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

FINANCIAL REPORT

December 31, 2012 and 2011

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C O N T E N T S

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Albany Parking Authority
Albany, New York

Report on the Financial Statements

We have audited the accompanying statements of net position 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, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 9 and the schedule of funding progress on page 27 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 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the Albany Parking Authority's basic financial statements. The schedules of revenues and expenses by department and capital assets are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenses by operating department and capital assets are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and expenses by department and capital assets are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2013, 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* in considering Albany Parking Authority's internal control over financial reporting and compliance.

Bollam Sheedy Torani & Co LLP

Albany, New York
February 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011

The Albany Parking Authority, hereafter referred to as the "Authority," is pleased to present its Financial Report for the years ended December 31, 2012 and 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 3 to 9 in conjunction with the Authority's financial statements and supplementary information (presented on pages 10 to 28) 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 (U.S. GAAP).

AUDIT ASSURANCE

The unqualified (i.e., clean) opinion of our independent external auditors, Bollam, Sheedy, Torani & Co. LLP, CPAs, is included on pages 1 and 2 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, 2012. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Garage occupancy increased by 5.6%, or 107 customers, during 2012; primarily due to the Parking Incentive Program (PIP).

- The Parking Retention Program was successful in keeping several additional corporations as Authority customers.

- As of 2012, thirty-seven pay and display multi-space meters were controlling 342 spaces previously managed with single-space meters.

- Actual revenue and expense performance exceeded budget plans by approximately $568,400.

- Utility costs continued to decline due to proactive efforts of management and investments in efficient lighting systems.

FINANCIAL HIGHLIGHTS - Continued

- CashKey usage decreased 31% due to the introduction in Multi-Space Meters that do not accept CashKeys in high-use areas.

- Net position deficiency decreased by $649,831.

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 statements of net position 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 position. 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 full-time-equivalent 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 staff. 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.

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. The approved annual budget sets the annual limit for this subordinated obligation.

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. During 2012, additional special event parking information was incorporated on the home page.

GENERAL AUTHORITY INFORMATION

Selected Data (parking revenue only)

	Average Monthly Revenue			
Parking Facilities	**2012**	**2011**	**Difference**	**% Change**
Riverfront	$ 82,498	$ 87,066	$ (4,568)	-5.25%
Green-Hudson	$104,623	$ 99,421	$ 5,202	+5.23%
Quackenbush	$ 59,243	$ 63,110	$ (3,867)	-6.13%
Q Lot, C Lots, WAMC Lots	$ 16,283	$ 18,184	$ (1,901)	-10.45%
Parking Meters	$ 186,788	$ 170,972	$ 15,816	+9.26%

FINANCIAL ANALYSIS

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

Condensed Statements of Net Position

	December 31,				
		2012 vs. 2011	Restated	2011 vs. 2010	Restated
Current assets	$ 1,268,686	12.1%	$ 1,131,386	10.2%	$ 1,026,796
Capital assets, net	15,835,998	-2.7%	16,269,999	-2.6%	16,698,494
Other assets	4,912,272	-11.5%	5,549,969	-20.2%	6,952,223
Total assets	**$ 22,016,956**	**-4.1%**	**$ 22,951,354**	-7.0%	**$ 24,677,513**
Current liabilities	$ 2,198,593	-18.5%	$ 2,697,399	27.9%	$ 2,108,625
Long-term liabilities	20,475,935	-5.0%	21,561,358	-10.4%	24,057,385
Total liabilities	22,674,528	-6.5%	24,258,757	-7.3%	26,166,010
Net position, capital	(2,927,079)	32.9%	(4,363,029)	15.7%	(5,176,915)
Net position, restricted	4,119,761	-11.8%	4,670,401	-18.2%	5,707,070
Net position, unrestricted	(1,850,254)	-14.6%	(1,614,775)	20.0%	(2,018,652)
Total net position	(657,572)	49.7%	(1,307,403)	-12.2%	(1,488,497)
Total liabilities and net position	**$ 22,016,956**	**-4.1%**	**$ 22,951,354**	**-7.0%**	**$ 24,677,513**

