



AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

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, 2009 and 2008, 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, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2010 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.

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.

UHY LLP

Albany, New York
March 15, 2010

Management Discussion and Analysis

December 31, 2009

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, 2009 and 2008.

Authority Background

The Albany Convention Center Authority (“ACCA”) 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.

Significant activities during 2009 were as follows:

- Negotiated a contract with an architectural firm in January selected through an RFP process in 2008
- Commissioned a consolidated survey of the site area with an engineering firm that was part of the master planning team
- Prepared a stimulus request in March and April for state consideration to be included in a federal request
- Met with Office of Parks, Recreation and Historical Preservation (OPRHP) to confirm the Phase 1B archeological scope
- Updated scope and timing schedule for Phase 1B archeology study with the firm selected as part of the master planning team
- Held Open House in August to solicit the public comments on new images of the convention center design
- Updated Construction Manager advisor contract to reflect new scope in July
- Successfully negotiated and purchased two pieces of property key to the convention center project
- Contracted for an updated market study completed in October
- Unveiled new convention center images and cost estimate at the monthly board meeting in November
- Presented an updated “Facilities Plan” to the board in November, originally adopted by board resolution as required by the ACCA’s Enabling Legislation

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2009**

2009 Financial Highlights

- A Grant Disbursement Agreement was signed with Empire State Development Corporation (ESDC) in April for \$10 million approved by the Governor in 2008 was released in 2009
- 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. It was reinstated in November 2009 as the result of actions anticipated to be taken by the Albany County and New York State Legislatures. Two months of HOT revenue were realized in 2009 for November and December.

Overview of the Financial Statements

The financial statements provide summary information about the Albany Convention Center Authority’s 2009 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, 2009**

Net Assets 2009 – See chart below

The Authority's total net assets at December 31, 2009 were approximately \$ 5.6 million or an increase of approximately \$1.95 million over 2008. Total assets increased by approximately \$1.8 million and total liabilities increased by approximately \$117,000.

	<u>December 31, 2009</u>	<u>December 31, 2008</u>	<u>\$ Change</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,258,962	\$ 1,369,333	\$ (110,371)
Accounts and grant receivable	519,696	-	519,696
Interest receivable	-	8,354	(8,354)
Due from Albany County (Occ Tax)	132,763	278,178	(145,415)
Prepaid expenses and other	10,160	10,425	(265)
Total current assets	<u>1,921,581</u>	<u>1,666,290</u>	<u>255,291</u>
NON-CURRENT ASSETS			
Capital assets, net of accumulated depreciation	<u>3,835,406</u>	<u>2,024,370</u>	<u>1,811,036</u>
Total assets	<u><u>\$ 5,756,987</u></u>	<u><u>\$ 3,690,660</u></u>	<u><u>\$ 2,066,327</u></u>
LIABILITIES			
Accounts payable	\$ 168,251	\$ 48,760	\$ 119,491
Accrued wages and employee benefits	35,684	38,390	(2,706)
Total current liabilities	<u>203,935</u>	<u>87,150</u>	<u>116,785</u>
NET ASSETS	<u>5,553,052</u>	<u>3,603,510</u>	<u>1,949,542</u>
Total liabilities and net assets	<u><u>\$ 5,756,987</u></u>	<u><u>\$ 3,690,660</u></u>	<u><u>\$ 2,066,327</u></u>

Significant changes to Net Assets

- Cash and cash equivalents decreased by approximately \$110,371 from 2008. That was primarily due to the “sunset” of hotel occupancy tax as of December 31, 2008 that required use of cash on hand to fund operations of the ACCA.
- Grants receivable increased from zero as of December 31, 2008 to \$519,696 as of December 31, 2009. It was not funded as of December 31, 2009 by the granting agency.
- Construction in Progress (CIP) increased as a result of continued work on the project. The increase was primarily funded by the \$10 million ESDC grant.
- Accounts payable increased from \$48,760 to \$168,251 due to increased activity resulting from the approval of the \$10 million grant to fund certain project expenses.

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2009**

Revenue and Expenses 2009 – See chart below

	<u>January - December 2009</u>	<u>January - December 2008</u>	<u>\$ Change</u>
Revenues	\$ -	\$ -	\$ -
Expenses			
Salary and wages	212,604	258,298	(45,694)
Fringe benefits	52,757	58,680	(5,923)
Office expense	40,664	46,427	(5,763)
Occupancy costs	44,912	42,056	2,856
Professional fees	42,916	26,968	15,948
Depreciation expense	4,500	4,500	-
Total expenses	<u>398,353</u>	<u>436,929</u>	<u>(38,576)</u>
Operating loss	<u>(398,353)</u>	<u>(436,929)</u>	<u>38,576</u>
Non-operating items			
Grant revenues	2,120,636	575,441	1,545,195
Hotel tax	213,856	1,091,418	(877,562)
Interest income	13,403	19,775	(6,372)
Total non-operating income	<u>2,347,895</u>	<u>1,686,634</u>	<u>661,261</u>
Change in net assets	1,949,542	1,249,705	699,837
Total net assets beginning of year	<u>3,603,510</u>	<u>2,353,805</u>	<u>1,249,705</u>
Total net assets end of year	<u><u>\$ 5,553,052</u></u>	<u><u>\$ 3,603,510</u></u>	<u><u>\$ 1,949,542</u></u>

