NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

Financial Statements
March 31, 2012 and 2011
Together with
Independent Auditor's Reports

Bonadio & Co., LLP
Certified Public Accountants

C O N T E N T S

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

June 27, 2012

To the Board of Directors
New York State Olympic Regional Development Authority

We have audited the accompanying financial statements of the business-type activities of New York State Olympic Regional Development Authority (the Authority), a New York Public Benefit Corporation, which is a component unit of the State of New York, as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of March 31, 2011 were audited by other auditors whose report date June 22, 2011 expressed an unqualified opinion on those financial statements.

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. 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 the 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 business-type activities of the New York State Olympic Regional Development Authority as of March 31, 2012, and the changes in financial position and cash flows for the year 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 June 27, 2012 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 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.

(Continued)

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INDEPENDENT AUDITORS' REPORT (Continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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, who considers it to be an essential part of 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 audit 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.

Bonadio & Co., LLP

Within this section of the New York State Olympic Regional Development Authority's (ORDA's) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of ORDA for the fiscal year ended March 31, 2012. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

- ORDA's assets exceeded its liabilities by $42,708,524 as of March 31, 2012. This compares to the previous year, when assets exceeded liabilities by $43,450,335.
- Total net assets are comprised of the following:
  (1) Investment in capital assets of $65,829,738, which includes property and equipment, the nets of accumulated depreciation and related debt, and a reduction of outstanding debt related to the purchase or construction of capital assets.
  (2) Unrestricted net assets of ($23,121,214) representing the excess of non-capital expenses over revenue since the inception of ORDA.

Overview of Financial Statements

The basic financial statements include the statement of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows and notes to the financial statements. ORDA also includes in this report additional information to supplement the basic financial statements.

The first of these statements is the *Statement of Net Assets.* This is the statement of financial position presenting information that includes all of ORDA's assets and liabilities, with the difference reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall economic health of the Authority must include other non-financial factors such as the condition of ORDA's property and equipment, and the economic picture of the State and the Nation, in addition to the financial information provided in this report.

The second statement is the *Statement of Revenues, Expenses and Changes in Fund Net Assets*, which reports how the Authority's net assets changed during the current and previous fiscal year. Revenues and expenses are included when earned or incurred, regardless of when cash is received or paid. An important purpose of the design of this statement is to show the Authority's financial reliance on the distinct activities related to each of the venues, and revenues provided by our sponsors, the State of New York, and the Town of North Elba.

The third statement is the *Statement of Cash Flows,* which shows the sources and uses of cash. For the fiscal year ending March 31, 2012, operating activities used cash of ($3,692,079), state and local appropriations provided cash of $8,315,735, net cash used by capital and related financing activities was ($3,617,152) and investing activities provided cash of $315, resulting in a net increase in cash and cash equivalents of $1,006,819 for the fiscal year ending March 31, 2012. Cash and cash equivalents at the beginning of the year were $468,108, while at the end of the year, cash and cash equivalents were $1,474,927.

This statement also presents the reconciliation of net loss from operations of $16,945,394 (including depreciation of $6,725,022) to net cash used by operating activities of ($3,692,079).

Overview of Financial Statements (Continued)

The accompanying *Notes to the Financial Statements* provide information essential to a full understanding of the financial statements.

Financial Analysis Of The Authority

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Authority as a whole.

ORDA's net assets at fiscal year-end are $42,708,524. This is a $741,811 decrease over last year's net assets of $43,450,335. The following table provides a summary of the Authority's assets, liabilities and net assets:

Summary of Net Assets

	Totals 2012	Totals 2011	Amount of Change	% Change
Current assets	$ 6,296,154	$ 5,167,875	$ 1,128,279	21.83%
Capital assets	76,471,591	76,912,448	(440,857)	-0.57%
Other assets	115,551	134,751	(19,200)	-14.25%
Total assets	$ 82,883,296	$ 82,215,074	$ 668,222	0.81%
Current liabilities	$ 12,092,993	$ 12,619,020	$ (526,027)	-4.17%
Other liabilities	28,081,779	26,145,719	1,936,060	7.40%
Total Liabilities	$ 40,174,772	$ 38,764,739	$ 1,410,033	3.64%
Net assets:				
Invested in capital assets, net of related debt	$ 65,829,738	$ 64,897,024	$ 932,714	1.44%
Unrestricted net assets	(23,121,214)	(21,446,689)	(1,674,525)	7.81%
Total net assets	$ 42,708,524	$ 43,450,335	$ (741,811)	-1.71%

The Authority reported positive balances in net assets for both fiscal years. Net assets decreased by $741,811 in 2012. The unrestricted deficit increased by $1,674,525.

Major Events That Impact Financial Results

The major sporting and entertainment events held by the Olympic Authority that impacted financial results were:

- **Lake Placid Freestyle Skating Championships**
- **Lake Placid Ice Dancing Championships**
- **America's Cup Bobsled and Skeleton**
- **Stars on Ice**
- **Division I Ice Hockey**
- **Nature Valley Freestyle Grand National**
- **World Cup Bob/Skeleton FIBT World Championships**
- **International Skating Institute Figure Skating Competition**
- **New Year's Ski Jump**
- **Lake Placid Loppet**
- **NCAA D III Men's Hockey Championships**
- **Empire State Games – Televised**
- **Globetrotters**
- **Conferences, meetings and weddings**

Revenues, Expenses And Changes In Net Assets

ORDA's operating revenue decreased by $3,072,053 which is attributed to extremely adverse weather conditions in the winter months. The 2011-2012 winter season turned out to be a warm and virtually snowless winter. The two ski centers, Whiteface and Gore Mountains, are the source of about 57% of ORDA's earned revenue. Revenue at the ski centers decreased from 2011 by over $2.5 million.

ORDA's New York State appropriation increased by $209,538 during fiscal year 2012. In the past several years, since 2009, ORDA's state support has been nearly cut in half, and support from the Town of North Elba has decreased by over $26,000, and will remain stagnant. This, as well as the significant decrease in earned revenue resulted in an operating loss that was $3,213,755 greater than in fiscal year 2012, compared to 2011.

Management has taken extraordinary steps to decrease personal service expense in the past several years, so much so that more cuts in that area would be unproductive, even detrimental to ORDA's bottom line. Overall, utilities and fuel expense declined again is fiscal year 2012, compared to 2011, by $281,351, mostly due to a decrease in energy consumption. At Gore Mountain, an excellent negotiated electricity rate, and less consumption, resulted in a $540,000 savings at that venue, in energy costs.

Graphic presentation on pages 9 – 12 of revenue and expense by venue and type follow to assist the analysis of the Authority's activities for the fiscal year 2012.

Revenue by Source Chart

The Revenue by Source pie chart for 2012 shows that Whiteface Mountain continues to be the venue that produces the most revenue at 32%, followed by Gore Mountain at 25%, support from the State of New York was approximately 17%, the Town of North Elba contributed 3%, and the remaining 23% comes from the other venues, the ORDA Store, Corporate Marketing and Sports Development.

Revenue by Venue Graph

Looking at the bar graph labeled Revenue by Source shows that Whiteface Mountain earned $1,486,201 less in 2012 compared to 2011. Gore Mountain earned $1,086,000 less this year compared to last.