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

	December 31,				
		2012 vs. 2011	Restated	2011 vs. 2010	Restated
Operating revenue	$ 5,393,219	2.4%	$ 5,265,038	-5.6%	$ 5,575,719
Nonoperating revenue	102,197	-90.3%	1,055,280	576.1%	156,087
Total revenues	5,495,416	-13.1%	6,320,318	10.3%	5,731,806
Depreciation expense	694,856	-0.8%	700,559	0.7%	695,408
Amortization expense	87,058	-81.4%	468,495	317.0%	112,356
Other operating expenses	3,032,068	-19.6%	3,769,925	8.1%	3,487,514
Nonoperating expense	1,031,603	-14.1%	1,200,245	-30.5%	1,727,358
Total expenses	4,845,585	-21.1%	6,139,224	1.9%	6,022,636
Change in net position	**649,831**		**181,094**		**(290,830)**
NET POSITION, beginning of year	(1,307,403)		(1,488,497)		(1,197,667)
NET POSITION, end of year	**$ (657,572)**		**$ (1,307,403)**		**$ (1,488,497)**

The years 2011 and 2010 are restated (see Note 8).

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Parking Incentive Program and Parking Retention Program have not only benefitted the Authority, they have also been a factor that has helped generate projects that increase demand for parking in the Central Business District. The Authority has advanced a number of marketing efforts to accelerate economic development in Albany, including enhanced evening parking, seasonal savings, and various promotions via social media.

During 2012, the Board of Directors approved a plan to add a third phase of multi-space meters (MSMs) to replace 262 single-space meters with 33 MSMs. 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 associated with the previously introduced MSMs are exceeding expectations.

The Authority installed new wayfinding signs throughout downtown Albany, making it easier to locate their parking facilities, and also renamed the Columbia Street Garage to the Riverfront Garage, more accurately reflecting its location.

A partnership with the Palace Theatre was unveiled to offer free parking for all Palace Theatre events in the Authority's Quackenbush Garage on Broadway. The Authority receives a portion of the ticket revenue as funding.

FINANCIAL CONDITION

Parking revenue was up $128,181 in 2012, and this was consistent with budget plans developed based on commercial office occupancy projections. Total operating costs in 2012 decreased $774,537 from the prior year, predominantly due to a decreased investment in facility renovation by $752,420 from 2011. Total costs for this garage renovation work were $126,526 for design and construction. Professional fees included a one-time fee for the Public Resources Advisory Group for $12,430 relating to the creation of a budget/cash flow model. A significant investment was made for signs for the new multi-space meters and wayfinding signs throughout downtown. Given the success of the Parking Incentive Program to increase garage occupancy, and the new meters to increase revenue, combined with reductions in expenses for salaries/benefits and utilities, management is cautiously optimistic regarding the prospects for the future.

The Authority paid $2,060,000 in bond principal during 2012, and the 2001B series was paid off. The 2007B series will be paid off 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

<u>Revenue</u>

Total revenue for 2012, exclusive of unrealized gain/loss on investments, was $5,494,415, compared to $5,394,275 in 2011. Monthly garage revenues decreased $21,440 mainly due to attrition of month-to-month customers. Hourly and daily parking revenue decreased $38,176 in garages but increased $189,790 at meters.

<u>Expense</u>

Total expense for 2012, exclusive of depreciation, amortization, and interest, was $3,032,068, compared to $3,741,569 in 2011.

LONG-TERM OBLIGATIONS

As of December 31, 2012, the Authority had $18,368,061 outstanding related to refunding bonds issued during 1992, two refundings during 2007, and one refunding in 2011. 2001B Series bonds were paid off during 2012.

Cash or equivalents on hand for debt service payments are in excess of $1,100,000.

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 16 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 $627,000.

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, 25 Orange Street, Albany, New York 12207, or on the internet at www.parkalbany.com.

