



AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

ALBANY CONVENTION CENTER AUTHORITY

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	2
Basic Financial Statements	
Statements of Net Assets	7
Statements of Revenues, Expenses, and Changes in Net Assets	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Our Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16

INDEPENDENT AUDITOR'S 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, 2008 and 2007, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2008 and 2007 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 2-6 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 20, 2009 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 20, 2009

Management Discussion and Analysis

December 31, 2008

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, 2008 and 2007.

Authority Background

The Albany Convention Center Authority (“ACCA” or the “Authority”) was created on September 21, 2004 by the enactment of Title 28-BB of the Public Authorities Law (Chapter 468 of the Laws of 2004). The general purpose of the ACCA is to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and maintain a convention facility located in the City of Albany (the “Project”).

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.

Upon the hiring of staff in February of 2007, the ACCA embarked upon fulfilling its statutory requirement to produce the “Preliminary Study of the Authority” (a/k/a the “Convention Facilities Plan”), a comprehensive plan detailing the major components of the project and its impact to the local area. The Convention Facilities Plan was completed and adopted by the ACCA Board in May of 2008. In accordance with the ACCA’s enabling legislation, the Convention Facilities Plan was submitted to the Governor, New York State Comptroller, Temporary President of the Senate, Speaker of the Assembly, Albany County Executive and the Mayor of the City of Albany on May 30, 2008.

In addition to the completion of the Convention Facilities Plan, other significant activities were as follows:

- Completed the Environmental Review under the State Environmental Quality Review Act (“SEQRA”):
 - Accepted the Generic Environmental Impact Statement (GEIS) as complete
 - Accepted the Final Generic Environmental Impact Statement (FGEIS)
 - Accepted the SEQRA Findings Statement
- Negotiated and drafted a proposed Memorandum of Understanding with the Coalition for Economic, Environmental and Educational Justice (CEEEJ) setting forth the parameters and common benefits that may be provided for in a Community Benefits Agreement.
- Developed a revised concept plan to significantly reduce the cost of the project by creating an opportunity for private development of the hotel and parking garage.

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2008**

- Commenced archeological exploration:
 - Received authorization from NYS Office of Parks, Recreation and Historic Preservation to proceed with archeological efforts in May of 2008.
 - In June of 2008, archeological excavation began in Liberty Park; a City owned park located at Hudson Avenue and Dallius Street in downtown Albany, and in areas adjacent to the site of the proposed convention center.

2008 Financial Highlights

The ACCA received a grant for \$2,097,000 in 2007 administered by the Empire State Development Corporation (ESDC). The grant was used for certain expenses such as the operation of the authority, and pre-development consulting and other professional fees associated with the project as approved by ESDC. The grant was fully utilized and closed out as of August, 2008.

Albany County provided one (1) percent of the six (6) percent Hotel/Motel Occupancy Tax (HOT) collected to assist the ACCA with operations and other expenses not eligible under the ESDC grant. The portion of the tax provided was subject to a “sunset” provision in the law as of December 31, 2008. The Authority is hopeful that it will be reinstated sometime in 2009 as the result of actions anticipated to be taken by the Albany County and New York State Legislatures.

With board approval a Request for Banking Services was awarded to HSBC, for the purpose of purchasing Certificates of Deposit to enhance interest income.

One of three staff members departed the ACCA for another position. It was determined the position should not be filled at this time. The ACCA is expected to experience an approximate reduction in salaries and benefits in 2009 of 17% as a result.

\$10 million was approved by Governor Patterson in 2008 to be released in 2009.

Overview of the Financial Statements

The financial statements provide summary information about the Albany Convention Center Authority’s 2008 operations including 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.

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2008**

Net Assets 2008 – See chart below

The Authority's total net assets at December 31, 2008 were approximately \$3.6 million or an increase of approximately \$1.25 million over 2007. Total assets increased by \$636 thousand and total liabilities decreased by approximately \$614 thousand.

