



AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006



# ALBANY CONVENTION CENTER AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Albany Convention Center Authority

We have audited the accompanying basic financial statements of the Albany Convention Center (the "Authority"), a component unit of the State of New York, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Authority as of December 31, 2007 and 2006 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.

The management's discussion and analysis on pages 2-7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**UHY** LLP

Albany, New York  
April 25, 2008

## Management Discussion and Analysis

December 31, 2007

The following is a discussion and analysis of the Albany Convention Center Authority, and its financial statements that reflect the financial activity that took place during the periods ending December 31, 2007 and 2006.

### Authority Background

The Albany Convention Center Authority (ACCA) was created on September 21, 2004 and convened its Board of Directors in February, 2006. The legislation, Title 28-BB, Section 2675 (Chapter 468 of the Laws of 2004) – states, “The general purposes of the Authority is to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and maintain a convention facility located in the City of Albany.” Its adopted Mission Statement is:

“To develop and operate a dynamic convention center facility that maximizes its economic potential through effective leadership, proactive marketing and programming, organizational integrity and transparency, community participation, fiscal responsibility, and the leveraging of economic development opportunities for others through community outreach and inclusion.”

The Authority Board consists of nine members, three appointed by the Governor of New York State, one appointed by the Temporary President of the Senate, one member appointed by the Speaker of the Assembly. Two members are appointed by the Mayor of the City of Albany, with the advice and consent of the Common Council and two members are appointed by the Albany County Executive, with the advice and consent of the County Legislature. All members of the board shall serve at the pleasure of their appointing authority.

Highlights of the ACCA’s non-financial activities of the Authority during 2007 were:

- Hiring of an Executive Director, Project Manager and Executive Assistant/Office Manager.
- Entry into the State’s system for various employee benefits.
- Established an office location in downtown Albany located at 386 Broadway.
- Formal adoption of an Affirmative Action/Economic Inclusion Plan by the Authority’s Board of Directors. The plan ensures the highest level of participation for historically disadvantaged members of the local community and fulfills one of the first goals set by the Authority’s Board early in 2006.

## Management Discussion and Analysis (Continued)

December 31, 2007

During 2007, the Authority's Board of Directors approved the following items tantamount to the planning and development phases of the convention center project:

- Approved contracting with a firm to provide community liaison services and service as Compliance Officer for the Affirmative Action/Economic Inclusion efforts mentioned above.
- Approved the selection of a Real Estate Broker to manage assembling the various parcels that make up the project site area to include access agreements for survey and archaeology work, appraisals and, after approval of the preliminary study, purchase offers to owners.
- Approved the selection of a Construction Manager and Architect for a limited scope of services.
- Established a Preliminary Probable Cost Model for the construction of the convention center and hotel complex.
- Approved commencing negotiations with a hotel operator and a convention center operator.
- Developed and implemented internal control policies and procedures and selected significant accounting and compliance policies to include investment guidelines in accordance with the NYS Office of the Comptroller's guidelines and real property acquisition procedures in accordance with the NYS Public Authorities Law of 2005.

Including some of the items above, the Authority passed thirty-seven Resolutions during 2007. Significant ones include:

- Resolutions to authorize participation in various benefit plan offerings through the State of New York.
- Adopted a State Environmental Quality Review Act (SEQRA) scoping document and subsequently accepted a final SEQRA scoping document.
- Established Audit and Governance Committees at its annual meeting.
- Ratified the election of officers at its annual meeting.
- Designated policymakers for the purposes of financial disclosure filings.

### 2007 Financial Highlights

- Increase in the Authority's Hotel/Motel Occupancy Tax (HOT) receipts was realized for 2007 due to a full year's participation during 2007 as compared to only a partial quarter's participation in 2006.
- Finalized agreement with Empire State Development Corporation to begin drawing down funds from the special legislative appropriation approved in the New York State's '07-08 budget. The total grant amount was approximately \$2.1 million. During 2007, the Authority recognized approximately \$1.5 million in approved costs under the grant.
- Expenses of the Authority increased over 2006 due to hiring of full-time Authority staff, the establishment of an office location, and further planning and development activities which required additional consultant and legal assistance.
- Project costs for planning and design were capitalized during 2007 and other professional fees related to planning and design were deferred.
- The Authority entered into a line of credit arrangement with a bank totaling \$300,000 to further provide for any working capital short falls.

