</u>	<u>\$ 306,579</u>	<u>\$ 59,987</u>	<u>\$ 17,355,072</u>

Year Ended December 31, 2008

	<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	372,827	311,864	119,641	-	-	129,599	933,931
Parking meters and other equipment	-	-	-	869,932	-	-	869,932
	<u>5,343,183</u>	<u>9,952,551</u>	<u>10,757,591</u>	<u>869,932</u>	<u>371,611</u>	<u>129,599</u>	<u>27,424,467</u>
Less accumulated depreciation and amortization	<u>3,082,009</u>	<u>3,834,242</u>	<u>1,644,203</u>	<u>796,381</u>	<u>28,621</u>	<u>40,276</u>	<u>9,425,732</u>
Net property and equipment	<u>\$ 2,261,174</u>	<u>\$ 6,118,309</u>	<u>\$ 9,113,388</u>	<u>\$ 73,551</u>	<u>\$ 342,990</u>	<u>\$ 89,323</u>	<u>\$ 17,998,735</u>

**INDEPENDENT AUDITOR'S REPORT 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, 2009 and 2008, and have issued our report thereon dated March 30, 2010. 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.

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, 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*.

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 30, 2010