

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

FINANCIAL REPORT

December 31, 2011 and 2010

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Albany Parking Authority
Albany, New York

We have audited the balance sheets of the Albany Parking Authority (a New York State public benefit corporation and a Component Unit of the City of Albany, New York) as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Albany Parking Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany Parking Authority as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2012, on our consideration of the Albany Parking 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board that considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on pages 25 and 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 29, 2012

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010

The Albany Parking Authority, hereafter referred to as the "Authority," is pleased to present its Financial Report for the year ended December 31, 2011, developed in compliance with Statement of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereafter "GASB 34"), and related standards. We encourage readers to consider the information on pages 2 to 8 in conjunction with the Authority's financial statements and supplemental information (presented on pages 9 to 27) to enhance their understanding of the Authority's financial performance.

RESPONSIBILITY AND CONTROLS

The Authority has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on the recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority's system of internal accounting controls is evaluated on an ongoing basis by the Authority's internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America (GAAP).

AUDIT ASSURANCE

The unqualified (i.e., clean) opinion of our independent external auditors, Bollam, Sheedy, Torani & Co. LLP, CPAs, is included on page 1 of this report.

This section presents management's discussion and analysis of the Authority's financial condition and activities for the year ended December 31, 2011. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Garage occupancy increased by 4.8%, or 126 customers, during 2011; primarily due to the Parking Incentive Program (PIP).
- The Parking Retention Program was successful in keeping several corporations as Authority customers and bringing two former corporate accounts back to the Authority.
- Introduction of Pay & Display multi-space meters was initiated as a pilot project in the heart of downtown Albany, and a second phase was added proximate to the Capitol and west to Lark Street. Results have exceeded expectations for both customer satisfaction and revenue performance.
- Actual revenue and expense performance exceeded budget plans by \$24,227.
- The final details of the garage restoration project were essentially completed and more than half of the costs were funded out of operating revenues. (Funded \$445,210 out of \$878,946.)
- Utility costs continued to decline due to proactive efforts of management, and a project to reduce them further was completed during early 2011.

ALBANY PARKING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL HIGHLIGHTS - Continued

- CashKey usage continued to increase, and approximately 7.6% of meter revenue was via this platform rather than cash.
- The July 2011 closing unwound the swap and concluded the GASB 53 filing requirement.
- Net asset deficiency increased by \$148,684.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information about the Authority's operations using accounting methods which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The balance sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its parking garage and meter fees.

The final required financial statement is its statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities, and the change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

SUMMARY OF ORGANIZATION AND BUSINESS

The Authority was established in 1983 as a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York by the Albany Parking Authority Act (the enabling act). The Act authorizes the Authority to construct, operate, and maintain locations in the City for the parking or storing of motor vehicles, and in order to discharge its responsibilities, it is authorized to issue and sell tax exempt bonds. Pursuant to the Act, the aggregate outstanding principal amount of bonds issued by the Authority may not exceed fifty million dollars at any one time. Such bonds must generally be self-supporting from user fees, and the Authority ordinarily receives no Federal, State, or City subsidies.

The Authority Board of Directors is composed of a chairman and four other members appointed by the Mayor of the City with the advice and consent of the City Common Council. The members serve until reappointed or replaced at the pleasure of the Mayor. The Authority has a budgeted staff of 22 persons, and the accompanying Organizational Chart illustrates the division of those positions.

Centralized on-line revenue control system equipment installed in all garages includes fee computers, proximity card readers, automatic ticket dispensers, and gated barriers. Parkers who do not purchase monthly-rate access cards are required to take a ticket upon entry and pay a cashier when exiting. Cash handling activity of garage staff is constantly monitored at the Authority main office via dedicated circuits to a central computer. Monthly parking access cards are activated only by central office staff before distribution to customers by garage managers. All cards must be paid in advance by the first of each month to be valid. The anti-pass-back card system prevents unauthorized use.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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SUMMARY OF ORGANIZATION AND BUSINESS - Continued

The Authority operates the parking meter system for the City of Albany under a management agreement with the City. The agreement permits the Authority to install and operate parking meters in consultation with the Chief of Police. The revenues generated by the parking meters are the property of the Authority, and the expenses of operating the meters are payable by the Authority. Fines and penalties from parking violations remain the property of the City rather than the Authority. Enforcement of parking meters and other on-street parking violations is carried out by the Albany Police Department. Under the Parking Meter Agreement, the Authority contributes toward the cost of salary, fringe benefits, and other related expenses of the public service officers and traffic aides who provide enforcement under Police Department supervision.

Electronic parking meters operate with a sealed coin collection system. Coins inserted by parkers are never seen or touched by Authority staff. Pre-locked collection containers go directly to the Authority's bank for counting. A hand-held auditing device used by Authority personnel during every collection provides a money estimate for the Authority in advance for comparison with the amount deposited. Historically, the average difference between the advance audit and the collected amount in Albany meters has been less than one percent, and this compares favorably to industry standards.

Multi-space electronic meters also operate on a sealed collection system. However, the audit and management reporting functionality is greatly enhanced, allowing better reconciliation and improved information to aid management.

E-Business applications were incorporated on the ParkAlbany.com website during 2005 to allow for the purchase and reloading payments of Cashkeys, in 2006 for the purchase and payments of garage monthly permits, and in 2008 added the purchase of Central Avenue lot permits. During 2009, additional features were added; a parking locator map, increased details regarding parking facility and meter locations, rates, and availability. During 2010, the parking locator map was updated and the PIP information was added to the site. During 2011, the Authority website was completely redesigned and is now among the best parking websites in the country. This includes social media buttons as well as a clean, contemporary look, and substantially improved content, such as a parking event screen. These applications have been very successful.