Revenue by Type Graph

The following Graph, Revenue by Type 2011 Compared to 2012 again shows that skiing is ORDA's best revenue producer.

Expense by Type Graph

The Expense by Type graph shows that hourly employees' personal service continues to be one of the Authority's greatest expenses, followed by payroll added cost. The large increase in payroll-added cost in the past several years is due to a new Government Accounting Standards Board's (GASB) ruling called "Other Post Retirement Benefits" (OPRB). OPRB is an actuarial calculation that estimates what ORDA would pay out to employees and retirees in benefits (accrued vacation time, compensatory time, holiday time, and health insurance after retirement) if ORDA ceased to exist.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation and debt as of March 31, 2011 and 2012 was $65,829,738 and $64,897,024, respectively. The total increase in this net investment at March 31, 2012 was $932,714. The increase is in part due to grants awarded to ORDA by the Empire State Development Corporation, and capital contributions from ORDA's food concessionaire, Volume Services America/Centerplate. Major capital asset additions during the fiscal year included new snow-grooming and snowmaking equipment for both Whiteface and Gore Mountains, snowmobiles and pick-up trucks for all venues, and upgrades to gift shops, coffee shops and cafeterias at Whiteface and Gore Mountains.

Long Term Debt

At the end of the fiscal year, the Authority had capital lease obligations of $11.6 million. Included in the long term debt were a lease of about $6.3 million for improvements at both Gore and Whiteface, and a New York Power Authority lease of about $4.7 million for the purchase of new energy efficient compressors and new energy efficient snowmaking equipment at the ski centers. At the end of the fiscal year, the Authority had postretirement benefits obligations of $14.8 million and compensated absences of $2.3 million.

Short Term Debt

The Authority currently has a line of credit of $3.5 million, of which $3.1 million was outstanding as of March 31, 2012. This line of credit is used to pay expenses incurred for projects that will ultimately be funded by an Empire State Development Corporation Grant, for the new Convention Center at Lake Placid. As well, about $2.5 million was used to fund operations over the past several years.

Economic Environment and Next Year’s Forecast

Economic Environment

ORDA’s operating results and cash flow are dependent on daily sales, state and local appropriations and corporate sponsorships. The first 3 fiscal quarters relied heavily on appropriations from New York State and the Town of North Elba, while being supplemented by daily sales from venue visitation. The last quarter provides receipts from operations that sustain ORDA for the remainder of the fiscal year. The Town of North Elba appropriation has been reduced by $250,000. ORDA will look at ways to make the Lake Placid venues more efficient.

Given that ORDA relies heavily on fourth quarter sales to sustain the annual budget, its results are highly dependent on winter weather conditions and tourism trends. The 2011 - 2012 season was not as profitable for all venues as the previous year. Whiteface Mountain, Mt. Van Hoevenberg Sports Complex, Gore Mountain and the Olympic Arena all had decreased revenue, compared to the previous year, which can be directly attributed to the poor winter weather conditions. The Ski Jumps’ visitors and receipts were the only venue which had an increase from the previous year. New York State Appropriations remained nearly constant with the previous year, which were historically lower than past years due to the state’s fiscal challenges. Understanding the states’ reductions as well as adjusting to poor winter conditions, ORDA continued a concerted effort to reduce costs. All venues continued to struggle with profitability and cash management.

Operations provided numerous opportunities for the public to enjoy the beauty and uniqueness of our facilities. Thousands of youngsters were able to experience the thrill of the Olympic facilities through the programs provided by the Sports Development department.

ORDA remained competitive with other resorts by providing a menu of activities to entice tourists to visit our venues.

Next Year’s Forecast

The 2012-2013 year will again be filled with many activities, events and opportunities to experience our facilities. Once again, world events will be staged. Season pass programs and lift ticket schedules are designed to provide value and opportunity for our guests. Modifications to our ticket schedules and resort passes will provide additional revenues for the organization as long as weather and operating conditions permit. New marketing initiatives will be undertaken to increase visitation. ORDA will have to continue to be vigilant in regards to operational spending as it is anticipated that fuel, utilities, insurance and retirement costs will continue to increase and support from the state may decrease. Managers and department heads will work together to minimize expenses while at the same time striving to fulfill our mission and provide absolute quality experiences for our guests. ORDA will be managing Belleayre Mountain this winter for the first time. This long term arrangement will provide new avenues for revenues and potential destination visits to other ORDA facilities.

Pursuant to a study released in September, 2008, ORDA had a statewide economic impact of $347 million in the 2007-2008 fiscal year. ORDA’s local (Clinton, Essex, Franklin and Warren Counties) economic impact was $271 million.

According to an Economic Impact Study released in April 2007 by the Northern New York Travel and Tourism Research Center, tourism had a total economic impact of $1.7 billion in the 10 counties of northern New York. $635 million of this money came from Clinton, Essex, Franklin and Warren Counties.

ORDA’s economic impact on the region represents more than one half of the tourism dollars brought to four (Clinton, Essex, Franklin and Warren) of the counties in the North Country.

Next Year's Forecast (Continued)

ORDA has already begun to take measures to positively affect next year's sales. Working together with the Montreal Grand Prix, we had strategically placed advertisements and promotions during the event. We plan on a (OTW – off the wall) campaign in Montreal since business from there is on an upswing. Marketing is looking into pull behind trailers with billboards for our travels up and down Interstate 87. As well we are looking at trucking companies to wrap trailers with the Whiteface/Lake Placid message. We plan on being in 4 communities this summer with marketing campaigns.

From an operational standpoint, many of our facilities deferred maintenance items will be acted upon thereby improving our venues. Improved experiences for our guests will undoubtedly add to customer satisfaction and word of mouth advertising leading to additional revenue.

Many improvements are planned for our food vending areas and lodges through a new contract with Centerplate. Again, this leads to improved customer satisfaction which sustains customer visits. As well, these improvements are marketable thus providing a drawing card to attract additional visitors.

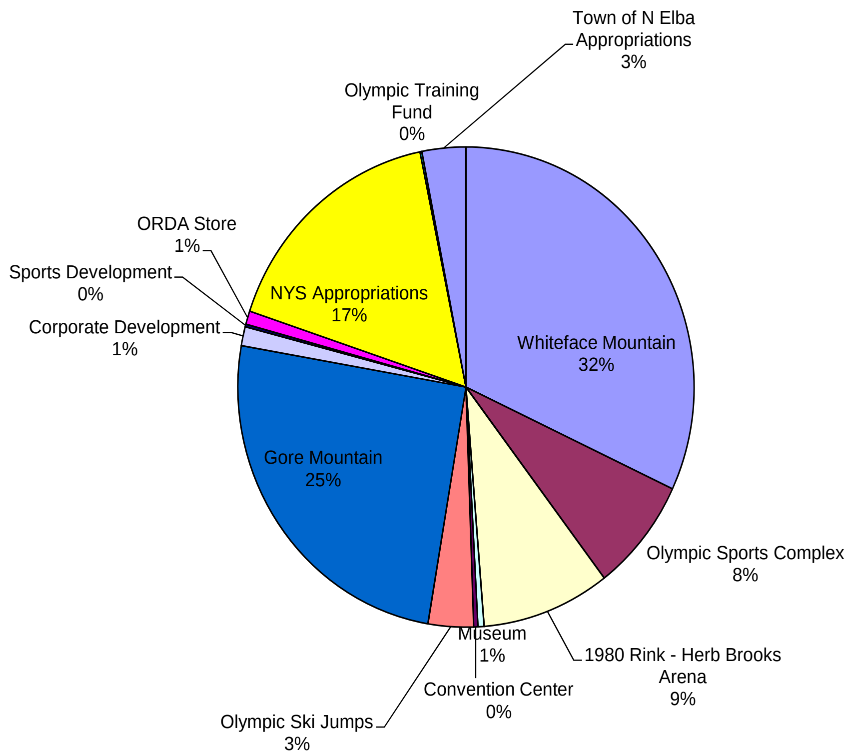
The new Conference Center has already proven to be a huge asset for this organization. This facility will provide additional revenue to ORDA next year as well as lead to the notoriety of the region.