## Management Discussion and Analysis (Continued)

December 31, 2007

### Overview of the Financial Statements

The financial statements provide summary information about the Albany Convention Center Authority's operations during the periods ending December 31, 2007 and 2006 including the change in the Authority's net assets. The notes provide explanation and additional details about the financial statements.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and the Government Accounting Standards Board (GASB). Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

### Financial Analysis of the Authority

#### Net Assets 2007 – See chart below

The Authority's total net assets at December 31, 2007 were approximately \$2.35 million or an increase of approximately \$2.24 million over 2006. Total assets increased by \$2.64 million and total liabilities increased by \$391 thousand.

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	<u>\$</u> <u>Change</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 20,339	\$ 174,925	\$ (154,586)
Accounts and grants receivable	1,316,300	-	1,316,300
Due from Albany County (Occ Tax)	361,322	242,251	119,071
Prepaid expenses and other	11,415	-	11,415
Total current assets	<u>1,709,376</u>	<u>417,176</u>	<u>1,292,200</u>
<b>NON-CURRENT ASSETS</b>			
Capital assets, net of accumulated depreciation	1,024,929	2,502	1,022,427
Deferred costs	320,285	-	320,285
Total non-current assets	<u>1,345,214</u>	<u>2,502</u>	<u>1,342,712</u>
Total assets	<u>\$ 3,054,590</u>	<u>\$ 419,678</u>	<u>\$ 2,634,912</u>
<b>LIABILITIES</b>			
Line of credit	\$ 25,000	\$ -	\$ 25,000
Accounts payable	460,231	109,245	350,986
Accrued wages and employee benefits	15,554	923	14,631
Notes payable	200,000	200,000	-
Total current liabilities	<u>700,785</u>	<u>310,168</u>	<u>390,617</u>
NET ASSETS	<u>2,353,805</u>	<u>109,510</u>	<u>2,244,295</u>
Total liabilities and net assets	<u>\$ 3,054,590</u>	<u>\$ 419,678</u>	<u>\$ 2,634,912</u>

## Management Discussion and Analysis (Continued)

December 31, 2007

Significant changes to net assets at the end of 2007 from 2006 are:

- Increase in accounts and grants receivable of \$1.32 million over 2006. Represents incurred and billed eligible planning and development costs under the ESDC grant agreement. Collections on this balance began in February 2008.
- Capital assets, net of accumulated depreciation and deferred costs increased by approximately \$1.34 million over 2006, combined. This increase is due to the capitalization of design, planning, consulting and legal costs associated with the advancement of the convention center project.
- Accounts payable increased by approximately \$335 thousand. In addition to increased operating expenses, cash flow was limited due to limited reimbursements received from the ESDC grant during 2007.

**Revenue and Expenses 2007 – See chart below**

	January - December 2007	January - December 2006	\$ Change
Revenues	\$ -	\$ -	\$ -
Expenses			
Salary and wages	210,251	29,467	180,784
Fringe benefits	51,797	3,429	48,368
Office expense	75,214	8,426	66,788
Occupancy costs	32,930	-	32,930
Professional fees	30,621	91,418	(60,797)
Depreciation expense	2,597	404	2,193
Total expenses	<u>403,410</u>	<u>133,144</u>	<u>270,266</u>
Operating loss	<u>(403,410)</u>	<u>(133,144)</u>	<u>(270,266)</u>
Non-operating items			
Grant revenues	1,521,558	-	1,521,558
Hotel tax	1,120,840	242,251	878,589
Interest income	5,306	404	4,902
Total non-operating income	<u>2,647,704</u>	<u>242,655</u>	<u>2,405,049</u>
Change in net assets	2,244,294	109,511	2,134,783
Total net assets beginning of year	<u>109,511</u>	<u>-</u>	<u>109,511</u>
Total net assets end of year	<u>\$ 2,353,805</u>	<u>\$ 109,511</u>	<u>\$ 2,244,295</u>