GENERAL AUTHORITY INFORMATION

Selected Data (parking revenue only)

Parking Facilities	Average Monthly Revenue		Difference	% Change
	2011	2010		
Columbia Street	\$ 87,066	\$ 95,224	\$ (8,158)	-8.57%
Green-Hudson	\$ 99,421	\$ 102,077	\$ (2,656)	-2.60%
Quackenbush	\$ 63,110	\$ 64,986	\$ (1,876)	-2.89%
Q Lot & C Lots	\$ 18,184	\$ 18,433	\$ (249)	-1.35%
Parking Meters	\$ 170,972	\$ 183,924	\$ (12,952)	-7.04%

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MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010

FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

Condensed Balance Sheets

	December 31,				
	2011	2011 vs. 2010	2010	2010 vs. 2009	2009
Current assets	\$ 1,131,386	10.2%	\$ 1,026,796	-27.8%	\$ 1,423,080
Property and equipment, net	16,269,999	-2.6%	16,698,494	-3.8%	17,355,072
Other assets	5,549,969	-20.2%	6,952,223	2.9%	6,757,477
Total assets	<u>\$ 22,951,354</u>	-7.0%	<u>\$ 24,677,513</u>	-3.4%	<u>\$ 25,535,629</u>
Current liabilities	\$ 2,776,149	31.7%	\$ 2,108,625	0.9%	\$ 2,090,719
Long-term liabilities	22,525,300	-9.1%	24,770,299	-0.9%	25,005,813
Total liabilities	<u>25,301,449</u>	-5.9%	<u>26,878,924</u>	-0.8%	<u>27,096,532</u>
Net assets, capital	(4,363,029)	-15.7%	(5,176,915)	-11.8%	(5,870,890)
Net assets, restricted	4,670,401	-18.2%	5,707,070	5.7%	5,399,969
Net assets, unrestricted	(2,657,467)	-2.7%	(2,731,566)	150.6%	(1,089,982)
Total net assets	<u>(2,350,095)</u>	-6.8%	<u>(2,201,411)</u>	41.0%	<u>(1,560,903)</u>
Total liabilities and net assets	<u>\$ 22,951,354</u>	-7.0%	<u>\$ 24,677,513</u>	-3.4%	<u>\$ 25,535,629</u>

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

	December 31,				
	2011	2011 vs. 2010	2010	2010 vs. 2009	2009
Operating revenue	\$ 5,265,038	-5.6%	\$ 5,575,719	-6.1%	\$ 5,938,524
Nonoperating revenue	1,055,280	576.1%	156,087	-12.6%	178,652
Total revenues	<u>6,320,318</u>	10.3%	<u>5,731,806</u>	-6.3%	<u>6,117,176</u>
Depreciation expense	700,559	0.7%	695,408	0.4%	692,462
Amortization expense	468,495	317.0%	112,356	0.0%	112,356
Other operating expenses	4,099,703	6.8%	3,837,192	-12.0%	4,361,061
Nonoperating expense	1,200,245	-30.5%	1,727,358	-4.3%	1,805,077
Total expenses	<u>6,469,002</u>	1.5%	<u>6,372,314</u>	-8.6%	<u>6,970,956</u>
Change in net assets	(148,684)		(640,508)		(853,780)
NET ASSETS, beginning of year	<u>(2,201,411)</u>		<u>(1,560,903)</u>		<u>(707,123)</u>
NET ASSETS, end of year	<u>\$ (2,350,095)</u>		<u>\$ (2,201,411)</u>		<u>\$ (1,560,903)</u>

ALBANY PARKING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010

GENERAL TRENDS AND SIGNIFICANT EVENTS

The PIP has not only benefitted the Authority, it has also been a factor that has helped generate projects that increase demand for parking in the Central Business District. The Authority is now advancing a marketing plan to accelerate economic development in Albany.

Moreover, a Parking Retention Program (PRP) was introduced to improve the probability that current customers will renew their leases and remain downtown. The PRP agreement is structured to be co-terminus with real estate leases ranging from 5 to 10 years.

The Authority has replaced approximately 350 single space meters with 37 Pay and Display multi-space meters. These meters allow customers to park all day with a progressive rate structure that encourages turnover, and the meters accept credit and debit card payments. Both customer satisfaction and financial performance are exceeding expectations.

FINANCIAL CONDITION

Although parking revenue was down \$310,680 in 2011, this was consistent with budget plans developed based on commercial office occupancy projections. Total operating costs in 2011 increased \$267,662 from the prior year, predominantly due to increased investment in facility renovation by \$195,137 over 2010. Total costs for this garage renovation work were \$878,946 for design and construction. Professional fees included a one-time fee for the Public Resources Advisory Group for \$45,500 for being the Financial Advisor to unwind the swap associated with the July closing. Given the success of the Parking Incentive Program to generate new revenue combined with reductions in expenses for salaries/benefits and utilities, the prospects for the future are promising.

The Authority paid \$1,390,000 in bond principal during 2011, and defeased the balance of the 2001A series of \$7,945,000 with the 2011 Series issued in July. In 2012, the 2001B series will be paid off, and the 2007B series in 2013. An older bond issue with limited amounts of Capital Appreciation Bonds that could not be retired will be completely paid off in 2017, while the 2007A and 2011 issues will be retired in 2025.

RESULTS OF OPERATIONS

Revenue

Total revenue for 2011, exclusive of unrealized gain/loss on investments and the increase upon hedge termination, was \$5,394,276, compared to \$5,731,806 in 2010. Monthly garage revenues decreased \$114,500 mainly due to restructuring and cost-cutting measures by several corporate customers. Hourly and daily parking revenue decreased \$29,382 in garages for similar reasons relating to corporate "belt tightening," and also decreased \$155,417 at meters.

Expense

Total expense for 2011, exclusive of depreciation, amortization, interest, and 2010's swap liability, was \$4,128,059, compared to \$3,837,192 in 2010.

LONG-TERM OBLIGATIONS

As of December 31, 2011, the Authority had \$20,428,061 outstanding related to two revenue refunding bonds issued during 1992 and 2001, two refundings during 2007, and one refunding in 2011. 2001A Series bonds were defeased during 2011 in the amount of \$7,945,000. 2011 Series was issued for the principal amount of \$7,850,000.

Cash or equivalents on hand for debt service payments are in excess of \$1,017,000.

ALBANY PARKING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010

LONG-TERM OBLIGATIONS - Continued

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

FINAL COMMENTS

The Authority periodically is requested by institutional or commercial interests to review options for expansion of the parking system. The Trust Indenture requires such expansion to be financially feasible and to have no material effect on the Authority's ability to make current debt payments. The Authority closely monitors downtown parking inventory and parking demand among other factors in determining feasibility of additional facilities.