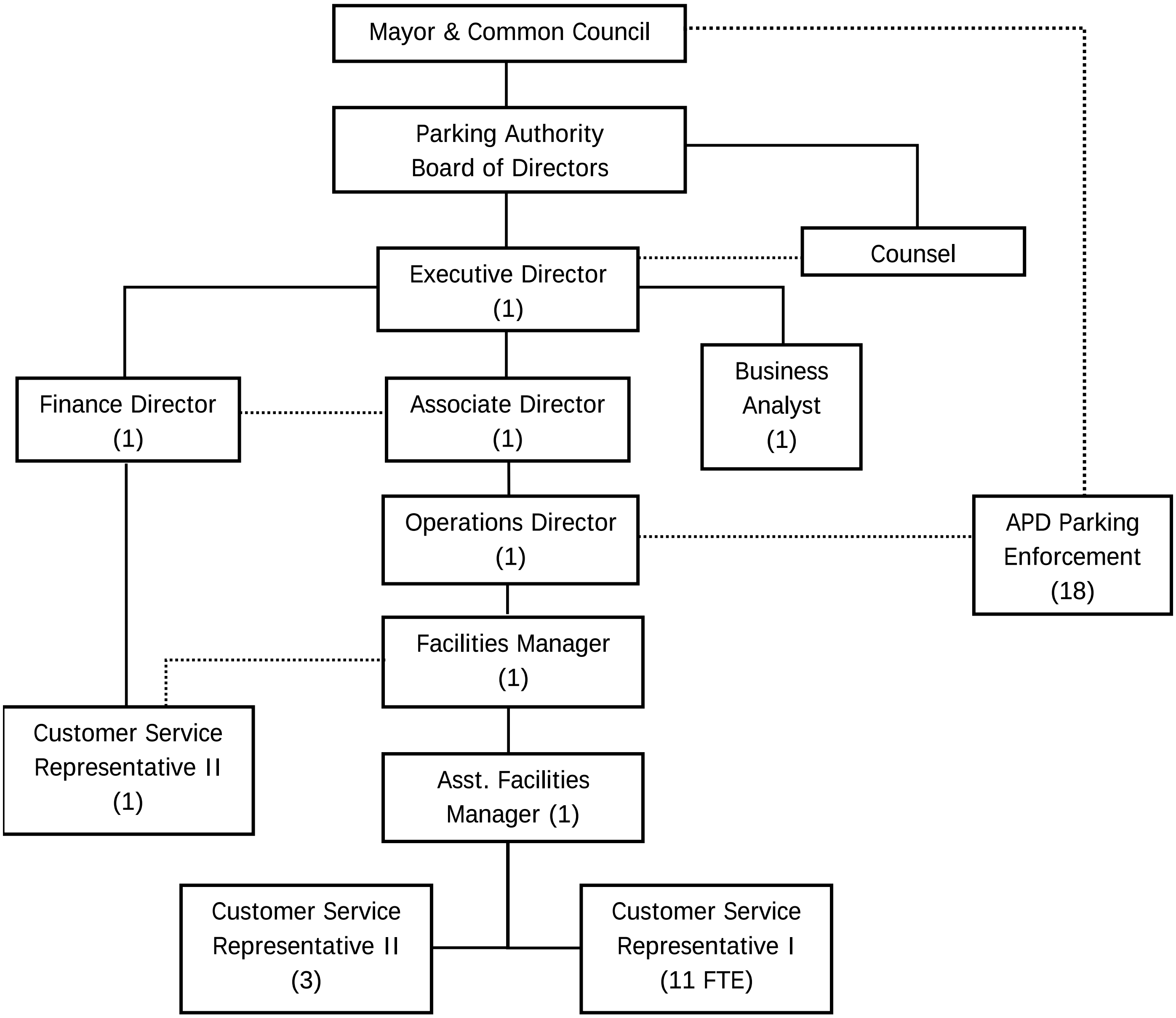
PRINCIPAL OFFICIALS

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

Name	Board Office	Term Expiration
Kevin O'Connor	Chair	January 2, 2015
Jeff Sperry	Vice Chair	January 2, 2016
Beth Lacey	Secretary	January 2, 2018, Confirmation Pending
Chris Burke	Treasurer	January 2, 2014
William O. Pettit, III	Asst. Sec/Treas	January 2, 2017

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

ORGANIZATION CHART



TOTAL EMPLOYEES: 22 FTE

(as of 01/29/2013)