Together with the board and staff we anticipate that the upcoming year will provide many opportunities for our guests to experience all that we are mandated to provide.

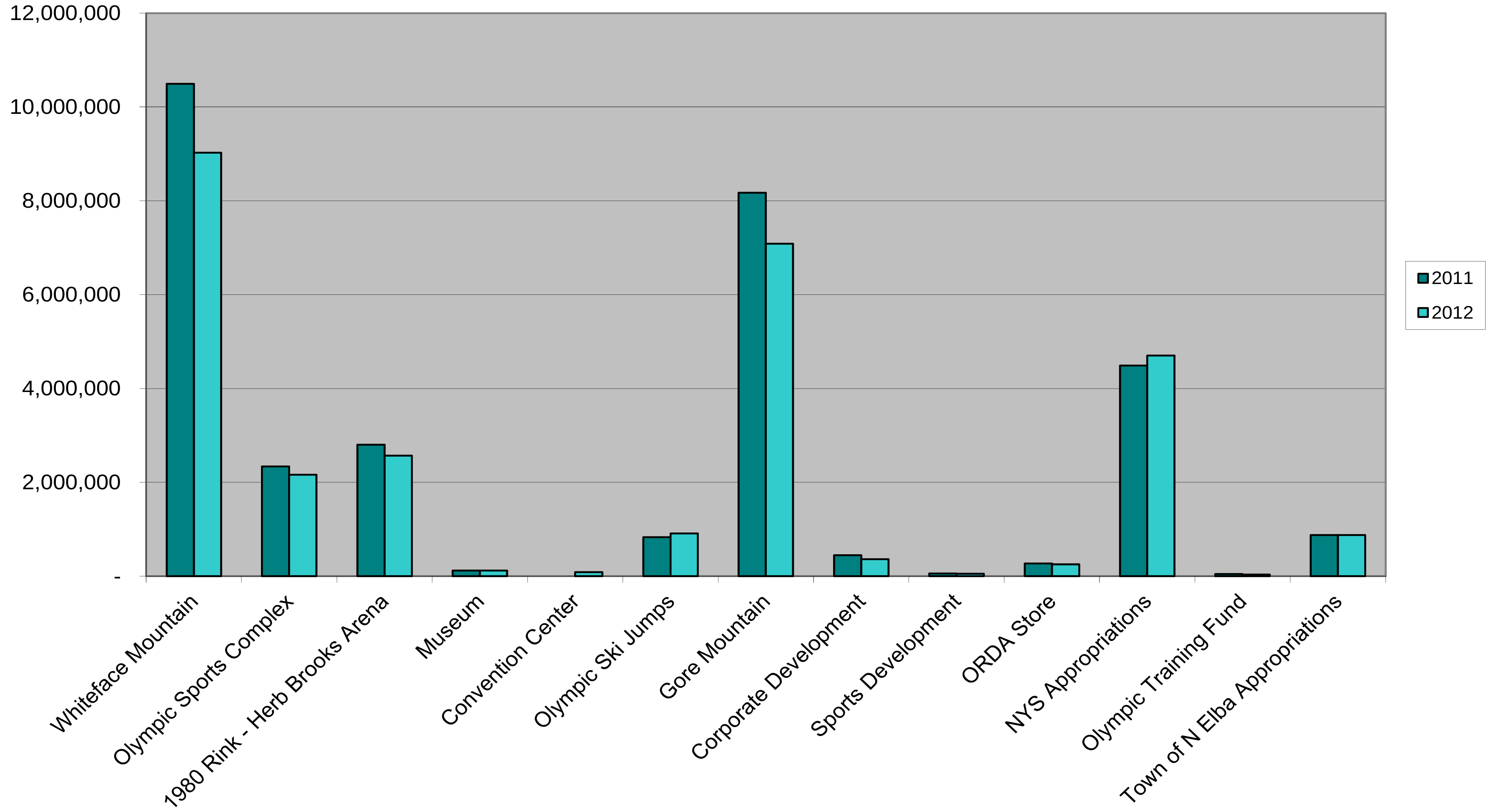
Contacting ORDA's Management

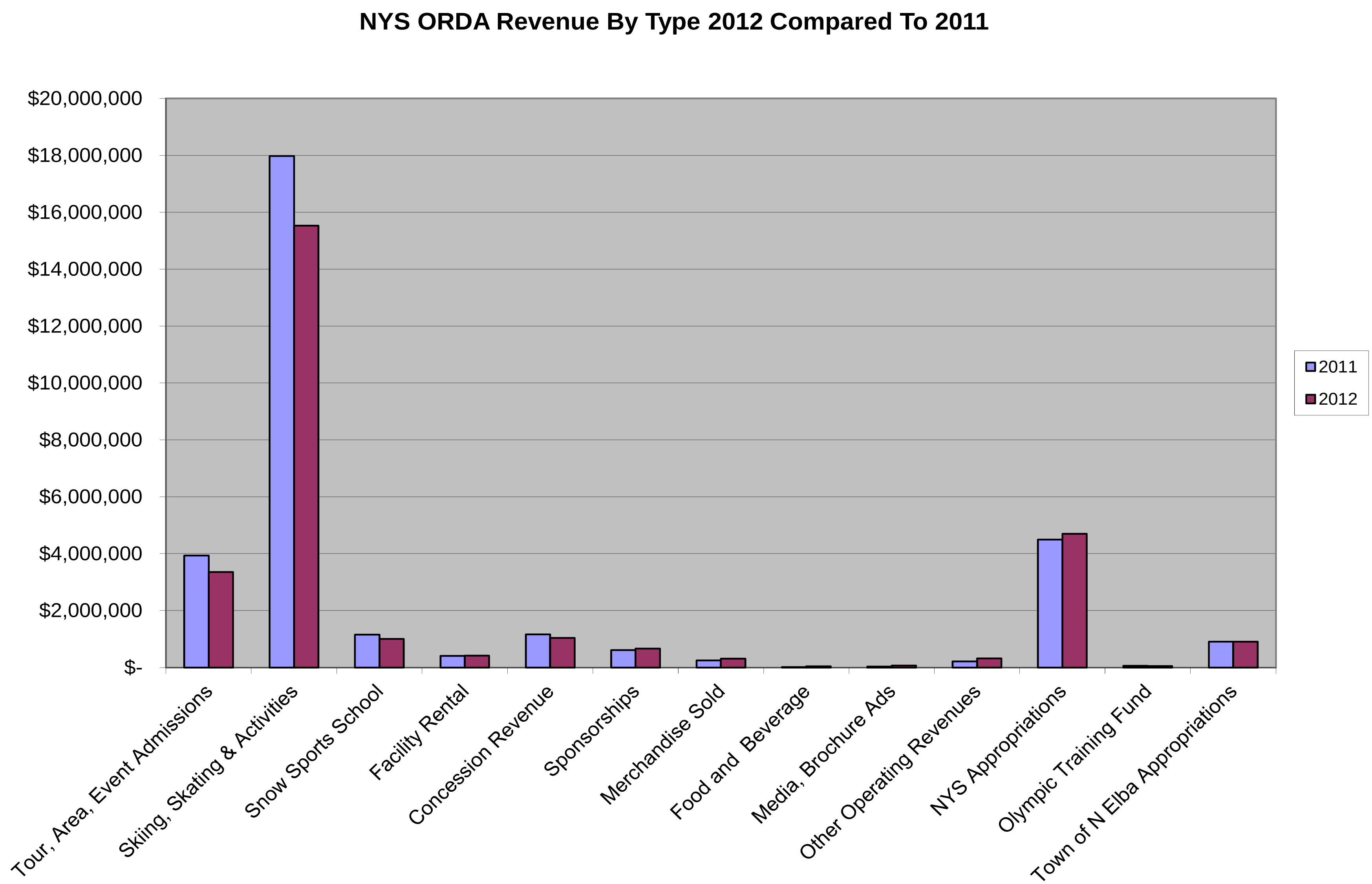
This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have questions about this report or would like to request additional information, contact Padraig Power, Director of Finance, at 518-302-5317.