Under terms of the Trust Indenture the Authority has agreed to adopt rates which shall be sufficient to produce net revenue for each fiscal year: (i) to pay Authority expenses; (ii) to pay debt service on outstanding parking system obligations; and (iii) to produce a debt service coverage ratio of 1.50 to 1 in each fiscal year.

To prevent neglect of maintenance and deterioration of Authority facilities over time, the 2001 bond issue provided a requirement for a Renewal and Replacement Reserve Fund to be held by the Trustee. The amount required is equal to \$50,000 for each structured parking facility, payable annually into the fund. As of year-end, the fund has in excess of \$478,000.

Given the current public policy debate regarding state benefits, the Authority is carefully reviewing past practice and policies related to this area. Each Authority employee receives the New York State defined benefit program based upon their tier and New York State definitions, and is required to be a member of the New York State retirement system. Regarding health insurance, current employees determine their needs and contribute based on no coverage, single coverage, coverage for 2 qualified individuals, or a family plan. In order to carry these benefits into retirement, the employee must be at least 55 years old and have 10 years of continuous employment upon retirement. The retiree then continues to provide their contribution on the same terms and conditions as during their final year of employment. When the Authority retiree passes, no health insurance coverage remains for any surviving members, even if they were previously covered under the health insurance plan.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

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

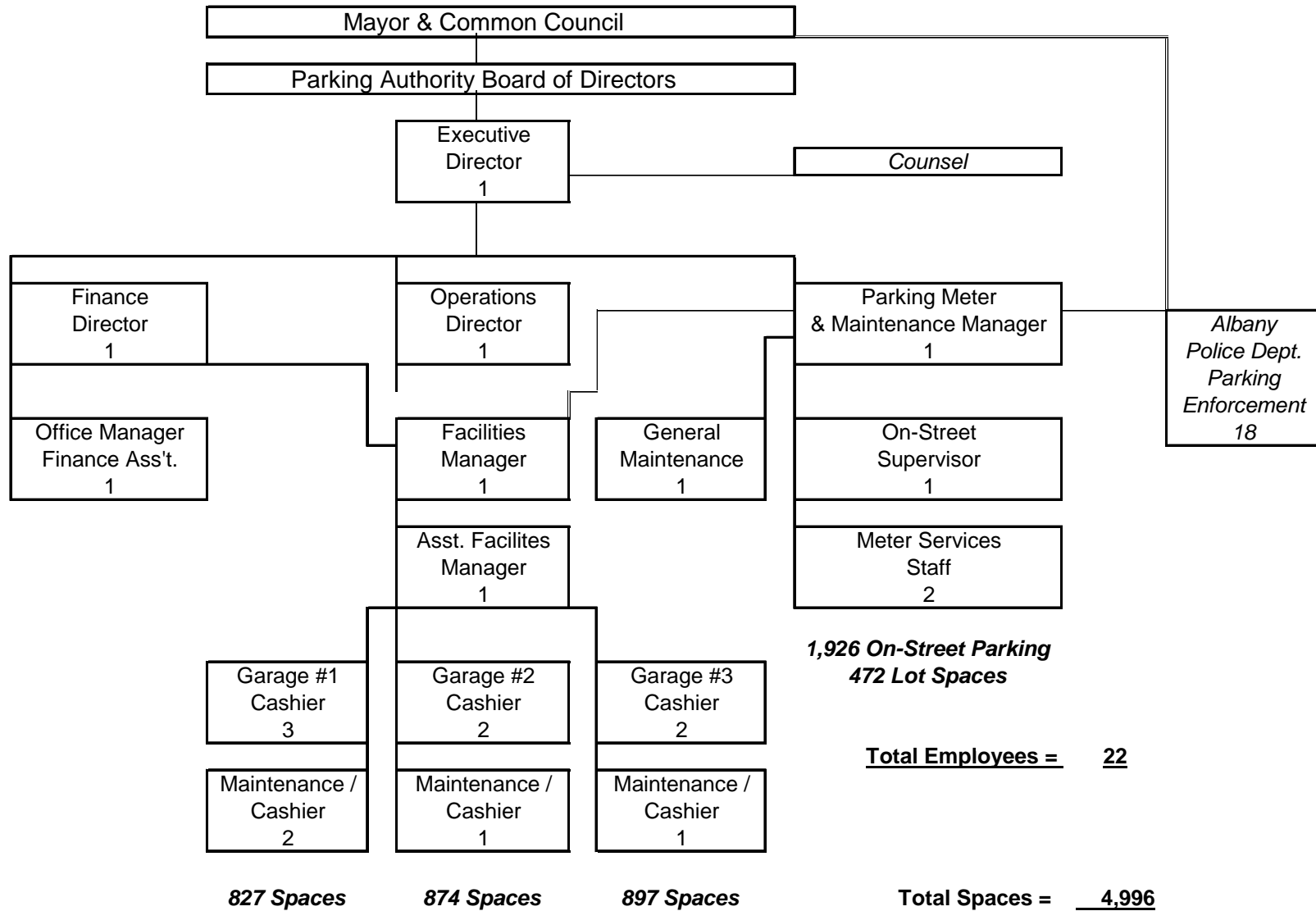
PRINCIPAL OFFICIALS

The Authority's Board of Directors, appointed by the Mayor with consent of the Common Council, is as follows:

<u>Name</u>	<u>Board Office</u>	<u>Term Expiration</u>
Kevin O'Connor	Chair	January 2, 2015
Jeff Sperry	Vice Chair	January 2, 2016, Confirmation Pending
Beth Lacey	Secretary	January 2, 2013
Chris Burke	Treasurer	January 2, 2014
William O. Pettit, III	Asst. Sec/Treas	January 2, 2017, Confirmation Pending