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

STATEMENTS OF NET POSITION

	December 31, 2012	December 31, 2011 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,136,939	$ 1,017,549
Parking revenues receivable	21,724	13,527
Other receivables	38,870	38,865
Prepaid expenses	71,153	61,445
Total current assets	1,268,686	1,131,386
CAPITAL ASSETS, at cost	26,902,055	27,606,378
Less accumulated depreciation and amortization	11,066,057	11,336,379
	15,835,998	16,269,999
OTHER ASSETS		
Cash and cash equivalents, restricted	2,259,486	2,779,149
Investments, restricted	1,860,275	1,891,252
Financing and deferred amounts, net	792,511	879,568
	4,912,272	5,549,969
TOTAL ASSETS	$ 22,016,956	$ 22,951,354
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 154,829	$ 172,866
Current maturities of long-term debt	897,618	2,060,000
Current installments of capital lease obligation	91,331	40,656
Deferred revenue	68,295	33,200
Accrued interest	374,422	390,677
Accrued interest, capital appreciation bonds	612,098	-
Total current liabilities	2,198,593	2,697,399
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	17,470,443	18,368,061
Capital lease obligation, less current installments	358,037	223,894
Discount on revenue bonds	(54,352)	(59,583)
Deferred revenue	63,750	78,750
Accrued postretirement health benefits	693,646	520,496
Accrued interest, capital appreciation bonds, less current maturities	1,944,411	2,429,740
	20,475,935	21,561,358
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net investment in capital assets	(2,927,079)	(4,363,029)
Restricted	4,119,761	4,670,401
Unrestricted (deficit)	(1,850,254)	(1,614,775)
	(657,572)	(1,307,403)
TOTAL LIABILITIES AND NET POSITION	$ 22,016,956	$ 22,951,354

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 POSITION

	Years Ended December 31, 2012	2011 (Restated)
PARKING REVENUES	$ 5,393,219	$ 5,265,038
OPERATING EXPENSES		
Salaries and related expenses	1,534,296	1,507,501
Repairs and maintenance	258,777	981,029
Utilities	70,190	129,353
Professional fees	95,673	138,225
Depreciation	694,856	700,559
Meter supplies and equipment	16,304	22,375
PSO expense reimbursement	716,667	716,667
Other	309,184	274,775
	3,695,947	4,470,484
Operating income	**1,697,272**	**794,554**
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	102,197	129,238
Unrealized gain (loss) on investments, net	(30,977)	6,042
Realized loss on investments	-	(28,356)
Amortization of bond issue costs	(87,058)	(468,495)
Interest expense	(1,031,603)	(1,171,889)
Increase upon hedge termination	-	920,000
Total nonoperating expenses, net	(1,047,441)	(613,460)
Change in net position	**649,831**	**181,094**
NET POSITION, *beginning of year as previously reported*	**-**	(2,201,411)
Prior period adjustment (Note 8)	-	712,914
NET POSITION, *beginning of year as restated*	(1,307,403)	(1,488,497)
NET POSITION, *end of year*	**$ (657,572)**	**$ (1,307,403)**

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

ALBANY PARKING AUTHORITY
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STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2012	Years Ended December 31, 2011 (Restated)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	$ 5,405,117	$ 5,277,704
Cash paid to suppliers and other vendors	(1,321,390)	(2,116,044)
Cash paid for salaries and employee benefits	(1,534,296)	(1,507,501)
	2,549,431	**1,654,159**
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income	102,192	129,218
Purchase of investments, restricted	(2,966,828)	(2,115,418)
Proceeds from sale of investments, restricted	2,966,827	3,052,453
	102,191	**1,066,253**
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(24,905)	(7,514)
Payments of long-term debt	(2,111,132)	(1,485,000)
Interest paid	(915,858)	(1,118,130)
Bond issue costs	-	6,056
	(3,051,895)	**(2,604,588)**
Net increase (decrease) in cash and cash equivalents	**(400,273)**	**115,824**
CASH AND CASH EQUIVALENTS, *beginning of year*	3,796,698	3,680,874
CASH AND CASH EQUIVALENTS, *end of year*	**$ 3,396,425**	**$ 3,796,698**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$ 1,697,272	$ 794,554
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	694,856	700,559
(Increase) decrease in		
Accounts receivable	(8,197)	12,666
Prepaid expenses	(9,708)	(33,058)
Increase (decrease) in		
Accounts payable and accrued expenses	2,058	13,443
Accrued post-retirement health benefits	173,150	165,995
	$ 2,549,431	**$ 1,654,159**
SUPPLEMENTARY CASH FLOW INFORMATION		
Non-cash financing activities		
Direct financing for purchase of meters	$ 235,950	$ 264,550