Significant Changes to Revenue and Expenses

- Grant Revenue increase of approximately \$ 1.5 million from 2008 due to the approval by the Governor in the fall of 2008 of a \$10 million Empire State Development Corporation grant to provide funding for certain planning and development costs of the project. The grant was formally approved by the Empire State Development Corporation (ESDC) board in March 2009.
- The loss of the Hotel/Motel Occupancy Tax impacted the financial condition of the ACCA. In 2008, the tax accounted for nearly \$1.1 million in revenue.
- Overall operating costs of the ACCA declined by nearly \$40,000 due primarily to the departure of an ACCA staff member in September of 2008 who was not replaced.

**Albany Convention Center Authority
Management Discussion and Analysis
December 31, 2009**

Project Status

In response to the request from government to reduce the upfront cost of the project and simultaneously provide for public/private partnering opportunities during times of economic uncertainty, the ACCA in accordance with directives from the Governor has developed a revised concept plan.

The project has been segmented in to its three basic elements of; a free-standing convention center to be publicly developed and managed, a publicly developed parking facility to be constructed and managed in cooperation with other public agencies, and a privately financed hotel property.

Utilizing portions of the original \$75 million grant, as authorized by the Governor and administered by the ESDC, the ACCA has completed the revised concept plan. In addition, the ACCA has begun the process of land acquisition, which continues in 2010 in anticipation of gaining control of the area necessary for the center during 2010. Control of the land area makes it also possible to undertake the Phase 1-B archeology as the year progresses along with other pre-construction tasks as directed by the Division of the Budget including Phase 1 environmental assessments.

The ACCA continues its effort for the release of additional funding from the original grant to complete the project design and in so doing be fully prepared for the earliest possible start date. The ACCA having submitted to the government the requested revised plan of finance, now awaits an approval. Together these form two important next steps toward establishing a construction schedule and more fully prepare the site during 2010. As of the date of this report there is no firm commitment for release of any funds in excess of the \$12,097,000 which has been approved to date.

Within the Study Area for the project there remain important opportunities to undertake necessary infrastructure work in advance of any type of development, including that of the convention center. The ACCA will continue to seek appropriate agency support for any new projects.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF NET ASSETS

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,258,962	\$ 1,369,333
Accounts and grant receivable	519,696	-
Interest receivable	-	8,354
Due from Albany County	132,763	278,178
Prepaid expenses and other	<u>10,160</u>	<u>10,425</u>
Total current assets	<u>1,921,581</u>	<u>1,666,290</u>
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	<u>3,835,406</u>	<u>2,024,370</u>
Total assets	<u><u>\$ 5,756,987</u></u>	<u><u>\$ 3,690,660</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 168,251	\$ 48,760
Accrued wages and employee benefits	<u>35,684</u>	<u>38,390</u>
Total current liabilities	<u>203,935</u>	<u>87,150</u>
NET ASSETS		
Invested in capital assets net of related liabilities	3,673,515	1,977,675
Unrestricted	<u>1,879,537</u>	<u>1,625,835</u>
Total net assets	<u>5,553,052</u>	<u>3,603,510</u>
Total liabilities and net assets	<u><u>\$ 5,756,987</u></u>	<u><u>\$ 3,690,660</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues	<u>\$ -</u>	<u>\$ -</u>
Expenses		
Salaries and wages	212,604	258,298
Fringe benefits	52,757	58,680
Office expense	40,664	46,427
Occupancy costs	44,912	42,056
Professional fees	42,916	26,968
Depreciation	4,500	4,500
Total expenses	<u>398,353</u>	<u>436,929</u>
Operating loss before general revenues	<u>(398,353)</u>	<u>(436,929)</u>
General revenues		
Grant revenues	2,120,636	575,441
Hotel taxes	213,856	1,091,418
Interest income	13,403	19,775
Total general revenues	<u>2,347,895</u>	<u>1,686,634</u>
Change in net assets	<u>1,949,542</u>	<u>1,249,705</u>
Total net assets, beginning of year	<u>3,603,510</u>	<u>2,353,805</u>
Total net assets, end of year	<u><u>\$5,553,052</u></u>	<u><u>\$3,603,510</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Personal service payments	\$ (268,067)	\$ (294,142)
Cash payments to vendors, contractors and other professionals	<u>(123,932)</u>	<u>(144,774)</u>
Net cash used in operating activities	<u>(391,999)</u>	<u>(438,916)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received for interest	21,757	11,421
Cash received from grants	1,600,940	1,891,741
Cash received from county hotel tax	359,271	1,174,562
Payments of notes payable	<u>-</u>	<u>(200,000)</u>
Net cash provided by non-capital financing activities	<u>1,981,968</u>	<u>2,877,724</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net payments to line of credit	-	(25,000)
Acquisition of capital assets	<u>(1,700,340)</u>	<u>(1,064,814)</u>
Net cash used in non-capital financing activities	<u>(1,700,340)</u>	<u>(1,089,814)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(110,371)	1,348,994
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,369,333</u>	<u>20,339</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,258,962</u>	<u>\$ 1,369,333</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss before general revenues	\$ (398,353)	\$ (436,929)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,500	4,500
Net changes in assets and liabilities:		
Prepaid expenses and other items	265	990
Accounts payable and accrued expenses	4,295	(30,313)
Accrued wages and employee benefits	<u>(2,706)</u>	<u>22,836</u>
Net cash used in operating activities	<u>\$ (391,999)</u>	<u>\$ (438,916)</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets included in accounts payable	<u>\$ 161,891</u>	<u>\$ 46,695</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, 2009.