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

ORGANIZATION CHART



ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

BALANCE SHEETS

	December 31,	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,017,549	\$ 933,371
Parking revenues receivable	13,527	26,193
Other receivables	38,865	38,845
Prepaid expenses	61,445	28,387
Total current assets	1,131,386	1,026,796
PROPERTY AND EQUIPMENT, at cost	27,606,378	27,430,043
Less accumulated depreciation and amortization	11,336,379	10,731,549
	16,269,999	16,698,494
OTHER ASSETS		
Cash and cash equivalents, restricted	2,779,149	2,747,503
Investments, restricted	1,891,252	2,959,567
Financing and deferred amounts, net	879,568	1,245,153
	5,549,969	6,952,223
TOTAL ASSETS	\$ 22,951,354	\$ 24,677,513
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 284,816	\$ 271,373
Current maturities of long-term debt	2,060,000	1,390,000
Current installments of capital lease obligation	40,656	-
Accrued interest	390,677	447,252
Total current liabilities	2,776,149	2,108,625
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	18,368,061	20,523,061
Capital lease obligation, less current installments	223,894	-
Discount on revenue bonds	(59,583)	(43,148)
Interest rate swap, deferred outflow of resources	-	920,000
Accrued postretirement health benefits	1,563,188	1,067,415
Accrued interest, capital appreciation bonds, less current maturities	2,429,740	2,302,971
	22,525,300	24,770,299
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Investment in capital assets, less related debt	(4,363,029)	(5,176,915)
Restricted	4,670,401	5,707,070
Unrestricted	(2,657,467)	(2,731,566)
	(2,350,095)	(2,201,411)
TOTAL LIABILITIES AND NET ASSETS	\$ 22,951,354	\$ 24,677,513

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

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	2011	2010
PARKING REVENUES	\$ 5,265,038	\$ 5,575,719
OPERATING EXPENSES		
Salaries and related expenses	1,837,279	1,855,951
Repairs and maintenance	981,029	765,186
Utilities	129,353	117,280
Professional fees	138,225	116,869
Depreciation	700,559	695,408
Meter supplies and equipment	22,375	41,198
PSO expense reimbursement	716,667	716,667
Other	274,775	224,041
	<u>4,800,262</u>	<u>4,532,600</u>
Operating income	<u>464,776</u>	<u>1,043,119</u>
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	129,238	156,087
Unrealized gain (loss) on investments, net	6,042	(21,660)
Realized loss on investments	(28,356)	-
Amortization of bond issue costs	(468,495)	(112,356)
Interest expense	(1,171,889)	(1,210,698)
Unrealized decrease in fair value of interest rate swap	-	(495,000)
Increase upon hedge termination	920,000	-
Total nonoperating expenses, net	<u>(613,460)</u>	<u>(1,683,627)</u>
Change in net assets	(148,684)	(640,508)
NET ASSETS, <i>beginning of year</i>	<u>(2,201,411)</u>	<u>(1,560,903)</u>
NET ASSETS, <i>end of year</i>	<u><u>\$ (2,350,095)</u></u>	<u><u>\$ (2,201,411)</u></u>

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

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2011	2010
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	\$ 5,277,704	\$ 5,567,701
Cash paid to suppliers and other vendors	(1,786,266)	(1,439,665)
Cash paid for salaries and employee benefits	(1,837,279)	(1,855,951)
	<u>1,654,159</u>	<u>2,272,085</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income	129,218	180,519
Purchase of investments, restricted	(2,115,418)	(2,831,812)
Proceeds from sale of investments, restricted	3,052,453	2,831,810
	<u>1,066,253</u>	<u>180,517</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(7,514)	(38,830)
Payments of long-term debt	(1,485,000)	(1,360,000)
Interest paid	(1,118,130)	(1,103,655)
Bond issue costs	6,056	-
	<u>(2,604,588)</u>	<u>(2,502,485)</u>
Net increase (decrease) in cash and cash equivalents	115,824	(49,883)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>3,680,874</u>	<u>3,730,757</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 3,796,698</u>	<u>\$ 3,680,874</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 464,776	\$ 1,043,119
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	700,559	695,408
(Increase) decrease in		
Accounts receivable	12,666	(8,018)
Prepaid expenses	(33,058)	1,227
Increase (decrease) in		
Accounts payable and accrued expenses	13,443	11,583
Accrued post-retirement health benefits	495,773	528,766
	<u>\$ 1,654,159</u>	<u>\$ 2,272,085</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash financing activities		
Direct financing for purchase of meters	\$ 264,550	\$ -

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

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Albany Parking Authority (Authority) is a public benefit corporation of the State of New York. It is a discretely presented component unit of the City of Albany (City) that was created by New York State legislation under Section 1493 during 1983. The Authority will exist until all of its liabilities have been met, and its bonds have been discharged. All rights and properties shall pass to the City upon the cessation of the Authority's existence.

The Authority owns and operates various parking facilities throughout the City. The Authority's operating budget is subject to the approval of the City Common Council. The Common Council is also required to approve proposed capital improvements to the Authority's facilities.

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

b. Accounting Method

The Authority's financial statements are prepared using the accrual basis in accordance with GAAP as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the balance sheets. Net assets (total assets less total liabilities) are segregated into restricted, unrestricted, and contribution components.

c. Use of Estimates

In preparing the financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. New Accounting Standards

On December 31, 2011, the Authority adopted GASB issued *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements. This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Fair Value Measurement

The Authority reports certain assets and liabilities at fair value. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date (Note 12).

f. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of purchase, whether unrestricted or restricted.

Unrestricted and restricted cash equivalents are fully collateralized by either federal depository insurance or securities held by the pledging bank's trust department in the Authority's name.

Cash, cash equivalents, and investments, restricted, consist of amounts held by trustees in reserve funds established in connection with bond issues.

g. Parking Revenues Receivable and Other Receivables

The Authority determines the allowance for doubtful accounts based on management's evaluation of anticipated collectibility of outstanding accounts and past collection experience. Management considers receivables at December 31, 2011 and 2010, to be fully collectible. Accordingly, there is no allowance for doubtful accounts. If, in the future, management determines that amounts may be uncollectible, an allowance will be established, and operations will be charged when that determination is made. There were no amounts written off at December 31, 2011 and 2010.

h. Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives (3-40 years). When property and equipment are retired or have been fully depreciated, their cost and the related accumulated depreciation are eliminated from the respective accounts. Gains or losses arising from the dispositions are reported as revenue or expense. Routine maintenance and repairs are expensed as incurred.