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

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. Basis of Accounting and Financial Statement Presentation

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 statements of net position. Net position (total assets less total liabilities) is segregated into restricted and unrestricted components.

c. Use of Estimates

The preparation of financial statements requires management 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 Pronouncements

GASB issued *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Authority fully adopted GASB Statement No. 63 as of January 1, 2012, and there was no significant impact to the financial statements.

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 11).

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

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 collectability of outstanding accounts and past collection experience. Management considers receivables at December 31, 2012 and 2011, 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, 2012 and 2011.

h. Capital Assets

Capital Assets are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives (3-40 years). When capital assets 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 depositions 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. Deferred Parking Revenues

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 parking revenues.

k. Reclassifications

Certain 2011 amounts have been reclassified to conform with 2012 presentation.

l. Subsequent Events

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through February 28, 2013, 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 $(30,977) and $6,042 during 2012 and 2011, 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, 2012	
	Cost	Fair Value
Investments in U.S. Government obligations	$ 659,295	$ 782,775
Guaranteed Income Contract	1,077,500	1,077,500
	$ 1,736,795	$ 1,860,275

	December 31, 2011	
	Cost	Fair Value
Investments in U.S. Government obligations	$ 659,295	$ 813,752
Guaranteed Income Contract	1,077,500	1,077,500
	$ 1,736,795	$ 1,891,252

NOTE 3 - CAPITAL ASSETS

A summary of year-end balances and changes in capital assets is as follows:

	December 31, 2012 and 2011				
	Land, Garages, and Improvements	Furniture and Equipment	Meters and Other Equipment	Leasehold Improvements	Total
Balance as of January 1, 2011	$ 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 as of December 31, 2011	25,248,993	945,112	1,035,662	376,611	27,606,378
Additions	-	1,505	259,350	-	260,855
Disposals	-	(218,690)	(746,488)	-	(965,178)
Balance December 31, 2012	$ 25,248,993	$ 727,927	$ 548,524	$ 376,611	$ 26,902,055

During 2012, the Authority disposed of certain fully depreciated parking meters with historical costs of $746,488.

Depreciation expense was $694,856 and $700,559 for the years ended December 31, 2012 and 2011, respectively.

NOTE 4 - FINANCING AND DEFERRED AMOUNTS

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

	December 31, 2012		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	$ 655,890	$ 194,348	$ 461,542
Deferred amount on defeased Revenue Bonds (b)	879,569	548,600	330,969
	$ 1,535,459	$ 742,948	$ 792,511

	December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	$ 655,890	$ 157,927	$ 497,963
Deferred amount on defeased Revenue Bonds (b)	879,569	497,964	381,605
	$ 1,535,459	$ 655,891	$ 879,568

(a) Includes financing costs incurred relative to the 1992, 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 totaled $36,421 and $231,233 during the years ended December 31, 2012 and 2011, 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. Amortization of deferred amounts totaled $50,636 and $237,261 during the years ended December 31, 2012 and 2011, respectively.