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 2009 and 2008 were hotel tax revenues collected by Hotelier's in the County of Albany and grant revenues received from the Empire State Development Corporation (ESDC), a New York State public benefit corporation that is providing the Authority with immediate working capital to fund the ongoing development of the convention center project.

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 by federal deposit insurance or secured under a collateral pledge and control agreement.

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 (Note 3). Receivables are recorded and revenue is recognized as the Authority incurs the allowable costs. No allowance has been established at December 31, 2009 or 2008 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 4). 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, 2009 or 2008 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 — ESDC GRANT

In October 2006, ESDC approved a \$2,097,000 grant appropriated for the project for predevelopment project costs. The final \$575,441 of this grant was earned and received in 2008 and the funds under this grant were fully disbursed. There was no receivable related to this grant at December 31, 2009 or 2008.

In March 2009, ESDC approved an additional \$10,000,000 grant to be used for the cost of pre-construction and site planning, land acquisition, environmental remediation, archeology, and history conservation, as part of a plan to build the convention center. The grant covers qualified expenditures during the period from April 1, 2008 through December 31, 2010. During 2009, approximately \$2,120,600 was recognized as grant revenue for qualified expenditures from April 1, 2008 through December 31, 2009. Approximately \$519,700 of that amount was included in accounts and grants receivable for amounts expended but not reimbursed by the granting agency as of December 31, 2009.

NOTE 4 — 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. This tax was re-enacted during 2009 with the tax imposed for the period from November 1, 2009 through December 31, 2010.

NOTE 5 — CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents 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, 2009 and 2008 are reflected below.

	2009		2008	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash and cash equivalents:				
Bank accounts	\$1,258,962	\$1,258,962	\$ 63,641	\$ 67,070
Certificates of deposit	-	-	1,305,692	1,305,692
	<u>\$1,258,962</u>	<u>\$1,258,962</u>	<u>\$1,369,333</u>	<u>\$1,372,762</u>

The cash and cash equivalents are fully collateralized by federal deposit insurance or secured under a collateral pledge and control agreement.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 — CAPITAL ASSETS

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2008 to December 31, 2009.

	<u>December 31,</u> <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2009</u>
Furniture and equipment	\$ 13,494	\$ -	\$ -	\$ 13,494
Project development costs	<u>2,018,376</u>	<u>1,815,536</u>	<u>-</u>	<u>3,833,912</u>
Total	2,031,870	1,815,536	-	3,847,406
Less: accumulated depreciation	<u>(7,500)</u>	<u>(4,500)</u>	<u>-</u>	<u>(12,000)</u>
Capital assets, net	<u>\$2,024,370</u>	<u>\$1,811,036</u>	<u>\$ -</u>	<u>\$3,835,406</u>

Project development costs consist principally of land acquisition costs, legal and other professional fees incurred through December 31, 2009 that are directly related to the Authority's Convention Center project. Such costs are initially capitalized, and with the exception of land, will be amortized over a period consistent with the underlying project's estimated useful life when placed in service.

Depreciation expense related to furniture and equipment was approximately \$4,500 each for the years ended December 31, 2009 and 2008, respectively.

NOTE 7 — LINE OF CREDIT

The Authority has available 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 (4% at December 31, 2009 and 2008). Interest on outstanding borrowings is due monthly. There were no borrowings outstanding at either December 31, 2009 or 2008.

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.

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 (Continued)

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 \$16,100 and \$17,400 during the years ended December 31, 2009 and 2008, 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 \$21,500 and \$23,700 to the NYSHIP during the years ended December 31, 2009 and 2008, 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.

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

<u>Year ending</u> <u>December 31,</u>	
2010	<u>\$ 7,800</u>

Rental expense paid by the Authority and included with occupancy costs in the statement of revenues, expenses, and changes in net assets approximated \$32,400 and \$31,100 for the years ended December 31, 2009 and 2008, respectively.

ALBANY CONVENTION CENTER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 — CONVENTION CENTER PROJECT

The Authority expects to further its efforts with regard to its purpose to create a convention center facility in Albany, New York. 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 received a grant from the Empire State Development Corporation, a New York State public benefit corporation, to provide the Authority funds to continue to develop the convention center. The grant 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 continued 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, 2009, and have issued our report thereon dated March 15, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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
March 15, 2010