

**Albany Parking Authority
(A Component Unit of the
City of Albany, New York)**

Financial Report

December 31, 2014 and 2013

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Financial Report

December 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Albany Parking Authority
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Albany Parking Authority (a New York State public benefit corporation and a Component Unit of the City of Albany, New York), which comprise the statements of net position as of December 31, 2014 and 2013, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Albany Parking Authority as of December 31, 2014 and 2013, and the changes in its net 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 10 and the schedule of funding progress on page 30 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 25, 2015, 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.

SaxBST LLP

Albany, New York
February 25, 2015



Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Management's Discussion and Analysis
December 31, 2014 and 2013

The Albany Parking Authority, hereafter referred to as the "Authority," is pleased to present its Financial Report for the years ended December 31, 2014 and 2013, 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 10 in conjunction with the Authority's financial statements and supplementary information (presented on pages 11 to 32) 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 unmodified (i.e., clean) opinion of our independent external auditors, SaxBST LLP, 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, 2014. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Garage occupancy increased by 6.5%, or 145 customers, during 2014.
- As of 2014, 137 pay and display multi-space meters were controlling 1,175 on-street spaces previously managed with single-space meters.
- Actual revenue and expense performance exceeded budget plans by approximately \$79,000.
- CashKey usage decreased 80% due to the expanded footprint of multi-space meters.
- Net income for 2014 was in excess of \$900,000.

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.

Albany Parking Authority
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Management's Discussion and Analysis
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REQUIRED FINANCIAL STATEMENTS - Continued

The statements of net position include 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 21 full-time-equivalent persons, and the accompanying Organizational Chart illustrates the division of those positions.

Currently, 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.

During early 2015, the Authority accepted a proposal to replace the legacy Parking Access Revenue Control (PARC) system with a modern replacement system. The new system will replace traditional exit cashiering with an automated system based on license plate recognition (LPR) and use of bar codes. The new system has substantially improved functionality and reporting, and is planned for implementation during late 2015.

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SUMMARY OF ORGANIZATION AND BUSINESS - Continued

The Authority operates the parking meter system for the City of Albany under a management agreement with the City. The agreement permits the Authority to install and operate parking meters in consultation with the Chief of Police. The revenues generated by the parking meters are the property of the Authority, and the expenses of operating the meters are payable by the Authority. Fines and penalties from parking violations remain the property of the City rather than the Authority. Enforcement of parking meters and other on-street parking violations is carried out by the Albany Police Department. Under the Parking Meter Agreement, the Authority contributes toward the cost of salary, fringe benefits, and other related expenses of the public service officers who provide enforcement under Police Department supervision. The approved annual budget sets the annual limit for this subordinated obligation. Effective January 1, 2015, the enforcement function was transferred from the Police to the Authority.

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. The year 2014 is regarded as a milestone in the on-street parking system migration, as the Authority completed the final MSM installations. The fourth phase doubled the MSM footprint, with good transaction and revenue performance.

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)

Parking Facilities	Average Monthly Revenue		Difference	% Change
	2014	2013		
Riverfront	\$ 90,341	\$ 82,354	\$ 7,987	9.70%
Green-Hudson	106,475	107,972	(1,497)	-1.39%
Quackenbush	65,433	63,006	2,427	3.85%
Q Lot, C Lots, WAMC Lots	16,427	16,626	(199)	-1.20%
Parking Meters	214,300	197,948	16,352	8.26%

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Management's Discussion and Analysis
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FINANCIAL ANALYSIS