NYS ORDA Revenue By Source 2012

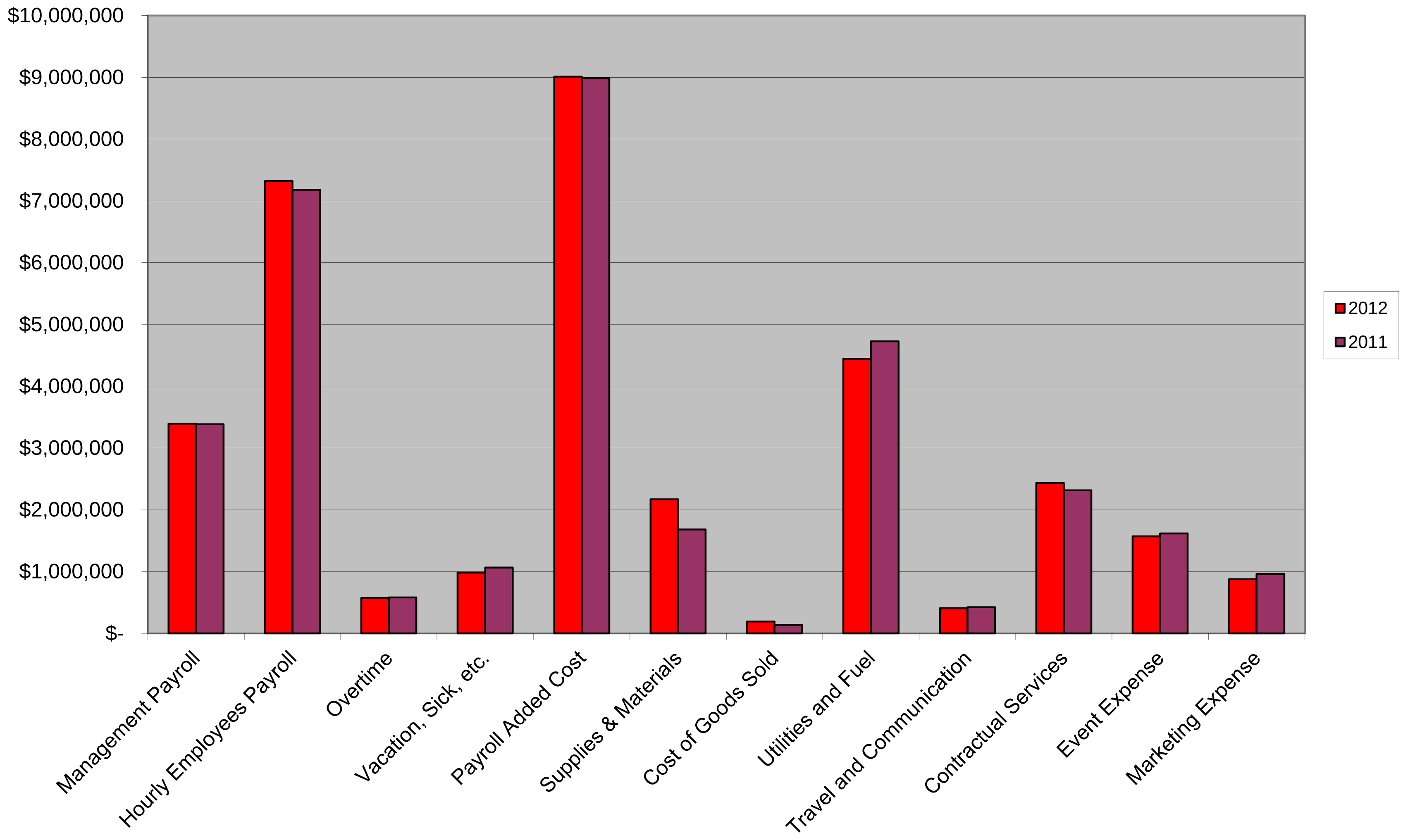


NYS ORDA Revenue By Source 2012 Compared To 2011




NYS ORDA Revenue By Type 2012 Compared To 2011
$20,000,000
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
Tour, Area, Event Admissions
Skiing, Skating & Activities
Snow Sports School
Facility Rental
Concession Revenue
Sponsorships
Merchandise Sold
Food and Beverage
Media, Brochure Ads
Other Operating Revenues
NYS Appropriations
Olympic Training Fund
Town of N Elba Appropriations
2011
2012

NYS ORDA Expenses By Type 2012 Compared To 2011



OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENT OF NET ASSETS
MARCH 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,474,927	$ 468,108
Restricted cash	822,075	708,300
Inventory	51,004	70,918
Accounts receivable, net	3,649,371	3,624,281
Prepaid expenses	298,777	296,268
Total current assets	6,296,154	5,167,875
PROPERTY AND EQUIPMENT, net	76,471,591	76,912,448
OTHER ASSETS:		
Deferred financing costs	115,551	134,751
	$ 82,883,296	$ 82,215,074
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 4,372,569	$ 4,074,404
Line of credit	3,102,711	4,581,402
Current portion - Capital leases	1,581,200	1,723,688
Accrued liabilities	2,146,928	1,764,938
Deferred revenue	889,585	474,588
Total current liabilities	12,092,993	12,619,020
OTHER LIABILITIES		
Due to Office of General Services	799,891	477,283
Capital lease obligations	9,998,279	11,134,787
Due to N.Y.S. Employees Retirement System	158,542	211,926
Accrued compensated absences	2,344,623	2,276,806
Accrued postretirement benefits	14,780,444	12,044,917
Total other liabilities	28,081,779	26,145,719
Total Liabilities	40,174,772	38,764,739
NET ASSETS		
Invested in capital assets, net of related debt	65,829,738	64,897,024
Unrestricted	(23,121,214)	(21,446,689)
Total Net Assets	42,708,524	43,450,335
	$ 82,883,296	$ 82,215,074

The accompanying notes are an integral part of these statements.

OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
Operating Revenues		
Earned revenues	$ 22,025,345	$ 25,150,511
Sponsorships and in-kind contributions	904,801	843,388
Olympic Training Fund	52,285	60,585
Total Operating Revenues	$ 22,982,431	$ 26,054,484
Operating Expenses		
Personal services	$ 18,355,847	$ 17,775,454
Postretirement benefits	2,735,527	3,279,288
Utilities and fuel	4,442,401	4,723,752
Fees, dues	444,960	452,054
Marketing expense	885,442	959,806
Event related costs	1,567,658	1,618,490
Contractual services	1,950,708	1,861,666
Supplies and materials	2,189,685	1,680,168
Cost of goods sold	191,510	135,640
Communications	211,228	232,059
Travel and lodging	191,223	189,450
Bad debts (Recoveries)	17,415	(793)
Amortization	19,200	19,200
Depreciation	6,725,022	6,859,889
Total Operating Expenses	39,927,826	39,786,123
Operating Loss	(16,945,395)	(13,731,639)
Non-Operating Revenues (Expenses)		
Appropriations - New York State	4,700,942	4,491,404
NYS working capital grants	2,712,148	-
Appropriations - Town of North Elba	902,645	902,645
Interest income	96	3,564
Interest expense	(501,174)	(474,469)
Restricted interest	219	531
Total Non-Operating Revenue (Expenses)	7,814,876	4,923,675
Loss Before Capital Contributions	(9,130,519)	(8,807,964)
Capital Contributions		
New York State ESD	7,185,503	6,485,940
Other	1,203,205	-
Total Capital Contributions	8,388,708	6,485,940
Decrease in Net Assets	(741,811)	(2,322,024)
Net Assets, Beginning of Year	43,450,335	45,772,359
Net Assets, End of Year	$ 42,708,524	$ 43,450,335

The accompanying notes are an integral part of these statements.

OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities		
Receipts from customers	$ 24,273,392	$ 25,648,825
Payments to employees	(18,320,805)	(17,755,586)
Payments to suppliers	(9,696,951)	(11,952,161)
Receipts from Olympic Training fund	52,285	60,585
Net Cash Used By Operating Activities	(3,692,079)	(3,998,337)
Cash Flows From Noncapital Financing Activities		
Appropriations received from State and Town of North Elba	8,315,735	5,394,049
Cash Flows From Capital and Related Financing Activities		
Other capital contributions	8,388,708	6,485,940
Change in restricted cash	(113,775)	(670,500)
Change in capital related accounts receivable	(971,989)	1,239,195
Change in capital related accounts payable	(1,373,935)	1,901,938
Additions, net of disposals, to property, plant and equipment	(6,284,165)	(12,427,360)
Net proceeds (repayments) of the line of credit	(1,478,691)	2,150,117
Principal paid on capital lease obligations	(1,278,996)	(1,096,225)
Proceeds from capital lease obligations	-	624,545
Interest paid on debt	(504,309)	(477,342)
Net Cash Used By Capital and Related Financing Activities	(3,617,152)	(2,269,692)
Cash Flows From Investing Activities		
Restricted interest	219	531
Interest income	96	3,564
Net Cash Provided by Investing Activities	315	4,095
Net Increase (Decrease) in Cash and Cash Equivalents	1,006,819	(869,885)
Cash and Cash Equivalents, Beginning of Year	468,108	1,337,993
Cash and Cash Equivalents, End of Year	$ 1,474,927	$ 468,108
Reconciliation of Net Loss From Operations to Net Cash Used By Operating Activities		
Operating loss	$ (16,945,395)	$ (13,731,639)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Amortization	19,200	19,200
Depreciation	6,725,022	6,859,889
Bad debts (Recoveries)	17,415	(793)
(Increase) decrease in assets:		
Inventory	19,914	6,329
Accounts receivable	929,484	(388,041)
Prepaid expenses	(2,509)	(59,967)
Increase (decrease) in liabilities:		
Accounts payable	1,672,100	(31,486)
Accrued liabilities, N.Y.S. Employees Retirement System, and compensated absences	399,558	(231,203)
Due to Office of General Services	322,608	-
Accrued postretirement benefits	2,735,527	3,279,288
Deferred revenue	414,997	280,086
Net Cash Used By Operating Activities	$ (3,692,079)	$ (3,998,337)
Schedule of Non-Cash Capital and Financing Activities		
Equipment acquired through capital lease	$ -	$ 624,545

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS

The New York State Olympic Regional Development Authority (the Authority) was created under Title 28 of the Public Authorities Law as a public benefit corporation on June 10, 1981 to operate, manage and maintain the Olympic facilities in and around Lake Placid, New York. The Authority assumed operation of the facilities at Whiteface Mountain Ski Center and Memorial Highway and the Mount Van Hoevenberg Recreation Area on October 4, 1982 under an agreement with the New York State Department of Environmental Conservation (the Department). The Authority assumed operation of the arena complex, the speed skating oval and the Intervale ski jump complex on October 13, 1982 under agreement with the Town Board of the Town of North Elba, as Trustee for the Town of North Elba Public Parks and Playground District (the Park District). On April 1, 1984, the Authority entered into an agreement with the Department to operate, manage and maintain the Gore Mountain Ski Center (Gore).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. In accordance with those principles prescribed by the Governmental Accounting Standards Board (GASB), the Authority's financial statements have been presented as a proprietary fund in this report. All revenues and expenses are recorded on the accrual basis. For New York State accounting purposes, the Authority is a component unit of New York State and is included in its comprehensive annual financial report.

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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates used in preparing these financial statements include the calculation of compensated absences, the estimated useful lives of property and equipment and the estimated value of the net postretirement obligation.

Cash and Cash Equivalents

The Authority's cash and cash equivalents consists of cash on hand and demand deposits with original maturities of three months or less from date of acquisition.

The Authority's investment policies are governed by State statutes and Authority's own written investment policy. Authority monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Director of Finance or designee is authorized to use demand accounts and certificates of deposit. Permissible investments include federal obligations, overnight repurchase agreements, money market accounts, and certificates of deposit issued by approved financial institutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Collateral is required for demand and time deposits not covered by FDIC Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies.

At March 31, 2012 and 2011 deposits were fully insured and/or collateralized by the Authority's agent in the Authority's name.

Restricted Cash

Restricted cash consists of funds relating to the Convention Center upgrade in the amount of $813,775 and $700,000 as of 2012 and 2011, respectfully. Also included is $8,300 as of 2012 and 2011, to be used for the P. Wharton Memorial Scholarship.