### Significant Changes to Revenue and Expenses

- Grant revenue increase of approximately \$1.52 million over 2006 was due to the Empire State Development Corporation grant agreement entered into by the Authority in 2007 to provide funding for other than personal service costs during the planning and development phase of the project.



## Management Discussion and Analysis (Continued)

December 31, 2007

- Salary and wages and fringe benefits increased by approximately \$229 thousand. Only the Project Manager was employed during 2006 from mid-July through December 31st. An Executive Director and Executive Assistant/Office Manager were added in February and April of 2007, respectively.
- Office expense and occupancy costs increased a combined \$99.7 thousand over 2006. This increase is due to the Authority entering into a three year operating lease agreement to rent office space in downtown Albany at 386 Broadway. In addition to occupancy costs, the Authority incurred costs relating to establishing and equipping an office location.
- Professional fees decreased by \$61 thousand in 2007 versus 2006. This decrease was due to the separation of ACCA operating expenses from project specific expenses and is attributed principally to the capitalization of consultant and other professional consulting expenses related to the development of the convention center project.

### Project Outlook

The Section 2675-f of the Authority's enabling legislation mandates the completion of the "Preliminary Study of the Authority." This preliminary study "will include, but not be limited to: a detailed accounting of expected revenues and financing; an estimate of expenditures necessary for construction and maintenance; a description of the geographic location of anticipated construction sites, with supporting information on the impact such construction would have on existing structures in the vicinity; a depiction of any and all structures anticipated for construction; an assessment of anticipated environmental impacts; a plan for inclusion of historic preservation measures to be undertaken; a structure for involvement of the community; the report of results from public hearings held,...and a timeline for expected development. After passage of a resolution approving such plan, it shall be submitted to the governor, comptroller, temporary president of the senate, speaker of the assembly, county executive and mayor."

The legislative requirement to complete the Preliminary Study of the Authority includes the development of a plan of finance (POF). Should the State issue an approval to proceed with the project and the POF is adopted, it will have a dramatic effect upon the sources available to the Authority, as it will introduce the proceeds from the sale of tax exempt municipal bonds, and the balance of the ESDC grant. Along with this will come additional management functions for the current staff and new hires to prudently invest the funds over the short term, thereby maximizing the capitalized value of all proceeds during the design, and construction of the project.

Simultaneously, there will be a significant increase in uses. Commencing with the multimillion dollar commitment to land acquisition, followed by design, utility relocation and the foundation construction, the daily/monthly/quarterly responsibility for payables will be significantly expanded.

Given the Authority's role as Construction Manager, all of the work contracts will be by and between the individual contractors and the Authority. In anticipation of this significant and ongoing increase in the day-to-day accounting work load, it has been proposed by the Board of Directors that the Authority secure the services of a Chief Financial Officer and Bookkeeper to manage all receivables, payables and investments of the Authority. In so doing, the Authority staff could assure first response to any accounts payable and billing issues, along with directly and more efficiently interfacing with all facets of the audit process, including but not limited to, that of the annual audit.

## **Management Discussion and Analysis (Continued)**

**December 31, 2007**

Predicated upon the receipt of a timely notice to proceed, the Authority is prepared to also begin the process of marketing ramp-up to assure the highest levels of occupancy and utilization of the new facility space. The Authority must, in conjunction with the Albany County Convention and Visitors Bureau, and both the hotel and convention center operations, actively market the facility in advance of completion so that the business commitments of the first year-of-operation and beyond are in place for the convention center and hotel, and that full stabilization occurs at the earliest possible juncture, this task must be undertaken no later than the third quarter of 2008 if the Authority is to successfully commence operations in the early part of 2011.