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

i. Bond Issue Costs

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

j. Interest Rate Swap, Deferred Outflow of Resources

The Authority on occasion enters into interest rate swaps to hedge its exposure to interest rate risk associated with changes in a benchmark interest rate. At December 31, 2010, there was one such swap in place that had a fair value of (\$920,000). As is more fully described in Note 5, the swap was a forward starting pay-fixed, receive-variable interest rate swap used to hedge the variable cash flows associated with the expected issuance of a variable rate bond. The Authority determined that the swap was a hedging derivative instrument with the use of the regression analysis method. Accordingly, the changes in fair values of the swap were reported as deferrals on the balance sheet and the swap was reported as a liability at December 31, 2010. During July 2011, the interest rate swap agreement was terminated and the amount previously deferred of \$920,000 was recorded as nonoperating revenue.

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

k. Deferred Revenue

The Authority recognizes revenue from parking fees as earned in the time period in which the parking space is provided. All payments received prior to the time period in which the parking space is provided are accounted for as deferred revenue and is classified on the balance sheet as a component of accounts payable and accrued expenses.

l. Subsequent Events

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 29, 2012, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS, RESTRICTED

The Authority accounts for its investments at fair value. The Authority recognized unrealized gains (losses) of \$6,042 and \$(21,660) during 2011 and , respectively. These investments are held by the Trust Departments of The Bank of New York and M & T Bank, in the Authority's name. The following table presents the cost, carrying amount, and fair value of investments.

	December 31, 2011		
	Cost	Carrying Amount	Fair Value
Investments in U.S. Government obligations	\$ 659,295	\$ 813,752	\$ 813,752
Guaranteed Income Contract	1,077,500	1,077,500	1,077,500
	\$ 1,736,795	\$ 1,891,252	\$ 1,891,252
	December 31, 2010		
	Cost	Carrying Amount	Fair Value
Investments in U.S. Government obligations	\$ 1,733,651	\$ 1,882,067	\$ 1,882,067
Guaranteed Income Contract	1,077,500	1,077,500	1,077,500
	\$ 2,811,151	\$ 2,959,567	\$ 2,959,567

NOTE 3 - PROPERTY AND EQUIPMENT

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

	Years Ended December 31, 2011 and 2010				
	Land, Garages, and Improvements	Furniture and Equipment	Meters and Other Equipment	Leasehold Improvements	Total
Balance as of January 1, 2010	\$ 25,248,993	\$ 1,036,921	\$ 774,823	\$ 371,611	\$ 27,432,348
Additions	-	38,832	-	5,000	43,832
Disposals	-	(44,832)	(1,305)	-	(46,137)
Balance as of December 31, 2010	25,248,993	1,030,921	773,518	376,611	27,430,043
Additions	-	7,514	264,550	-	272,064
Disposals	-	(93,323)	(2,406)	-	(95,729)
Balance December 31, 2011	\$ 25,248,993	\$ 945,112	\$ 1,035,662	\$ 376,611	\$ 27,606,378

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 4 - FINANCING AND DEFERRED AMOUNTS

A summary of financing and deferred amounts and accumulated amortization is as follows:

	December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	\$ 1,131,226	\$ 633,263	\$ 497,963
Deferred amount on defeased Revenue Bonds (b)	879,569	497,964	381,605
	<u>\$ 2,010,795</u>	<u>\$ 1,131,227</u>	<u>\$ 879,568</u>
	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	\$ 1,069,282	\$ 402,029	\$ 667,253
Deferred amount on defeased Revenue Bonds (b)	1,214,819	636,919	577,900
	<u>\$ 2,284,101</u>	<u>\$ 1,038,948</u>	<u>\$ 1,245,153</u>

- (a) Includes financing costs incurred relative to the 1992, 2001B, 2007, and 2011 Revenue Bonds. These costs include insurance, underwriter's discount, and other Bond related costs and are being amortized over the life of the Bonds using the straight-line method. During 2011, \$197,401 of 2001 Revenue Bond financing costs were expensed in connection with the partial defeasance of the Bonds. Amortization of financing costs including defeased amounts totaled \$231,233 and \$45,558 during the years ended December 31, 2011 and 2010, respectively.
- (b) The difference between the net carrying amount of the defeased bonds (1992A and 2001A) and reacquisition price of the Bonds is deferred and amortized over the life of the new bond. The deferred amounts are being amortized over the life of the bonds using the effective interest rate method.

A schedule of estimated financing and deferred amounts amortization over the next five years is as follows:

For the year ending December 31, 2012	\$ 87,058
2013	61,983
2014	61,984
2015	61,984
2016	61,984

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt ending balances and transactions for the years ended December 31, 2011 and 2010, is as follows:

Balance as of January 1, 2010	\$ 23,273,061
Principal payments	(1,360,000)
Balance as of December 31, 2010	21,913,061
Bonds defeased	(7,945,000)
New bond issue	7,850,000
Principal payments	(1,390,000)
Balance at December 31, 2011	<u>\$ 20,428,061</u>

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 - LONG-TERM DEBT - Continued

Long-term debt consisted of the following:

	December 31,	
	2011	2010
<i>Garage #1</i>		
Parking revenue refunding bonds, Series 1992A (including capital appreciation bonds), interest at 6.5% to 7.25%, payable semiannually, principal due in various installments annually through 2017, collateralized by a first lien on the property (i)(ii)	\$ 773,061	\$ 773,061
<i>Quackenbush Garage</i>		
Parking revenue refunding bonds, Series 2001A, interest at 4% to 5.63%, payable semi-annually, principal due in various installments through 2025, collateralized by a first lien on the property (iii)	-	8,590,000
Parking revenue refunding bonds, Series 2001B, interest at 5.25%, payable semi-annually, principal due in various installments through 2018, collateralized by a first lien on the property	1,380,000	2,035,000
Parking revenue refunding bonds, Series 2007A, interest at 3.5% to 5%, payable semi-annually, principal due in various installments amortized through 2025, collateralized by a first lien on the property (iv)	10,375,000	10,445,000
Parking revenue refunding bonds, Series 2007B, interest at 5.38%, payable semi-annually, principal due in various installments amortized through 2013, collateralized by a first lien on the property (iv)	50,000	70,000
Parking revenue refunding bonds, Series 2011, interest at 5.135%, payable semi-annually, commencing January 15, 2012, principal due in various installments amortized through 2025, collateralized by a first lien on trust revenues	7,850,000	-
	20,428,061	21,913,061
Less current maturities	2,060,000	1,390,000
Long-term debt, less current maturities	\$ 18,368,061	\$ 20,523,061