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

For the year ending December 31, 2013	$ 61,984
2014	61,984
2015	61,984
2016	61,984
2017	61,782

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt ending balances and transactions for the years ended December 31, 2012 and 2011, is as follows:

Balance as of January 1, 2010	$ 21,913,061
Bonds defeased	(7,945,000)
New bond issue	7,850,000
Principal payments	(1,390,000)
Balance as of December 31, 2011	20,428,061
Principal payments	(2,060,000)
Balance at December 31, 2012	$ 18,368,061

NOTE 5 - LONG-TERM DEBT - Continued

Long-term debt consisted of the following:

	December 31,	
Garage #1		
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
Quackenbush Garage		
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 (iii)	10,000,000	10,375,000
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 (iii)	30,000	50,000
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	7,565,000	7,850,000
Parking revenue refunding bonds, Series 2001B, interest at 5.25%, payable semi-annually, paid off in 2012, collateralized by a first lien on the property	-	1,380,000
	18,368,061	20,428,061
Less current maturities	897,618	2,060,000
Long-term debt, less current maturities	$ 17,470,443	$ 18,368,061

(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, 2012 and 2011.

(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.

(iii) 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%.

NOTE 5 - LONG-TERM DEBT - Continued

(iii) Continued

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 $906,827 and $1,034,097 for the years ended December 31, 2012 and 2011, 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 $2,556,509 and $2,429,740 at December 31, 2012 and 2011, respectively.

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

	Principal	Interest	Total
For the year ending December 31, 2013	$ 897,618	$ 1,429,018	$ 2,326,636
2014	885,777	1,410,116	2,295,893
2015	973,936	1,385,331	2,359,267
2016	982,940	1,354,922	2,337,862
2017	1,252,790	1,320,686	2,573,476
2018 through 2022	7,785,000	2,305,997	10,090,997
2023 through 2025	5,590,000	560,037	6,150,037
	$ 18,368,061	$ 9,766,107	$ 28,134,168

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 70 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 commenced on January 1, 2012. The monthly lease payment for these twelve meters is $1,956 per month, including imputed interest of 4.498%. Twenty-five meters were placed in service on December 31, 2011; therefore, payments commenced on July 1, 2012. The monthly lease payment for these twenty-five meters is $4,076, including imputed interest of 4.498%. Thirty-three meters were placed into service on December 31, 2012; therefore, payments will commence on July 1, 2013. The monthly lease payment for these thirty-three meters will be $5,380, including imputed interest of 4.498%.

	December 31, 2012	December 31, 2011
Capital lease obligation	$ 487,666	$ 289,559
Less amount representing interest	38,298	25,009
Present value of future minimum lease payments	449,368	264,550
Less current installments, principal only	91,331	40,656
Present value of long-term obligation under capital leases	$ 358,037	$ 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, 2013	$ 91,331	$ 13,341	$ 104,672
2014	123,372	13,581	136,953
2015	129,038	7,916	136,954
2016	73,754	3,038	76,792
2017	31,873	422	32,295
	$ 449,368	$ 38,298	$ 487,666

The total cost of the multi-space meters acquired under the capital lease arrangement was $523,900, and the related accumulated depreciation was $43,239 and $5,447 at December 31, 2012 and 2011, respectively.

Interest expense on the capital lease obligation for the years ended December 31, 2012 and 2011, was $9,017 and $-0-, respectively.

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.

NOTE 7 - PENSION PLANS - Continued

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:

$	171,675
	129,810
	107,923

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 spouses and dependents. All Authority employees become eligible for such benefits when they attain a certain age and service requirements while employed by the Authority. For the year ended December 31, 2012, the Authority provided health care insurance to four retirees.

b. Funding Policy

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

Premiums paid by the Authority on behalf of current retirees and their spouses totaled $21,624 and $11,020 for the years ended December 31, 2012 and 2011, respectively.

c. Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC).* The Authority has elected to calculate the ARC and related information using the alternative measurement permitted by GASB Statement 45 for employers in plans with fewer that one hundred total plan members. 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:

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

c. Annual OPEB Cost and Net OPEB Obligation - Continued

	December 31,	
Annual required contribution	$ 190,545	$ 223,773
Interest on net OPEB obligation	11,391	7,630
Adjustment to annual required contribution	(21,093)	(12,717)
Annual OPEB cost	180,843	218,686
Contributions made	(21,622)	(30,691)
Net OPEB obligation, beginning of year	569,496	381,501
Net OPEB obligation, end of year	728,717	569,496
Less current portion	35,071	49,000
Net OPEB obligation, less current portion	$ 693,646	$ 520,496

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current and two previous fiscal years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	$ 180,843	11.96%	$ 728,716
12/31/11	$ 218,686	14.03%	$ 569,497
12/31/10	$ 197,109	5.59%	$ 381,501

d. Funded Status and Funding Progress

The actuarial accrued liability for benefits was $2,048,655 as of December 31, 2012, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was $934,650 for the year ended December 31, 2012, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 219.19 percent as of December 31, 2012.