	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>\$ Change</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,369,333	\$ 20,339	\$ 1,348,994
Accounts and grants receivable	-	1,316,300	(1,316,300)
Interest receivable	8,354	-	8,354
Due from Albany County (Occ Tax)	278,178	361,322	(83,144)
Prepaid expenses and other	10,425	11,415	(990)
Total current assets	<u>1,666,290</u>	<u>1,709,376</u>	<u>(43,086)</u>
NON-CURRENT ASSETS			
Capital assets, net of accumulated depreciation	<u>2,024,370</u>	<u>1,345,214</u>	<u>679,156</u>
Total assets	<u><u>\$ 3,690,660</u></u>	<u><u>\$ 3,054,590</u></u>	<u><u>\$ 636,070</u></u>
LIABILITIES			
Line of credit	\$ -	\$ 25,000	\$ (25,000)
Accounts payable	48,760	460,231	(411,471)
Accrued wages and employee benefits	38,390	15,554	22,836
Notes payable	-	200,000	(200,000)
Total current liabilities	<u>87,150</u>	<u>700,785</u>	<u>(613,635)</u>
NET ASSETS	<u>3,603,510</u>	<u>2,353,805</u>	<u>1,249,705</u>
Total liabilities and net assets	<u><u>\$ 3,690,660</u></u>	<u><u>\$ 3,054,590</u></u>	<u><u>\$ 636,070</u></u>

Significant Changes to Net Assets

- Cash and cash equivalents increased by approximately \$1.35 million over 2007. That was primarily due to the collection of hotel occupancy tax, as described earlier, the purpose of which is to fund continuing operations of the ACCA.
- Grants receivable decreased from over \$1.3 million to zero during 2008 as the result of closing out the ESDC grant described earlier. All grant amounts were claimed and collected.
- Capital assets increased as a result of continued work on the project. The increase was primarily funded by the ESDC grant.
- Accounts payable decreased from approximately \$460,000 to \$49,000 as related to the portion of the work on the project that had been funded with the ESDC grant. Accounts payable at December 31, 2008 represents remaining items due for work completed during 2008 and a minimal amount related to ongoing operations of ACCA.
- The \$200,000 of notes payable were repaid during 2008. No new notes payable were incurred.

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2008**

Revenue and Expenses 2008 – See chart below

	January - December 2008	January - December 2007	\$ Change
Revenues	\$ -	\$ -	\$ -
Expenses			
Salary and wages	258,298	210,251	48,047
Fringe benefits	58,680	51,797	6,883
Office expense	46,427	75,214	(28,787)
Occupancy costs	42,056	32,930	9,126
Professional fees	26,968	30,621	(3,653)
Depreciation expense	4,500	2,597	1,903
Total expenses	<u>436,929</u>	<u>403,410</u>	<u>33,519</u>
Operating loss	<u>(436,929)</u>	<u>(403,410)</u>	<u>(33,519)</u>
Non-operating items			
Grant revenues	575,441	1,521,558	(946,117)
Hotel tax	1,091,418	1,120,840	(29,422)
Interest income	19,775	5,306	14,469
Total non-operating income	<u>1,686,634</u>	<u>2,647,704</u>	<u>(961,070)</u>
Change in net assets	1,249,705	2,244,294	(994,589)
Total net assets beginning of year	<u>2,353,805</u>	<u>109,511</u>	<u>2,244,294</u>
Total net assets end of year	<u><u>\$ 3,603,510</u></u>	<u><u>\$ 2,353,805</u></u>	<u><u>\$ 1,249,705</u></u>

Significant Changes to Revenue and Expenses

- Grant Revenue decrease of approximately \$946 thousand from 2007 was due to the ending of the \$2.097 million Empire State Development Corporation grant agreement entered into by the Authority in 2007 to provide funding for other than personal services costs during the planning and development phase of the project.
- Going forward, the loss of the Hotel/Motel Occupancy Tax will impact the financial condition of the ACCA. In 2008, the tax accounted for nearly \$1.1 million in revenue.
- Overall operating costs of the ACCA remained relatively consistent between 2007 and 2008.
- In the fall of 2008, Governor Patterson approved an additional \$10 million for the project. It was formally approved by the Empire State Development Corporation (ESDC) board in March 2009.

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2008**

Project Outlook

The downturn in the national and state level economies in 2008 proved troublesome for the Albany Convention Center Authority's plans. Governor Patterson, upon taking over for Governor Spitzer, called for encouraging private investment in publicly sponsored projects to decrease cost. Therefore, the ACCA looked to a new concept plan that created three distinct elements; a publically developed and owned convention center, and privately developed and owned hotel and parking facilities. That effort prompted the governor to authorize an additional \$10 million toward the project to be administered by the ESDC. With that money the ACCA expects to complete several approved tasks during 2009 – continue its preconstruction work, acquire key land parcels and perform important archeological work at the project site. This direction allows prudent use of taxpayer dollars by assembling parcels and completing other tasks that would be legally required regardless of the project ultimately being built. The Governor will assess the condition of the New York State economy sometime next year before determining if he will give a final approval for the project.