(i) The City entered into a lease agreement with the Authority whereby the City has agreed to lease Garage #1 from the Authority. The lease payments made under the agreement shall be in an amount equal to the amount payable as principal, interest, and premium, if any, on the Authority's Parking Revenue Refunding Bonds, Series 1992A. The City's payment is subject to reduction to the extent any money has been deposited with the Bond trustee by the Authority as of the date of the lease payment. The lease payments are due semi-annually through 2017. There were no payments under the lease agreement for the years ended December 31, 2011 and 2010.

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

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 - LONG-TERM DEBT - Continued

- (iii) The Authority defeased a portion of the 2001A Revenue Bonds by placing the proceeds of the 2007A Revenue Bonds in an irrevocable trust to provide for all future debt service payments on a portion of the 2001A Bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds were not included in the Authority's financial statements. \$9,885,000 in 2001A Bonds outstanding were considered defeased. During July 2011, the remainder of the 2001A Revenue Bonds were defeased in the amount of \$7,945,000.
- (iv) On May 4, 2007, the Authority issued \$10,775,000 of Parking Revenue Bonds Series A and \$150,000 of Parking Revenue Bonds Series B maturing in the years 2007 through 2025, to refund \$9,885,000 of 2001 Series A Bonds then outstanding. The 2007 Series A Bonds pay a rate of interest between 3.5% and 5%, and the Series B Bonds pay a fixed rate of 5.38%.

As part of the 2007 bond agreement, the Authority entered into an agreement to issue \$7,850,000 of Parking Revenue Bonds Series 2011, the proceeds of which were used to finance the balance of the 2001 Series A Bonds and cover certain costs of issuing the 2011 Bonds and fund the Debt Service Reserve Fund. The Series 2011 Bonds were issued on July 26, 2011 and bear interest at a fixed rate of 5.135%.

As part of the transaction, the Authority entered into a forward starting swap agreement on April 20, 2007, with Dexia Credit Local (Dexia) (swap provider). The agreement with Dexia was entered into by the Authority to hedge the anticipated variable interest rate of the Series 2011 Bonds. The agreement required the Authority to pay a fixed rate and receive a variable rate on a notional amount of \$7,850,000 to correspond with the above mentioned Series 2011 Bonds. The term of the agreement was from July 2011 through July 2025.

Because interest rates declined since execution of the swap, the swap had a negative fair value of approximately \$920,000 at December 31, 2010. The fair value was estimated by the counterparty using the zero-coupon method. This method calculated the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

In July 2011, the swap agreement was deemed null, void, and terminated, and the previously deferred \$920,000 was recorded as nonoperating revenue. The swap agreement was no longer necessary as the Series 2011 Bonds were issued with a fixed rate rather than the anticipated variable rate.

Interest expense incurred on long-term debt totaled \$1,034,097 and \$1,103,656 for the years ended December 31, 2011 and 2010, respectively.

Compounded interest on capital appreciation bonds (Series 1991 and 1992A) is accrued on a straight-line basis over 25 years, the life of the bonds. This interest will be paid by the Authority during the years 2013 through 2017. Accrued interest on capital appreciation bonds totaled \$2,429,740 and \$2,302,971 at December 31, 2011 and 2010, respectively.

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

	Principal	Interest	Total
For the year ending December 31, 2012	\$ 2,060,000	\$ 906,446	\$ 2,966,446
2013	897,618	1,428,640	2,326,258
2014	885,777	1,409,752	2,295,529
2015	973,936	1,384,982	2,358,918
2016	982,940	1,354,591	2,337,531
2017 through 2021	7,492,790	3,293,393	10,786,183
2022 through 2025	7,135,000	891,657	8,026,657
	<u>\$ 20,428,061</u>	<u>\$ 10,669,461</u>	<u>\$ 31,097,522</u>

ALBANY PARKING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 - LONG-TERM DEBT - Continued

The 2001A and B Bonds were issued at a discount of \$143,592 and \$12,047, respectively. In July 2011, the 2001A Bonds were refunded, and the remaining balances were expensed accordingly. The 2007A and B Bonds were issued at a premium of \$24,461. The 2011 Bonds were issued at a discount of \$79,450. The bond discount and premium have been combined in these financial statements. The difference between the net carrying amount of defeased bonds and the reacquisition price of the Bonds is deferred and amortized over the life of the new Bond. The deferred amount of the refunding of the 1991, 1992, and 2001 Bonds was \$437,623, \$354,813, and \$422,383, respectively. The discount and deferred amounts are being amortized over the life of the Bonds using the straight-line method. Amortization was \$237,261 and \$66,797 for the years ended December 31, 2011 and 2010, respectively.

The bonds and other obligations of the Authority are not considered to be a debt of the State of New York (State) or of the City, and neither the State nor the City is liable thereon.

NOTE 6 - CAPITAL LEASE OBLIGATION

The Authority entered into a capital lease agreement for 37 multi-space meters. The agreement states that payments will commence six months after meters are placed in service. Twelve meters were placed in service in July 2011; therefore, payments will commence on January 1, 2012. The monthly lease payment for these twelve meters will be \$1,956 per month, including imputed interest of 4.498%. The remaining twenty-five meters were placed in service on December 31, 2011; therefore, payments will commence on July 1, 2012. The monthly lease payment for these twenty-five meters will be \$4,076, including imputed interest of 4.498%.