Looking forward, this year has the potential to be both pivotal and substantially productive.

# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## STATEMENT OF NET ASSETS

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 20,339	\$ 174,925
Accounts and grant receivable	1,316,300	-
Due from Albany County	361,322	242,251
Prepaid expenses and other	11,415	-
Total current assets	<u>1,709,376</u>	<u>417,176</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net of accumulated depreciation	1,024,929	2,502
Deferred costs	320,285	-
Total noncurrent assets	<u>1,345,214</u>	<u>2,502</u>
Total assets	<u>\$ 3,054,590</u>	<u>\$ 419,678</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 25,000	\$ -
Accounts payable and accrued expenses	460,231	97,542
Accrued wages and employee benefits	15,554	12,625
Notes payable	200,000	200,000
Total current liabilities	<u>700,785</u>	<u>310,167</u>
<b>NET ASSETS</b>		
Invested in capital assets net of related liabilities	660,343	2,502
Unrestricted	1,693,462	107,009
Total net assets	<u>2,353,805</u>	<u>109,511</u>
Total liabilities and net assets	<u>\$ 3,054,590</u>	<u>\$ 419,678</u>

See notes to financial statements.

# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>		
Salaries and wages	210,251	29,467
Fringe benefits	51,797	3,429
Office expense	75,214	8,426
Occupancy costs	32,930	-
Professional fees	30,621	91,418
Depreciation	2,597	404
Total expenses	<u>403,410</u>	<u>133,144</u>
<b>Operating loss before general revenues</b>	<u>(403,410)</u>	<u>(133,144)</u>
<b>General revenues</b>		
Grant revenues	1,521,558	-
Hotel taxes	1,120,840	242,251
Interest income	5,306	404
Total general revenues	<u>2,647,704</u>	<u>242,655</u>
<b>Change in net assets</b>	<u>2,244,294</u>	<u>109,511</u>
Total net assets, beginning of year	<u>109,511</u>	<u>-</u>
Total net assets, end of year	<u><u>\$ 2,353,805</u></u>	<u><u>\$ 109,511</u></u>

# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## STATEMENT OF CASH FLOWS

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Personal service payments	\$ (259,119)	\$ (20,271)
Cash payments to vendors, contractors and other professionals	<u>(199,297)</u>	<u>(2,302)</u>
Net cash used in operating activities	<u>(458,416)</u>	<u>(22,573)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Cash received for interest	5,306	404
Cash received from grants	205,258	
Cash received from county hotel tax	1,001,769	-
Proceeds from loans payable	<u>-</u>	<u>200,000</u>
Net cash provided by non-capital financing activities	<u>1,212,333</u>	<u>200,404</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from line of credit	25,000	-
Deferred development costs	(257,018)	-
Acquisition/construction of capital assets	<u>(676,485)</u>	<u>(2,906)</u>
Net cash used in non-capital financing activities	<u>(908,503)</u>	<u>(2,906)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(154,586)</u>	<u>174,925</u>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>174,925</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 20,339</u>	<u>\$ 174,925</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss before general revenues	\$ (403,410)	\$ (133,144)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,597	404
Net changes in assets and liabilities:		
Prepaid expenses and other items	(11,415)	-
Accounts payable and accrued expenses	(49,117)	97,542
Accrued wages and employee benefits	<u>2,929</u>	<u>12,625</u>
Net cash used in operating activities	<u>\$ (458,416)</u>	<u>\$ (22,573)</u>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Deferred development costs included in accounts payable	\$ 63,267	\$ -
Acquisition/construction of capital assets included in accounts payable	<u>364,586</u>	<u>-</u>
	<u>\$ 427,853</u>	<u>\$ -</u>

See notes to financial statements.

# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## NOTES TO BASIC FINANCIAL STATEMENTS

### **NOTE 1 — FINANCIAL REPORTING ENTITY**

The Albany Convention Center Authority (the Authority) is a Public Benefit Corporation created by the New York State Legislature in 2004 to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage and maintain a convention center facility to be located in the City of Albany, New York. Operations began with the creation of the Authority's Board in February 2006. The Authority's Board consists of nine members: three members appointed by the Governor of New York State, one member each appointed by the Temporary President of the New York State Senate and the Speaker of the New York State Assembly, respectively, two members appointed by the Mayor of the City of Albany with the advice and consent of the City's Common Council, and two members appointed by the Albany County Executive with the consent and advice of the County Legislature.

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the State of New York's basic financial statements based on the State's responsibility for the appointment of a Majority of the Authority members, and their approval of certain debt issuances. As a component unit, the Authority's financial statements may be discretely presented in the State of New York's basic financial statements. The accompanying financial statements present the financial position and the changes in net assets and cash flows of the Authority only. The Authority does not have any component units and is not involved in any joint ventures at December 31, 2007.

### **NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of the GASB Statement No. 20 as amended, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Authority has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The more significant accounting policies are described below:

#### **(a) Basis of Accounting**

The Authority's activities are accounted for similar to those often found in the private sector, using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Principal revenues of the Authority in both 2007 and 2006 were hotel tax revenues collected by Hotelier's in the County of Albany. During 2007, as part of the special legislative appropriation, the Authority entered into an agreement with the Empire State Development Corporation (ESDC), a New York State public benefit corporation, to provide the Authority with immediate working capital to fund the ongoing development of the convention center project. The grant amount of \$2.1 million provides funding for consulting and professional fees, and other expenses through March 31, 2008. Operating expenses for the Authority include administrative expenses, occupancy costs, and professional service fees.

# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **(b) Cash, Cash Equivalents and Investments**

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid deposits with an original maturity of three months or less when purchased. These deposits are fully collateralized or covered by federal deposit insurance.

The Authority manages its investments pursuant to Section 98(a) of the State Finance Law. Permitted investments are defined as obligations in which the State Comptroller may invest which include obligations of the United States and its Federal agencies, collateralized time deposits, commercial paper, bankers acceptances and repurchase agreements.

#### **(c) Accounts and Grant Receivable**

Accounts and grants receivable principally consists of amounts due from an operating grant administered through ESDC for certain costs allowed under the grant agreement. Receivables are recorded and revenue is recognized as the Authority incurs the allowable costs. No allowance has been established at December 31, 2007 or 2006 for estimated uncollectible accounts and grant receivable as these amounts are considered fully collectible.

#### **(d) Due from Albany County**

During 2006, enabling legislation authorized a portion of hotel tax revenue collected and remitted to the treasury of the County of Albany be set aside for use by the Authority (Note 3). Hotel tax revenue is recognized when earned based on management's estimates using budgeted and historical collection data adjusted each quarter based on actual amounts collected and deposited into an account designated by the Authority. Amount due from Albany County consist of the Authority's share of hotel taxes collected on behalf of the Authority. No allowance has been established at December 31, 2007 or 2006 for estimated uncollectible amounts due from Albany County as these amounts are considered fully collectible.

#### **(e) Income Taxes**

The Authority is a public benefit corporation of the State of New York. As such, income earned in the exercise of its essential government functions is exempt from state and federal income taxes.

#### **(f) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reporting of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 3 — HOTEL AND MOTEL OCCUPANCY TAX

During 2006, legislation was amended which authorizes the County of Albany to impose and collect taxes from occupants of hotel or motel rooms in Albany County. Among other amendments, this legislation authorized a portion of hotel and motel taxes collected and remitted to the treasury of the County of Albany be deposited into a fund held separate and for the benefit of the Authority. Funds in excess of expenses and outstanding applications for withdrawals submitted by the Authority may be invested in accordance with certain provisions of law. Investment income earned is retained by the fund and made available to the Authority along with all other moneys of the fund. The County transfers moneys to the Authority's operating account on a quarterly basis which is to be used by the Authority for the development of the convention center project.