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. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

e. 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.

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

e. *Methods and Assumptions* - Continued

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 64.

Marital Status - Marital status of members at the calculation date was assumed to continue through retirement.

Mortality - Life expectancies were based on RP-2000 mortality tables for males and for females and projected to be 10 years.

Turnover - Non-group specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection.

Health Insurance Premiums - 2013 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 be 2%.

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, 2012, was twenty-seven years.

During 2012, the Authority determined that the its annual OPEB cost and net OPEB obligation at December 31, 2011, was overstated due to the improper use of certain plan information (community rating and plan payment secondary to Medicare) upon which the calculation of the actuarial accrued liability for benefits was dependent. The Authority recalculated the actuarial accrued liability utilizing the corrected information and has restated its statement of net position and statement of revenues, expenses, and changes in net position at December 31, 2011, and for the year then ended as follows:

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

e. *Methods and Assumptions* - Continued

	As Previously Reported	Restatement Increase (Decrease)	As Restated
Statement of Net Position			
December 31, 2011			
Accrued postretirement health benefits	$ 1,612,188	$ (1,042,692)	$ 569,496
Statement of Revenues, Expenses, and Changes in Net Position and Statements of Cash Flows for the Year Ended December 31, 2011			
Net position, beginning of year	$ (2,201,411)	$ 712,914	$ (1,488,497)
Salaries and related expenses	$ 1,837,279	$ (329,778)	$ 1,507,501
Operating income	$ 464,776	$ 329,778	$ 794,554

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. As of December 31, 2012, there are six employees participating in this plan.

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, 2012 and 2011, 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.

NOTE 10 - COMMITMENTS AND CONTINGENCIES - Continued

b. Lease Rental Revenue - Continued

Rental payments in the amount of $83,000 were received during both years ended December 31, 2012 and 2011. Future minimum annual rentals receivable under the lease at December 31, 2012, are as follows:

For the year ending December 31, 2013	$ 83,000
2014	41,500
	$ 124,500

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.

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, 2012, the balance was $78,750, which is reported as deferred parking revenues in these financial statements. The deferred parking revenues balance is being amortized into income over the ten-year rental 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.

NOTE 11 - 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.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2012 and 2011:

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.

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

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
U.S. Government Securities	$ 782,775	$ -	$ -	$ 782,775
Guaranteed Income Contract	-	-	1,077,500	1,077,500
	$ 782,775	$ -	$ 1,077,500	$ 1,860,275

	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

NOTE 12 - ACCOUNTING PRONOUNCEMENT ISSUED BUT NOT YET IMPLEMENTED

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

NOTE 12 - ACCOUNTING PRONOUNCEMENT ISSUED BUT NOT YET IMPLEMENTED - Continued

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

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

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2012 and 2011

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability Percentage of Covered Payroll
12/31/12	12/31/12	$ -	$ 2,048,655	$ 2,048,655	0.00%	$ 934,650	219.19%
12/31/11	12/31/09	-	1,738,196	1,738,196	0.00%	915,599	189.84%
12/31/10	12/31/09	-	1,738,196	1,738,196	0.00%	942,346	184.45%