On a parallel basis, the ACCA is seeking support from those important stakeholder agencies whose jurisdictions include the Study Area for the inclusion of projects that are important and necessary to any type of development including that of the convention center, under the American Recovery and Reinvestment Act. With the appropriate agency support, the following projects could be designed and bid, resulting in nearly 200 construction related jobs:

- Improvements to utilities that increase capacity, promote economic development, and reduce overflows from combined sanitary sewers at an estimated cost of \$5,500,000;
- Improvements to the transportation network to support redevelopment as well new economic development at an estimated cost of \$6,700,000;
- Circulation improvements that will promote the use of mass transit and reduce energy consumption at an estimated cost of \$4,600,000;
- Connection to the existing Office of General Services cooling intake utility as a source that will provide renewable energy opportunities for new development at an estimated cost of \$3,900,000.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF NET ASSETS
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,369,333	\$ 20,339
Accounts and grant receivable	-	1,316,300
Interest receivable	8,354	-
Due from Albany County	278,178	361,322
Prepaid expenses and other	<u>10,425</u>	<u>11,415</u>
Total current assets	<u>1,666,290</u>	<u>1,709,376</u>
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	<u>2,024,370</u>	<u>1,345,214</u>
Total assets	<u><u>\$ 3,690,660</u></u>	<u><u>\$ 3,054,590</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 25,000
Accounts payable and accrued expenses	48,760	460,231
Accrued wages and employee benefits	38,390	15,554
Notes payable	-	<u>200,000</u>
Total current liabilities	<u>87,150</u>	<u>700,785</u>
NET ASSETS		
Invested in capital assets net of related liabilities	1,977,675	917,361
Unrestricted	<u>1,625,835</u>	<u>1,436,444</u>
Total net assets	<u>3,603,510</u>	<u>2,353,805</u>
Total liabilities and net assets	<u><u>\$ 3,690,660</u></u>	<u><u>\$ 3,054,590</u></u>

See notes to financial statements.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues	<u>\$ -</u>	<u>\$ -</u>
Expenses		
Salaries and wages	258,298	210,251
Fringe benefits	58,680	51,797
Office expense	46,427	75,214
Occupancy costs	42,056	32,930
Professional fees	26,968	30,621
Depreciation	4,500	2,597
Total expenses	<u>436,929</u>	<u>403,410</u>
Operating loss before general revenues	<u>(436,929)</u>	<u>(403,410)</u>
General revenues		
Grant revenues	575,441	1,521,558
Hotel taxes	1,091,418	1,120,840
Interest income	19,775	5,306
Total general revenues	<u>1,686,634</u>	<u>2,647,704</u>
Change in net assets	<u>1,249,705</u>	<u>2,244,294</u>
Total net assets, beginning of year	<u>2,353,805</u>	<u>109,511</u>
Total net assets, end of year	<u><u>\$ 3,603,510</u></u>	<u><u>\$ 2,353,805</u></u>

See notes to financial statements.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Personal service payments	\$ (294,142)	\$ (259,119)
Cash payments to vendors, contractors and other professionals	<u>(144,774)</u>	<u>(199,297)</u>
Net cash used in operating activities	<u>(438,916)</u>	<u>(458,416)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received for interest	11,421	5,306
Cash received from grants	1,891,741	205,258
Cash received from county hotel tax	1,174,562	1,001,769
Payments of notes payable	<u>(200,000)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>2,877,724</u>	<u>1,212,333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
(Payments) proceeds from line of credit	(25,000)	25,000
Acquisition of capital assets	<u>(1,064,814)</u>	<u>(933,503)</u>
Net cash used in non-capital financing activities	<u>(1,089,814)</u>	<u>(908,503)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,348,994	(154,586)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>20,339</u>	<u>174,925</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,369,333</u>	<u>\$ 20,339</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss before general revenues	\$ (436,929)	\$ (403,410)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,500	2,597
Net changes in assets and liabilities:		
Prepaid expenses and other items	990	(11,415)
Accounts payable and accrued expenses	(30,313)	(49,117)
Accrued wages and employee benefits	<u>22,836</u>	<u>2,929</u>
Net cash used in operating activities	<u>\$ (438,916)</u>	<u>\$ (458,416)</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets included in accounts payable	<u>\$ 46,695</u>	<u>\$ 427,853</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, 2008.