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

	December 31,				
	2014	2014 vs. 2013	2013	2013 vs. 2012	Restated 2012
Current assets	\$ 1,429,581	8.5%	\$ 1,317,884	3.9%	\$ 1,268,686
Capital assets, net	15,023,447	-4.6%	15,742,667	-0.6%	15,835,998
Other assets	4,543,670	5.2%	4,319,339	4.8%	4,119,761
Deferred outflows of resources	424,393	-8.4%	463,094	-7.7%	501,798
Total assets	<u>\$ 21,421,091</u>	-1.8%	<u>\$ 21,842,984</u>	0.5%	<u>\$ 21,726,243</u>
Current liabilities	\$ 2,560,260	9.1%	\$ 2,346,081	6.7%	\$ 2,198,593
Long-term liabilities	18,007,086	-7.9%	19,562,055	-4.5%	20,475,935
Total liabilities	<u>20,567,346</u>	-6.1%	<u>21,908,136</u>	-3.4%	<u>22,674,528</u>
Net position, capital	2,306,888	-29.8%	1,776,612	-49.0%	1,192,682
Net position, unrestricted	(1,453,143)	21.1%	(1,841,764)	14.0%	(2,140,967)
Total net position	<u>853,745</u>	1410.4%	<u>(65,152)</u>	-93.1%	<u>(948,285)</u>
Total liabilities and net position	<u>\$ 21,421,091</u>	-1.9%	<u>\$ 21,842,984</u>	0.5%	<u>\$ 21,726,243</u>

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

	December 31,				
	2014	2014 vs. 2013	2013	2013 vs. 2012	Restated 2012
Operating revenue	\$ 5,915,768	5.4%	\$ 5,614,887	4.1%	\$ 5,393,219
Nonoperating revenue	100,643	-2.3%	103,003	44.6%	71,220
Total revenues	<u>6,016,411</u>	5.2%	<u>5,717,890</u>	4.6%	<u>5,464,439</u>
Depreciation expense	760,071	11.4%	682,470	-1.8%	694,856
Amortization expense	38,701	0.0%	38,704	-55.5%	87,058
Other operating expenses	3,373,308	6.5%	3,167,081	5.5%	3,001,091
Nonoperating expense	925,434	-2.2%	946,502	-8.2%	1,031,603
Total expenses	<u>5,097,514</u>	5.4%	<u>4,834,757</u>	0.4%	<u>4,814,608</u>
Change in net position	<u>918,897</u>		<u>883,133</u>		<u>649,831</u>
NET POSITION, beginning of year	(65,152)		(948,285)		(1,307,403)
Effects of adoption of GASB 65	-		-		(290,713)
NET POSITION, end of year	<u>\$ 853,745</u>		<u>\$ (65,152)</u>		<u>\$ (948,285)</u>

The year 2012 is restated.

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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.

In January 2014, a fourth phase of 67 multi-space meters (MSMs) were put into operation to replace 571 single-space meters. These meters allow customers to park all day with a progressive rate structure that encourages turnover, and the meters accept credit and debit card payments. Both customer satisfaction and financial performance associated with the previously introduced MSMs are exceeding expectations.

The Authority developed a wayfinding sign package for Central Avenue surface lots, to make it easier to locate parking facilities.

The partnership with the Palace Theatre that offers free parking for all Palace Theatre events in the Authority's Quackenbush Garage on Broadway was enhanced with a large exterior sign on the north side of the garage, adjacent to the I-787 Clinton exit ramp. Moreover, the Authority received a larger portion of the ticket revenue as compared to the initial year.

FINANCIAL CONDITION

Parking revenue was up \$300,841 in 2014, and this was consistent with budget plans developed based on monthly occupancy projections and daily utilization on and off street. Capital costs for acquisition of the multi-space meters were comparable to operating costs for those meters, and was funded out of operating revenue; modernizing on-street equipment, enhancing services to customers, and improving bottom line performance. Total operating costs in 2014 increased \$286,000 from the prior year, predominantly due to increases in credit card fees and computerization expenses related to the installation and success of Phase IV of the multi-space meters, totaling \$90,000; depreciation expense of \$77,000; and an increase in maintenance and repair for several repair projects at the garages and reno costs, totaling \$64,000. Lighting projects increased utilities by \$11,000, with an expected savings in energy costs over the next few years. Other items with increases were professional fees, marketing, and snow removal. Given the increase in garage occupancy, and the new meters to increase revenue, combined with effective control of expenses, management continues to be cautiously optimistic regarding the prospects for the future.

The Authority paid \$885,777 in bond principal during 2014. An older bond issue with limited amounts of Capital Appreciation Bonds that could not be retired will be completely paid off in 2017, while the 2007A and 2011 issues will be retired in 2025.