Inventory

Inventory consists of donated or purchased supplies and materials. Purchased inventory is recorded at the lower of cost or market using the FIFO basis; donated inventory is recorded at the estimated fair value at the time of donation.

Accounts Receivable

Accounts receivable are stated at unpaid balance, less allowance for doubtful accounts. The Authority provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of the payers to meet their obligations. The allowance for doubtful accounts was $25,460 and $8,620 as of March 31, 2012 and 2011.

Deferred Financing Costs

Deferred financing costs consist of financing fees and expenses associated with a capital lease agreement with the New York Power Authority. These fees and expenses are being amortized on a straight line basis over the term of the lease. Amortization expense is expected to be $19,200 in each of the next six years.

Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost. Expenditures for renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Property and plant	20-40
Equipment, furniture and vehicles	3-10

Sinking Fund – Capital Repairs and Improvements

Section 2619 of the Public Authorities Law requires the Authority to establish a sinking fund to provide for capital improvements and major repairs to the Olympic facilities. The law requires, among other things, that not less than twenty-five (25) percent of the net profit from operations in the Authority's fiscal year shall be deposited into the sinking fund. The Authority did not have net profits from operations for the years ended March 31, 2012 and 2011, and had no balance in the reserve.

In the event of termination of the Authority, New York State and the Park District each would receive fifty percent of all monies in the sinking fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Appropriations from New York State and from the Park District are required by statute; appropriations are recognized in the fiscal year of appropriation.

Event revenues, including sponsorships, are recognized when the related event takes place. General sponsorship agreements are recognized over the period of the contracts.

Compensated Absences

Employees of the Authority are entitled to paid vacation and paid holidays depending on job classification, length of service and other factors. The accumulation of vacation hours is subject to a 200 hour limit for union employees and a 300 hour limit for non-union management/ confidential employees. The limits are determined on a calendar year basis. Unused holiday time accrues without limit. The accrued value of vacation and holiday time and salary related payments at March 31, 2012 and 2011 is $909,451 and $910,286, respectively.

Sick days are forfeited upon termination, but may be used at retirement to pay health insurance premiums. The Authority recognizes a liability for vested sick leave for employees who, at the balance sheet date, currently are eligible to convert vested sick leave to the retiree's portion of health insurance premiums as well as other employees who are expected to become eligible in the future to convert such leave.

The liability for sick leave is calculated at rates in effect as of the balance sheet date. The liability at March 31, 2012 and 2011 is $2,344,623 and $2,323,739, respectively.

Retirement Benefits

Authority employees participate in the New York State and Local Employees' Retirement System.

Postretirement Benefits

In addition to providing retirement benefits described, the Authority provides postretirement health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the Authority. The Authority pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance.

At the fund level, the Authority recognized the current cost of providing benefits for March 31, 2012 and 2011 by recording $674,758 and $653,137 which is its share of insurance premiums for 77 and 76 currently enrolled retirees, as expenditure for the current year, respectively.

The Authority has recorded other postretirement benefits totaling $14,780,444 and $12,044,917 as of March 31, 2012 and 2011. See Note 12 for additional information regarding postretirement benefits.

NYS Capital Appropriations and Grants

The Authority received capital appropriations and grants from New York State, State Agencies and others to fund various capital and other projects related to Health and Safety, and Preservation and Improvement of Facilities. The funds were expended for property and plant, equipment and construction in process of $7,185,503 and $6,485,940 for the years ended March 31, 2012 and 2011, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Use of Facilities

Generally accepted accounting principles require that the donated use of facilities be recorded as a contribution at its estimated fair value at the time received if the Authority has a clearly measurable and objective basis for determining the value. The agreement with New York State and the Park District permit the Authority to use, operate, and maintain the facilities in existence at the Authority's inception, including the personal property and equipment used solely in connection therewith. The amounts reported as property, plant and equipment in the accompanying balance sheets include only those assets purchased by the Authority.

Title to facilities and equipment originally owned by New York State and Park District does not pass to the Authority. The facilities, equipment and additions and improvements thereto revert back to New York State and the Park District, respectively, at the end of the terms of the agreements. There was no clearly measurable basis for determining the value of the facilities and equipment used by the Authority and, therefore, the assets and the related depreciation expense or a contribution and related rental expense are not reflected in these financial statements.

Donated Services

During the years ended March 31, 2012 and 2011, the recorded values of donated ski patrol services were approximately $250,000 and $237,000.

Reclassifications

Certain reclassifications have been made to the 2011 statements to conform to the current year presentation.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2012	2011
Trade receivables	$ 2,121,546	$ 2,200,548
Employee advances	38,373	39,608
Grant receivable	1,514,912	1,392,745
	3,674,831	3,632,901
Less allowance for doubtful accounts	25,460	8,620
Accounts receivable, net	$ 3,649,371	$ 3,624,281

4. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consists of the following as of March 31, 2012:

	Balance April 1	Additions	Deletions	Balance March 31
Land	$ 145,000	$ -	$ -	$ 145,000
Property and plant	115,356,637	17,649,622	-	133,006,259
Equipment, furniture and vehicles	40,902,987	1,479,179	-	42,382,166
Construction in progress	15,020,633	4,520,216	(17,364,852)	2,175,997
Total	171,425,257	23,649,017	(17,364,852)	177,709,422
Less: accumulated depreciation	94,512,809	6,725,022	-	101,237,831
Property, Plant and Equipment, net	$ 76,912,448	$ 16,923,995	$ (17,364,852)	$ 76,471,591

Property, Plant and Equipment consists of the following as of March 31, 2011:

	Balance April 1	Additions	Deletions	Balance March 31
Land	$ 145,000	$ -	$ -	$ 145,000
Property and plant	114,342,261	1,014,376	-	115,356,637
Equipment, furniture and vehicles	39,698,613	1,204,374	-	40,902,987
Construction in progress	4,812,023	12,559,666	(2,351,056)	15,020,633
Total	158,997,897	14,778,416	(2,351,056)	171,425,257
Less: accumulated depreciation	87,652,920	6,859,889	-	94,512,809
Property, Plant and Equipment, net	$ 71,344,977	$ 7,918,527	$ (2,351,056)	$ 76,912,448

5. DEFERRED REVENUE

Deferred revenue consists of the following as of March 31:

	2012	2011
General and event sponsorships	$ 168,600	$ 176,180
Advance ticket sales	201,318	298,408
Grants	519,667	-
	$ 889,585	$ 474,588

6. LINE OF CREDIT

The Authority maintained a line of credit agreement with Citizens Bank which expired March 2011. The amount available was $5,000,000 with the interest paid monthly on outstanding borrowings at LIBOR+.25% for 2011. During 2012 the organization renewed its line of credit agreement with the bank, with an available amount at $3,500,000. The maturity date of this new agreement is June 30, 2012, with an interest rate of LIBOR+.35% (3.74% at March 31, 2012). The outstanding balances (including accrued interest) at March 31, 2012 and 2011 were $3,102,711 and $4,581,402, respectfully. The outstanding balances are secured by assets of the authority. Borrowings on the credit line are used primarily to pay employees and vendors when operating receipts are not sufficient.