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 2008 and 2007 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 provided funding for consulting and professional fees, and other expenses through December 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, 2008 or 2007 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. 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, 2008 or 2007 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.

(f) Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

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. This tax was subject to a sunset provision and ended in December 2008.

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, 2008 and 2007 are reflected below. The Authority had no investments at December 31, 2008 or 2007.

	2008		2007	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash and cash equivalents:				
Bank accounts	\$ 63,641	\$ 67,070	\$ 20,339	\$ 17,776
Certificates of deposit	1,305,692	1,305,692	-	-
	<u>\$ 1,369,333</u>	<u>\$ 1,372,762</u>	<u>\$ 20,339</u>	<u>\$ 17,776</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. In October 2008, the Federal Deposit Insurance Corporation (FDIC) increased its insurance from \$100,000 per depositor to \$250,000, and to an unlimited amount for all non-interest bearing accounts. The coverage increase, which is temporary, extends through December 31, 2009. The certificates of deposit amounts in excess of FDIC insurance limits are secured under a collateral pledge and control agreement.

NOTE 5 — CAPITAL ASSETS

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2007 to December 31, 2008.

	December 31, 2007	Additions	Deletions	December 31, 2008
Furniture and equipment	\$ 13,494	\$ -	\$ -	\$ 13,494
Project development costs	1,334,720	683,656	-	2,018,376
Total	1,348,214	683,656	-	2,031,870
Less: accumulated depreciation	(3,000)	(4,500)	-	(7,500)
Capital assets, net	<u>\$2,693,428</u>	<u>\$1,362,812</u>	<u>\$ -</u>	<u>\$4,056,240</u>

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 — CAPITAL ASSETS *(Continued)*

Project development costs consist principally of legal and other professional fees incurred through December 31, 2008 that are directly related to the Authority's Convention Center project. Such costs are initially capitalized and will be amortized over a period consistent with the underlying project's estimated useful life when placed in service. Should the Authority's Convention Center project be discontinued, these costs, as well as additional expenses to be incurred, will be charged to operations.

Depreciation expense related to furniture and equipment was approximately \$4,500 and \$2,600 the years ended December 31, 2008 and 2007, respectively.

NOTE 6 — NOTES PAYABLE

The Authority's notes payable as of December 31, 2008 and 2007 are comprised of the following obligations:

	<u>Date of Issuance</u>	<u>December 31, 2007 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2008 Balance</u>	<u>Due Within One Year</u>
(A) Albany Local Development Corporation	5/26/06	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
(B) County of Albany	8/03/06	100,000	-	(100,000)	-	-
Notes payable		<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>	<u>\$ -</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 repaid 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 repaid in February 2008.

NOTE 7 — LINE OF CREDIT

Line of credit represents borrowings under a revolving demand line of credit totaling \$300,000 with a bank. Borrowings under the line are collateralized by a lien and security interest in any and all deposits of the Authority held by the bank and or its affiliates and bear interest at the Wall Street Journal's Prime Rate plus .75%, adjusted annually. Interest on outstanding borrowings is due monthly.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 — 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 \$17,400 and \$14,000 during the periods ending December 31, 2008 and 2007, respectively.

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 \$23,700 and \$20,600 to the NYSHIP during the periods ending December 31, 2008 and 2007, respectively.

NOTE 9 — 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.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 — CONTINGENCIES AND COMMITMENTS *(Continued)*

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

<u>Year ending</u> <u>December 31,</u>	
2009	\$ 31,400
2010	<u>7,800</u>
	<u>\$ 39,200</u>

Rental expense paid by the Authority and included with occupancy costs in the statement of revenues, expenses, and changes in net assets approximated \$31,100 and \$24,600 for the periods ending December 31, 2008 and 2007, respectively.

NOTE 10 – 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 2009. The current plan will privatize the development of the hotel and parking portion of the project. The estimated \$397.5 million cost of the convention center portion of the project is expected to be funded through New York State grant funds and Albany County hotel occupancy taxes. During 2009, 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 \$10 million will provide funding for pre-construction and site planning, land acquisition, environmental remediation, archeology and historic conservation. The funding under this grant expires December 31, 2010. The continuation of the Authority's efforts in developing the convention center project, including the construction phase, is dependent upon the successful procurement of funding for the project including additional New York State funding and the issuance of hotel revenue bonds or other debt financings.

**INDEPENDENT AUDITOR'S 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, 2008, and have issued our report thereon dated April 20, 2009. 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 20, 2009