RESULTS OF OPERATIONS

Revenue

Total revenue for 2014, exclusive of unrealized gain/loss on investments, was \$5,923,209, compared to \$5,717,890 in 2013. Monthly garage revenues increased \$49,743 mainly due to the Parking Incentive Program. Hourly and daily parking revenue increased \$16,714 in garages and \$189,042 at meters.

Expense

Total expense for 2013, exclusive of depreciation, amortization, and interest, was \$3,326,709, compared to \$3,118,283 in 2013.

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LONG-TERM OBLIGATIONS

As of December 31, 2014, the Authority had \$16,584,666 outstanding related to refunding bonds issued during 1992, 2007, and 2011.

Cash or equivalents on hand for debt service payments are in excess of \$1,200,000.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 20 through 22.

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 \$927,000.

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, P.O. Box 799, Albany, New York 12201-0799, or on the internet at www.parkalbany.com.

Albany Parking Authority
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Management's Discussion and Analysis
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PRINCIPAL OFFICIALS

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

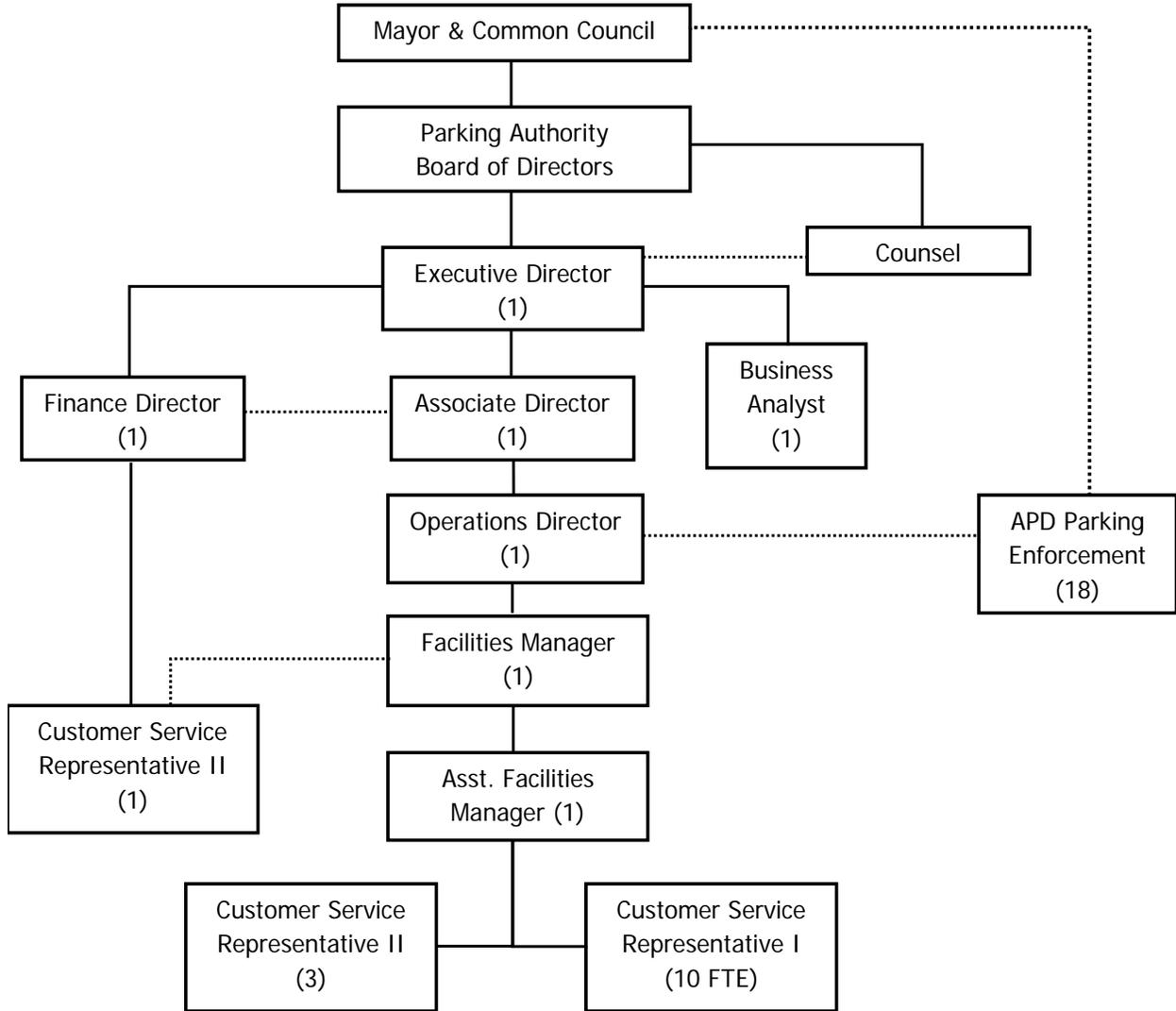
<u>Name</u>	<u>Board Office</u>	<u>Term Expiration</u>
Kevin O'Connor	Chair	January 2, 2015 (i)
Jeff Sperry	Vice Chair	January 2, 2016
Beth Lacey	Secretary	January 2, 2018
Chris Burke	Treasurer	January 2, 2019
William O. Pettit, III	Asst. Sec/Treas	January 2, 2017