7. LONG-TERM DEBT

Long-term liability balances and activity for the year ended March 31, 2012 are summarized below:

	Beginning Balance	Additions		Deletions	Ending Balance	Amounts Due Within One Year	Long-term Portion
Capital lease obligations	$ 12,858,475	$ -		$ 1,278,996	$ 11,579,479	$ 1,581,200	$ 9,998,279
Due to NYS and Local Employee Retirement System (ERS)	211,926	416,936	(A)	42,910	585,952	427,410	158,542
Compensated Absences	2,276,806	67,817	(A)	-	2,344,623	-	2,344,623
Postretirement benefits	12,044,917	4,471,014		1,735,487	14,780,444	-	14,780,444
Total	$ 27,392,124	$ 4,955,767		$ 3,057,393	$ 29,290,498	$ 2,008,610	$ 27,281,888

Long-term liability balances and activity for the year ended March 31, 2011 are summarized below:

	Beginning Balance	Additions		Deletions	Ending Balance	Amounts Due Within One Year	Long-term Portion
Capital lease obligations	$ 13,330,155	$ 624,545		$ 1,096,225	$ 12,858,475	$ 1,723,688	$ 11,134,787
Due to NYS and Local Employee Retirement System (ERS)	151,519	93,967	(A)	33,560	211,926	-	211,926
Compensated Absences	2,229,095	47,711	(A)	-	2,276,806	-	2,276,806
Postretirement benefits	8,765,629	3,932,426		653,138	12,044,917	-	12,044,917
Total	$ 24,476,398	$ 4,698,649		$ 1,782,923	$ 27,392,124	$ 1,723,688	$ 25,668,436

A. Additions and deletions to compensated absences and ERS are shown net because it is impractical to determine these amounts separately.

8. OBLIGATIONS UNDER CAPITAL LEASE AGREEMENTS

The Authority leases equipment under capital leases expiring during fiscal year 2018. The asset and liability under capital leases are recorded at the present value of the minimum lease payments. The effective interest rates for the leased equipment range from 3% to 5.2%. The assets under capital leases are included in the accompanying balance sheets. Depreciation of assets under capital leases is included in depreciation expense.

The Authority has two capital leases with Manufacturers and Traders Trust Company (M&T). For the first one, the Authority financed the purchase of $8 million of equipment. Semi-annual payments are $417,980 through August 2017, with interest fixed at 4.48%. In the second, the Authority financed the purchase of $1.2 million of equipment. Semi-annual payments are $80,840 through August 2017, with interest fixed at 4.53%. Both M&T leases require that the Authority maintain a debt service coverage ratio of at least 1.00 to 1.00. The Authority was in compliance with this covenant as of March 31, 2012 and 2011.

The Authority financed the purchase of equipment with leases through Alliance Leasing, Inc. Monthly payment amounts are $953 and $1,249 through January 2015 including interest fixed at 5.2%.

Certain equipment purchases were financed through the New York Power Authority (NYPA). Payments are made monthly at $33,976 through August 2023 with interest at 0.88%.

The Authority financed the purchase of equipment with a lease through National City Commercial Capital Company, LLC. Monthly payment amounts are $1,441 through July 2015 with interest at 3%.

Minimum future lease payments under the capital leases are as follows:

2013	$ 1,897,317
2014	1,449,066
2015	1,444,662
2016	1,422,649
2017	1,411,123
Thereafter	5,275,909
	12,900,726
Less: Amount representing interest	1,321,247
Present value of net minimum lease payments	$ 11,579,479

Assets held under capital assets are as follows:

	2012	2011
Equipment	$ 16,029,392	$ 16,029,392
Less: accumulated depreciation	3,243,262	2,378,661
Net leased property	$ 12,786,130	$ 13,650,731

9. PENSION PLANS

The Authority participates in the New York State and Local Employees' Retirement System (the System). The System is a cost sharing multiple employer public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

The New York State and Local Employees' Retirement System 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 New York State of New York (Comptroller serves as sole trustee and administrative head of the System) shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System 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 System, State Office Building, Albany, New York 12244.

The System is noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System for more than 10 years are no longer required to contribute. For employees who joined after January 1, 2010, employees in the System contribute 3% of their salary throughout their active membership. 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 for the current year and two preceding years were:

2012	$ 1,385,264
2011	1,161,746
2010	896,878

The Authority's contributions made to the System were equal to 100 percent of the contributions required for each year.

Pursuant to Chapter 49 of the Laws of 2003 Maximum Amortization Amount, payments which would have been paid by February 1, 2005 are allowed to be made on a current basis, while amortizing existing unpaid amounts over a 10-year period, with an 5% interest factor added. The total unpaid liability at the end of the fiscal year was $116,365 of which $36,912 is included in accrued liabilities and $79,453 in long-term debt.

Pursuant to Chapter 57 of the Laws of 2010 of the Employer Contribution Stabilization Program, payments which would have been paid by February 1, 2011 are allowed to be made on a current basis, while amortizing existing unpaid amounts over a 10-year period, with a 5% interest factor added. The total unpaid liability at the end of the fiscal year was $87,805 of which $8,716 is included in accrued liabilities and $79,089 in long-term debt.

10. RELATED PARTY DISCLOSURES

The Authority is a component unit of New York State of New York. Accrued liabilities and other liabilities include the following amounts due to other New York State Agencies. As of March 31, the Authority has the balances below outstanding:

	2012	2011
New York State and Local Employees' Retirement System	$ 585,952	$ 257,521
New York State General Fund Pension Savings Recovery	401,253	401,253

The Authority purchased various services which totaled approximately $102,168 and $152,000 during the years ended March 31, 2012 and 2011, respectively, from businesses owned by board members. These businesses also sell tickets to the various Authority venues under a voucher system. Included in total Accounts Receivable at March 31, 2012 and 2011 was $50,708 and $64,857, respectively, relating to these businesses.

11. COMMITMENTS AND CONTINGENCIES

Litigation
The Authority is a defendant in several lawsuits resulting primarily from operations of the ski areas. The damages alleged in these lawsuits total several million dollars. The lawsuits are being defended by New York State or New York Department of Law at no cost to the Authority. However, to the extent that the Authority is not covered by insurance, the Authority shall be held harmless by New York State for any and all claims for damages or injuries arising out of the operation by the Authority of any participating Olympic facility owned by New York State. The Authority purchases commercial insurance coverage to protect against claims arising out of the operation of the Town owned facilities.

Risk Management
The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance for all risk above minimal deductible amounts. Settled claims have not exceeded the commercial coverage by any material amounts during the years ended March 31, 2012 and 2011. There was no reduction in insurance coverage during the year ended March 31, 2012.

Service America Corporation Capital Contribution
During 2004, the Authority and Service America Corporation, d/b/a Centerplate (Centerplate) entered into a concessions contract, effective June 1, 2004 through May 31, 2009, for all venues in the Lake Placid and Wilmington regions. The Authority extended the contract through May 31, 2019. As part of the current contract, the Authority shall invest an amount not to exceed $500,000 in the facilities which shall be used for upgrades and improvements in the food service premises as may be mutually agreed upon by the parties.