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

SUPPLEMENTARY INFORMATION - REVENUE AND EXPENSES BY OPERATING DEPARTMENT

	Year Ended December 31, 2012						
	Garage #1	Garage #2	Garage #3	Parking Meters	Surface Lots	Office/ Administration	Total
PARKING REVENUES	$ 989,970	$ 1,255,477	$ 710,919	$ 2,241,458	$ 195,395	$ -	$ 5,393,219
OPERATING EXPENSES							
Salaries and related expenses	223,067	124,166	128,114	124,667	2,108	932,174	1,534,296
Insurance	-	-	-	-	-	65,353	65,353
Repairs and maintenance	34,644	104,233	51,370	5,950	14,385	48,195	258,777
Utilities	22,732	17,564	28,847	-	1,047	-	70,190
Professional fees	20,870	9,646	6,660	-	6,000	52,497	95,673
Depreciation	149,763	210,893	235,984	40,708	44,056	13,452	694,856
Meter supplies and equipment	-	-	-	16,304	-	-	16,304
Contributions	-	-	-	-	-	4,300	4,300
PSO expense reimbursement	-	-	-	580,500	136,167	-	716,667
Miscellaneous	2,722	2,597	1,573	60,534	46,608	125,497	239,531
Total operating expenses	453,798	469,099	452,548	828,663	250,371	1,241,468	3,695,947
Operating income (loss)	**536,172**	**786,378**	**258,371**	**1,412,795**	**(54,976)**	**(1,241,468)**	**1,697,272**
NONOPERATING REVENUE (EXPENSES)							
Interest income	51,656	-	-	-	-	50,541	102,197
Unrealized loss on investments	(30,977)	-	-	-	-	-	(30,977)
Amortization of bond issue costs	(26,286)	-	-	-	-	(60,772)	(87,058)
Interest expense	(126,769)	-	-	(9,030)	-	(895,804)	(1,031,603)
Allocation of administration expenses	(365,074)	(365,074)	(386,553)	(837,525)	(193,277)	2,147,503	-
Total nonoperating revenue (expenses)	(497,450)	(365,074)	(386,553)	(846,555)	(193,277)	1,241,468	(1,047,441)
Change in net position	**$ 38,722**	**$ 421,304**	**$ (128,182)**	**$ 566,240**	**$ (248,253)**	**$ -**	**$ 649,831**

	Year Ended December 31, 2011 (Restated)						
	Garage #1	**Garage #2**	**Garage #3**	**Parking Meters**	**Surface Lots**	**Office/ Administration**	**Total**
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	893,791	1,507,501
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	606,316	1,094,513	470,446	783,712	270,457	1,245,040	4,470,484
Operating income (loss)	**438,477**	**98,539**	**286,873**	**1,267,956**	**(52,251)**	**(1,245,040)**	**794,554**
NONOPERATING REVENUE (EXPENSES)							
Interest income	51,662	-	-	-	-	77,576	129,238
Unrealized gain 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)
Increase upon hedge termination	-	-	-	-	-	920,000	920,000
Allocation of administration expenses	(267,211)	(267,211)	(282,930)	(613,015)	(141,465)	1,571,832	-
Total nonoperating revenue (expenses)	(372,140)	(448,950)	(282,930)	(613,015)	(141,465)	1,245,040	(613,460)
Change in net position	**$ 66,337**	**$ (350,411)**	**$ 3,943**	**$ 654,941**	**$ (193,716)**	**$ -**	**$ 181,094**

See Independent Auditor’s Report.

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

SUPPLEMENTARY INFORMATION - CAPITAL ASSETS

	December 31, 2012						
	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	321,834	170,316	124,011	-	-	78,561	694,722
Parking meters and other equipment	-	-	-	581,729	-	-	581,729
	5,292,190	9,811,003	10,761,961	581,729	376,611	78,561	26,902,055
Less accumulated depreciation and amortization	3,616,056	4,540,862	2,587,267	91,033	181,265	49,574	11,066,057
Net capital assets	**$ 1,676,134**	**$ 5,270,141**	**$ 8,174,694**	**$ 490,696**	**$ 195,346**	**$ 28,987**	**$ 15,835,998**

	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
	5,369,107	9,952,776	10,761,961	1,068,867	376,611	77,056	27,606,378
Less accumulated depreciation and amortization	3,543,211	4,471,742	2,351,282	790,918	143,104	36,122	11,336,379
Net capital assets	**$ 1,825,896**	**$ 5,481,034**	**$ 8,410,679**	**$ 277,949**	**$ 233,507**	**$ 40,934**	**$ 16,269,999**

See Independent Auditor's Report.

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

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, 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, the statement of net position of the Albany Parking Authority (Authority), as of December 31, 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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
February 28, 2013