### NOTE 4 — CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's cash, cash equivalents and investments are categorized in accordance with criteria established by the GASB to give an indication of the level of risk assumed. Cash and cash equivalents as of December 31, 2007 and 2006 are reflected below. The Authority had no investments at December 31, 2007 or 2006.

	2007		2006	
	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash and cash equivalents:				
Bank accounts	<u>\$ 20,339</u>	<u>\$ 17,776</u>	<u>\$ 174,925</u>	<u>\$ 181,497</u>

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits and investments held by the bank may not be returned. At December 31, 2007 and 2006, the Authority's deposits were secured by \$200,000 from the Federal Depository Insurance Corporation.

### NOTE 5 — DEFERRED COSTS

Deferred costs consist principally of legal and other professional fees incurred through December 31, 2007 that are directly related to the Authority's Convention Center project and that will be amortized over a period consistent with the underlying project's estimated useful life. Should the Authority's Convention Center project be discontinued, these deferred costs as well as additional expenses to be incurred will be charged to operations.

### NOTE 6 — CAPITAL ASSETS

The Authority's capital assets at December 31, 2007 and 2006 consist principally of office furnishings and computer equipment and are stated at cost. Depreciation is computed on the straight-line method over the estimated useful life of the furniture and equipment estimated to be three to five years.



# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 6 — CAPITAL ASSETS (Continued)

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2006 to December 31, 2007.

	December 31, 2006	Additions	Deletions	December 31, 2007
	<u>Balance</u>			<u>Balance</u>
<b>Capital assets being depreciated:</b>				
Furniture and equipment	\$ 2,906	\$ 10,588	\$ -	\$ 13,494
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	(404)	(2,596)	-	(3,000)
Net value of depreciable capital assets	<u>2,502</u>	<u>7,992</u>	-	<u>10,494</u>
<b>Capital assets not being depreciated:</b>				
Construction in progress	-	1,014,435	-	1,014,435
<b>Net value of depreciable and non depreciable capital assets</b>	<u>\$ 2,502</u>	<u>\$1,022,427</u>	<u>\$ -</u>	<u>\$1,024,929</u>

Depreciation expense related to capital assets was approximately \$2,600 and \$400 the years ended December 31, 2007 and 2006, respectively.

### NOTE 7 — NOTES PAYABLE

The Authority's notes payable as of December 31, 2007 and 2006 are comprised of the following obligations:

	Date of Issuance	December 31, 2006	Additions	Deletions	December 31, 2007	Due Within One Year
		<u>Balance</u>			<u>Balance</u>	
(A) Albany Local Development Corporation	5/26/06	\$ -	\$ 100,000	\$ -	\$ 100,000	\$ 100,000
(B) County of Albany	8/03/06	-	100,000	-	100,000	100,000
Notes payable		<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

(A) During 2006, the Authority entered into an operating bridge loan agreement with the Albany Local Development Corporation. The purpose of the loan was to provide the Authority with short term operating capital until the Authority was able to generate its own revenue to fund operations. This loan was paid in full in February 2008.

(B) During 2006, the Authority entered into an operating bridge loan agreement with the County of Albany. The purpose of the loan was to provide the Authority with short term operating capital until the Authority is able to generate its own revenue to fund operations. This loan was paid in full in February 2008.

# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## NOTES TO BASIC FINANCIAL STATEMENTS

### **NOTE 8 — LINE OF CREDIT**

The Authority has a revolving demand line of credit totaling \$300,000 with a bank. The line is collateralized by a lien and security interest in any and all deposits of the Authority held by the bank and or its affiliates and bears interest at the Wall Street Journal's Prime Rate plus .75%, adjusted annually. The rate at December 31, 2007 was 8%. Interest on the outstanding balance is due monthly.

At December 31, 2007, the Authority owed \$25,000 under the line which is due on demand (none at December 31, 2006).