	December 31, 2011
Capital lease obligation	\$ 289,559
Less amount representing interest	25,009
Present value of future minimum lease payments	264,550
Less current installments, principal only	40,656
Present value of long-term obligation under capital leases	\$ 223,894

A summary of the Authority's future maturities under this capital lease obligation is as follows:

	Principal	Interest	Totals
For the year ending December 31, 2012	\$ 40,656	\$ 7,278	\$ 47,934
2013	63,619	8,771	72,390
2014	66,540	5,849	72,389
2015	69,597	2,793	72,390
2016	24,138	318	24,456
	\$ 264,550	\$ 25,009	\$ 289,559

The total cost of the multi-space meters acquired under the capital lease arrangement was \$264,550, and the related accumulated depreciation was \$7,031 at December 31, 2011.

There was no interest expense on the capital lease obligation for the year ended December 31, 2011.

ALBANY PARKING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 - PENSION PLANS

a. Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (ERS). The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administration head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement Systems, 110 State Street, Albany, New York 12244.

b. Funding Policy

ERS is noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Authority is required to contribute at an actuarially determined rate. The required contributions to ERS for the current year and the two preceding years were:

2011	\$ 129,810
2010	107,923
2009	65,265

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

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

The Authority provides health care insurance benefit programs for most retired Authority employees and, in certain instances, their dependents. All Authority employees become eligible for such benefits when they attain a certain age and service requirements while employed by the Authority. As of December 31, 2011, the Authority is providing health care insurance to two current retirees and their dependents.

b. Reporting Requirements

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

c. Funding Policy

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

ALBANY PARKING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

c. Funding Policy - Continued

Premiums paid by the Authority on behalf of current retirees and their spouses totaled \$11,020 for both years ended December 31, 2011 and 2010.

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

	December 31,	
	2011	2010
Annual required contribution	\$ 581,218	\$ 569,822
Interest on net OPEB obligation	21,889	11,174
Adjustment to annual required contribution	(36,480)	(18,622)
Annual OPEB cost	566,627	562,374
Expected contributions	(48,854)	(26,608)
Net OPEB obligation, beginning of year	1,094,415	558,649
Net OPEB obligation, end of year	1,612,188	1,094,415
Less current portion	49,000	27,000
Net OPEB obligation, less current portion	\$ 1,563,188	\$ 1,067,415

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/11	\$ 566,627	8.60%	\$ 1,612,188
12/31/10	\$ 562,374	4.70%	\$ 1,094,415

Funded Status and Funding Progress. The actuarial accrued liability for benefits was \$4,698,860 as of December 31, 2011 and 2010, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$915,599 and \$942,346 for the years ended December 31, 2011 and 2010, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 513.20 and 498.63 percent as of December 31, 2011 and 2010, respectively.

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

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

c. Funding Policy - Continued

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

The following simplifying assumptions were made:

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

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

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

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

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

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

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

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

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount rate of two percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was twenty-eight years.

NOTE 9 - DEFERRED COMPENSATION PLAN

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

ALBANY PARKING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 10 - COMMITMENTS AND CONTINGENCIES

a. Salary Reimbursement Agreement

The Authority has entered into an agreement with the City for the acquisition, installation, maintenance, and management of on-street parking meters. As part of the agreement, the Authority will reimburse the City for salary, fringe benefits, and other costs related to parking enforcement officers and traffic aides employed by the City. Reimbursement is not to exceed the City's actual annual costs based on current staffing levels. Reimbursed costs totaled \$716,667 for both years ended December 31, 2011 and 2010, and are reported as PSO expense reimbursement in these financial statements.

The Authority's obligations under the agreement are subject and subordinate to the Authority's obligations to pay scheduled debt service on its bond obligations (Note 5), as defined in the agreement.

b. Lease Rental Revenue

The Authority entered into an agreement with the United States Postal Service (Postal Service) to lease a portion of Garage #2 to the Postal Service. The lease, which includes options for two consecutive five-year renewals at the discretion of the Postal Service, originally expired during June 2004. The Postal Service has exercised the second five-year option, which will expire in June 2014.

Rental payments in the amount of \$83,000 were received during both years ended December 31, 2011 and 2010. Future minimum annual rentals receivable under the lease at December 31, 2011, are as follows:

For the year ending December 31, 2012	\$ 83,000
2013	83,000
2014	<u>41,500</u>
	<u><u>\$ 207,500</u></u>

c. Memorandum of Understanding

During June 2007, the Authority entered into a memorandum of understanding (memorandum) with WAMC, a not-for-profit education corporation, located in Albany, New York, for the shared use of a parking facility. The purpose of the memorandum was for the Authority to construct, maintain, and operate two surface parking lots on premises owned by WAMC. The Authority maintains all rights to revenues produced by the parking lots. The parking lots were placed into service on April 1, 2008. Construction costs related to the parking lots totaled \$371,611 at December 31, 2008, and are included in leasehold improvements. The Authority capitalized another \$5,000 in 2010, totaling \$376,611. (Note 3).

As part of the memorandum, the Authority has agreed to lease fifty parking spaces within these lots to the Capital District Transit Authority (CDTA). Terms of the lease include a ten-year rental for a total of \$150,000, which was prepaid by CDTA during December 2007. As of December 31, 2011, the balance was \$111,950, which is reported as deferred revenue in these financial statements. The deferred revenue balance is being amortized into income over a ten-year period, using the straight-line method.

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

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

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

ALBANY PARKING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 11 - NET ASSETS

The Authority has a net asset deficiency of \$2,350,095 and \$2,201,411 at December 31, 2011 and 2010, respectively. In recent years, the Authority has implemented a long-term financial plan to reduce this deficit and establish positive net assets. In addition, this plan was designed to increase cash flows from operations. This plan includes increasing parking revenues via rate increases, the addition of a new garage, and the operating of on-street parking meters (established during April 1998). In addition, the Authority refinanced certain revenue bonds in 2007 and 2011, thereby reducing interest costs. The accumulated deficit has been reduced \$2,250,303 since December 31, 1998.

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
U.S. Government Securities	\$ 813,752	\$ -	\$ -	\$ 813,752
Guaranteed Income Contract	-	-	1,077,500	1,077,500
	\$ 813,752	\$ -	\$ 1,077,500	\$ 1,891,252

ALBANY PARKING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

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

NOTE 13 - ACCOUNTING PRONOUNCEMENT ISSUED BUT NOT YET IMPLEMENTED

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

Management has not estimated the extent of the potential impact of this statement on the Authority's financial statements.