12. POSTRETIREMENT BENEFITS LIABILITY

Plan Description
The Authority provides postretirement, (health insurance, life insurance, etc.), coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Authority's contractual agreements. The Authority is required to calculate and record a net other postretirement benefit (OPRB) obligation at year-end. The net OPRB obligation is the cumulative difference between the actuarially required contribution and the actual contributions made.

12. POSTRETIREMENT BENEFITS LIABILITY (Continued)

Annual OPRB Cost and Net OPRB Obligation

The Authority's annual OPRB cost is calculated based on the annual required contribution of the employer, (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPRB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPRB obligation:

	2012	2011	2010
Normal cost	$ 1,533,515	$ 1,892,414	$ 1,824,893
Amortization of unfunded actuarial liability	2,348,213	2,331,347	2,088,052
Interest	143,624	156,279	144,779
ARC	4,025,352	4,380,040	4,057,724
Interest on OPRB obligation	445,662	324,328	207,038
Adjustment to ARC	(1,060,729)	(771,942)	(492,776)
OPRB expense	$ 3,410,285	$ 3,932,426	$ 3,771,986
Net OPRB obligation at the beginning of the year	$ 12,044,917	$ 8,765,628	$ 5,595,613
Current year OPRB expense	3,410,285	3,932,426	3,771,986
Net OPRB contributions made during the fiscal year	(674,758)	(653,137)	(601,971)
Net OPRB obligation at the end of the year	$ 14,780,444	$ 12,044,917	$ 8,765,628
Percentage of expense contributed	19.8%	16.6%	16.0%

Funded Status and Funding Progress

The projection of future benefits 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 OPRB 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. The OPRB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/31/2012	$ -	$ 35,817,736	$ 35,817,736	0%	$ 8,865,776	404.0%
3/31/2011	$ -	$ 33,552,357	$ 33,552,357	0%	$ 9,195,000	364.9%
3/31/2010	$ -	$ 33,907,386	$ 33,907,386	0%	$ 8,962,000	378.3%

12. POSTRETIREMENT BENEFITS LIABILITY (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial 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.

In the March 31, 2012 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	3.7%
Medical care cost trend rate	7.5% initially. The rate is reduced over a 7 year period to an ultimate rate of 6.0%
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the Authority's investment assets are low risk in nature, such as money market funds or certificates of deposit.

13. SUBSEQUENT EVENTS

On April 1, 2012, the Authority assumed management responsibility of Belleayre Ski Area in Highmont, NY. Belleayre was previously managed by the NYS Department of Environmental Conservation.

During June 2012, the Authority obtained a tax-exempt line of credit to replace the existing line currently held with Citizens Bank. The new line is being held by First Niagara and will be in the amount of $7 million with a 1 year term (and annual renewal) at a tax exempt rate of 65% of the one month LIBOR rate plus 2.75% per annum (current rate will be approximately 1.94%).

Subsequent events have been evaluated through June 27, 2012, which is the date the financial statements were available to be issued.

REQUIRED REPORTS

Bonadio & Co., LLP
Certified Public Accountants

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*

June 27, 2012

To the Board of Directors of
Olympic Regional Development Authority:

We have audited the financial statements of the business-type activities of the Olympic Regional Development Authority (the Authority) a New York State Public Benefit Corporation, which is a component unit of the State of New York, as of and for the years ended March 31, 2012, and have issued our report thereon dated June 27, 2012. 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

Management of Olympic Regional Development Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Olympic Regional Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Olympic Regional Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Olympic Regional Development Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a 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.

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(Continued)

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 (Continued)

Internal Control Over Financial Reporting (Continued)
We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. The material weakness is described in the accompany schedule of findings and responses as item 2012-01.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Olympic Regional Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.*

We noted certain other matters that we reported to management of Olympic Regional Development Authority in a separate letter dated June 27, 2012.

Olympic Regional Development Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Olympic Regional Development Authority's response and, accordingly, we express no opinion on it.

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 these specified parties.

Bonadio & Co., LLP

2012-01 – Accounts Receivable

Criteria
The accounts receivable processing procedures should ensure that any revisions of billings are properly adjusted in the accounts receivable ledger.

Condition
Our audit procedures disclosed that the accounts receivable procedures did not detect the revision of a capital project billing. Our procedures disclosed approximately $1.3 million in excess accounts receivable.

Cause:
Management did not properly review billing revisions to ensure that any changes were included in the accounts receivable ledger.

Effect
Failure to properly adjust billing revisions in the accounts receivable ledger overstated accounts receivable and revenue by $1.3 million.

Recommendation
We recommend that management implement a formal review process over billing revisions to ensure the accounts receivable ledger is being properly adjusted.

Management's Response
See corrective action plan.

Status of Prior Year Findings

2011-01 – Accounts Payable

Criteria
During the previous audit, the auditors noted that the year end closing process should be communicated to the appropriate venues, departments and offices and performed to provide management with reasonable assurance that all financial statement information from responsible venues, departments and offices has been provided to the finance office. Management should identify areas of reporting risk and address those areas with a heightened level of scrutiny.

Condition
Their audit procedures disclosed that the year end closing process did not detect all material outstanding payables to ensure that the financial statement reported amounts were correct. Their procedures disclosed approximately $1,564,689 of unrecorded liabilities.

Status of Prior Year Findings (Continued)

2011-01 – Accounts Payable (Continued)

Recommendation
They recommend that management institute a formal year end closing process which includes communication with all venues, departments and offices regarding the information and documents that should be provided to the finance office. As part of the closing process, management should perform a search for unrecorded liabilities which would include making sure that invoices and AIA documents, specifying services or materials provided through the end of the fiscal year, have been received and the corresponding assets and liabilities have been recorded. If deemed necessary, visits to venues, departments and offices should be made to discuss the criteria with personnel to ensure completeness. They recommend that a year end closing process checklist be developed and maintained to track procedures completed and as evidence of performance.

Current Status
Management has implemented new processes to address this finding during the current year audit.

2011-02 – Ticket Returns

Criteria
During the previous audit, the auditors noted that support should be required for ticket returns and discounts entered at the ticket windows and management at the venues should review the reasonableness of the amounts of returns and discounts entered.

Condition
Their audit procedures disclosed that certain venues are not consistently obtaining support for ticket returns and discounts or reviewing daily transaction detail reports.

Recommendation: They recommend that all venues consistently apply procedures which require ticket sellers to maintain supporting documentation for transactions where a ticket discount or refund is issued. Additionally, management at each venue should consistently review the daily transaction detail reports and verify that the activity appears reasonable and all refunds and discounts have supporting documentation from the ticket sellers to support the transactions. Each review should be documented and dated as evidence of performance.

Current Status
Management has implemented new processes to address this finding during the current year audit.

CORRECTIVE ACTION PLAN
MARCH 31, 2012 AND 2011

The findings from the March 31, 2012, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2012-01 – Accounts Receivable

Management agrees with the finding and the included recommendation. The issue arose from a miscommunication in a request for capital funding from a state appropriation. The request was submitted and recorded, but ultimately rejected by the state funding authority, but this rejection was never fully communicated and adjusted in the ledger. Management will review and reinforce current policies and procedures in place surrounding billing revisions and communicate these to all venue and department managers to ensure accurate adjustments to the general ledger. All revisions and adjustments will be reviewed by finance management and approved prior to being posted to the ledger.