### **NOTE 9 — RETIREMENT AND POST RETIREMENT BENEFITS**

During 2006 the Authority's Governing Board passed a resolution to participate in the New York State Retirement System and to provide retirees certain retirement benefits made available to participating employers by the New York State Retirement and Social Security Laws, including Chapters 1046 and 1047 of the Laws of 1973. Additionally, the Authority's Governing Board also passed a resolution to participate, pursuant to the provisions of Section 153(4) of the New York State Civil Service Law, in the Health Insurance Program for New York State Employees and Employees of Local Subdivisions in New York State. In 2007 the Authority submitted the requisite paperwork for participation in both the New York State and Local Employees' Retirement System (ERS) and the New York State Health Insurance Program (NYSHIP). Both the ERS and the NYSHIP plans accepted the Authority's application for participation.

**Pension Plan:** The ERS is a cost-sharing multiple-employer retirement systems that provides retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the New York State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. The benefits to employees are guaranteed under the State constitution. The Authority's election to participate in the State plan is irrevocable.

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of 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 the funds. 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 Retirement Systems, 110 State Street, Albany, NY 12244-0001.

ERS is noncontributory except for employees with less than 10 years of service 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.

The Authority contributed the required contributions to the ERS of approximately \$14,000 during the period ending December 31, 2007. (None in 2006)

**Health Insurance Plan:** The Authority contributes 90% - 100% of the cost of individual employee coverage for medical insurance and 100% of additional costs for dependent coverage.

The Authority contributed approximately \$20,600 to the NYSHIP during the period ending December 31, 2007. (None in 2006)

# ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 10 — CONTINGENCIES AND COMMITMENTS

**Operating Lease:** In April 2007 the Authority entered into a noncancelable operating lease for office space located in the City of Albany, New York. The initial term of the office facility lease is three years from the date of the lease, April 16, 2007, with an option to extend the lease for two additional years on a year to year basis. The lease provides for annual increases in the base rental over the initial lease term and will be recognized on a straight line basis over the lease term.

Future minimum lease payments under non-cancelable lease obligations are as follows:

<b>Year ending December 31,</b>	
2008	\$ 31,400
2009	31,400
2010	<u>7,800</u>
	<u>\$ 70,600</u>

Rental expense paid by the Authority and included with occupancy costs in the statement of revenues, expenses, and changes in net assets approximated \$24,600 for the period ending December 31, 2007. During 2006, the Authority received immaterial in-kind contributions from another quasi-government organization that provided office space for the sole Authority employee to work. Rental expense, and other sundry office expense items and the corresponding in-kind contributions were not recognized in the Authority's statement of revenues, expenses, and changes in net assets for the period ending December 31, 2006.

### NOTE 11 – CONVENTION CENTER PROJECT

The Authority expects to further its efforts with regards to its purpose to create a convention center facility in Albany, New York during 2008. The estimated \$397.5 million project is expected to be funded through New York State grant funds, hotel occupancy taxes, and hotel revenue bonds. During 2007, as part of a special legislative appropriation, the Authority entered into an agreement with the Empire State Development Corporation, a New York State public benefit corporation, to provide the Authority with working capital to fund the ongoing development of the convention center project. The grant amount of \$2.1 million provided funding for consulting fees, professional fees and other operating costs excluding personnel salaries and benefits. The funding under this grant, which was scheduled to end March 31, 2008, has been extended through December 31, 2008. The Authority is in the process of completing the development phase of the project. The future construction phase of the project and the continuation of the Authority's efforts in developing the convention center project is dependent upon the successful procurement of additional New York State funding and the future issuance of hotel revenue bonds.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON OUR AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Board  
Albany Convention Center Authority

We have audited the accompanying basic financial statements of the Albany Convention Center Authority (the Authority) as of and for the year ended December 31, 2007, and have issued our report thereon dated April 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON OUR AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (Continued)**

**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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members of the Albany Convention Center Authority, management, and other State and Local regulatory and legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.

*UHY LLP*

Albany, New York  
April 25, 2008