ALBANY PARKING AUTHORITY
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SUPPLEMENTAL INFORMATION - REVENUE AND EXPENSES BY OPERATING DEPARTMENT

	Year Ended December 31, 2011						
	<u>Garage #1</u>	<u>Garage #2</u>	<u>Garage #3</u>	<u>Parking Meters</u>	<u>Surface Lots</u>	<u>Office/ Administration</u>	<u>Total</u>
PARKING REVENUES	\$ 1,044,793	\$ 1,193,052	\$ 757,319	\$ 2,051,668	\$ 218,206	\$ -	\$ 5,265,038
OPERATING EXPENSES							
Salaries and related expenses	202,703	118,957	132,106	156,509	3,435	1,223,569	1,837,279
Insurance	-	-	-	-	-	62,600	62,600
Repairs and maintenance	189,456	699,155	33,123	4,537	6,289	48,469	981,029
Utilities	35,868	26,604	64,594	-	2,287	-	129,353
Professional fees	17,274	26,566	2,648	-	-	91,737	138,225
Depreciation	157,635	217,469	235,984	12,357	50,534	26,580	700,559
Meter supplies and equipment	-	-	-	22,375	-	-	22,375
Contributions	-	-	-	-	-	4,000	4,000
PSO expense reimbursement	-	-	-	566,167	150,500	-	716,667
Miscellaneous	3,380	5,762	1,991	21,767	57,412	117,863	208,175
Total operating expenses	<u>606,316</u>	<u>1,094,513</u>	<u>470,446</u>	<u>783,712</u>	<u>270,457</u>	<u>1,574,818</u>	<u>4,800,262</u>
Operating income (loss)	<u>438,477</u>	<u>98,539</u>	<u>286,873</u>	<u>1,267,956</u>	<u>(52,251)</u>	<u>(1,574,818)</u>	<u>464,776</u>
NONOPERATING REVENUE (EXPENSES)							
Interest income	51,662	-	-	-	-	77,576	129,238
Unrealized loss on investments	3,062	-	-	-	-	2,980	6,042
Realized loss on investments	-	-	-	-	-	(28,356)	(28,356)
Amortization of bond issue costs	(32,884)	(181,739)	-	-	-	(253,872)	(468,495)
Interest expense	(126,769)	-	-	-	-	(1,045,120)	(1,171,889)
Unrealized decrease in fair value of interest rate swap	-	-	-	-	-	-	-
Increase upon hedge termination	-	-	-	-	-	920,000	920,000
Allocation of administration expenses	(323,273)	(342,290)	(323,273)	(722,611)	(190,163)	1,901,610	-
Total nonoperating revenue (expenses)	<u>(428,202)</u>	<u>(524,029)</u>	<u>(323,273)</u>	<u>(722,611)</u>	<u>(190,163)</u>	<u>1,574,818</u>	<u>(613,460)</u>
Change in net assets	<u>\$ 10,275</u>	<u>\$ (425,490)</u>	<u>\$ (36,400)</u>	<u>\$ 545,345</u>	<u>\$ (242,414)</u>	<u>\$ -</u>	<u>\$ (148,684)</u>

Year Ended December 31, 2010

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

ALBANY PARKING AUTHORITY
(A Component Unit of the City of Albany, New York)

SUPPLEMENTAL INFORMATION - PROPERTY AND EQUIPMENT

	December 31, 2011						
	Garage #1	Garage #2	Garage #3	Parking Meters/ Other Equipment	Surface Lots	Office/ Administration	Total
Land, garages, and improvements	\$ 4,970,356	\$ 9,640,687	\$ 10,637,950	\$ -	\$ -	\$ -	\$ 25,248,993
Leasehold improvements	-	-	-	-	376,611	-	376,611
Furniture and equipment	398,751	312,089	124,011	-	-	77,056	911,907
Parking meters and other equipment	-	-	-	1,068,867	-	-	1,068,867
	<u>5,369,107</u>	<u>9,952,776</u>	<u>10,761,961</u>	<u>1,068,867</u>	<u>376,611</u>	<u>77,056</u>	<u>27,606,378</u>
Less accumulated depreciation and amortization	<u>3,543,211</u>	<u>4,471,742</u>	<u>2,351,282</u>	<u>790,918</u>	<u>143,104</u>	<u>36,122</u>	<u>11,336,379</u>
Net property and equipment	<u>\$ 1,825,896</u>	<u>\$ 5,481,034</u>	<u>\$ 8,410,679</u>	<u>\$ 277,949</u>	<u>\$ 233,507</u>	<u>\$ 40,934</u>	<u>\$ 16,269,999</u>
	December 31, 2010						
	Garage #1	Garage #2	Garage #3	Parking Meters/ Other Equipment	Surface Lots	Office/ Administration	Total
Land, garages, and improvements	\$ 4,970,356	\$ 9,640,687	\$ 10,637,950	\$ -	\$ -	\$ -	\$ 25,248,993
Leasehold improvements	-	-	-	-	376,611	-	376,611
Furniture and equipment	398,751	329,344	124,011	-	-	116,950	969,056
Parking meters and other equipment	-	-	-	835,384	-	-	835,384
	<u>5,369,107</u>	<u>9,970,031</u>	<u>10,761,961</u>	<u>835,384</u>	<u>376,611</u>	<u>116,950</u>	<u>27,430,044</u>
Less accumulated depreciation and amortization	<u>3,385,576</u>	<u>4,271,529</u>	<u>2,115,298</u>	<u>797,255</u>	<u>104,943</u>	<u>56,949</u>	<u>10,731,550</u>
Net property and equipment	<u>\$ 1,983,531</u>	<u>\$ 5,698,502</u>	<u>\$ 8,646,663</u>	<u>\$ 38,129</u>	<u>\$ 271,668</u>	<u>\$ 60,001</u>	<u>\$ 16,698,494</u>

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

Board of Directors
Albany Parking Authority
Albany, New York

We have audited the financial statements of the Albany Parking Authority (Authority) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 29, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including Investment Guidelines for Public Authorities, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than those specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 29, 2012