- (i) As of the date of this report, Board member is currently on a holdover.

Albany Parking Authority
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Management's Discussion and Analysis
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Albany Parking Authority Organization Chart



TOTAL EMPLOYEES: 21 FTE

(as of 01/01/2014)

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Statements of Net Position

		December 31,	
		2014	2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	1,255,389	\$ 1,200,919
Parking revenues receivable		25,292	32,018
Other receivables		38,455	38,889
Prepaid expenses		110,445	46,058
Total current assets		1,429,581	1,317,884
CAPITAL ASSETS, at cost			
Land		3,774,681	3,774,681
Capital assets subject to depreciation		23,669,825	23,678,121
Less accumulated depreciation and amortization		12,421,059	11,710,135
		15,023,447	15,742,667
RESTRICTED ASSETS			
Cash and cash equivalents		2,737,916	2,487,168
Investments		1,764,873	1,811,475
Other		40,881	20,696
		4,543,670	4,319,339
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding, net		279,844	305,406
Deferred bond insurance premiums, net		144,549	157,688
		424,393	463,094
TOTAL ASSETS		\$ 21,421,091	\$ 21,842,984
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Current maturities of long-term debt	\$	976,436	\$ 885,777
Current installments of capital lease obligation		245,538	188,954
Unearned parking revenues		72,187	59,315
Accounts payable and accrued expenses		287,060	226,811
Accrued interest		343,786	359,523
Accrued interest, capital appreciation bonds		635,253	625,701
Total current liabilities		2,560,260	2,346,081
LONG-TERM LIABILITIES			
Long-term debt, less current maturities		15,587,642	16,534,696
Capital lease obligation, less current installments		409,733	655,271
Unearned parking revenues		74,822	74,370
Accrued postretirement health benefits		997,893	852,238
Accrued interest, capital appreciation bonds, less current maturities		936,996	1,445,480
		18,007,086	19,562,055
COMMITMENTS AND CONTINGENCIES			
NET POSITION			
Net investment in capital assets		2,306,888	1,776,612
Unrestricted (deficit)		(1,453,143)	(1,841,764)
		853,745	(65,152)
TOTAL LIABILITIES AND NET POSITION		\$ 21,421,091	\$ 21,842,984

See accompanying Notes to Financial Statements.

Albany Parking Authority
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Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2014	2013
PARKING REVENUES	\$ 5,915,768	\$ 5,614,887
OPERATING EXPENSES		
Salaries and related expenses	1,534,909	1,576,251
Repairs and maintenance	362,664	298,044
Utilities	97,691	86,490
Professional fees	104,793	78,456
Depreciation	760,071	682,470
Meter supplies and equipment	23,194	20,513
PSO expense reimbursement	716,667	716,667
Insurance	81,945	73,382
Contributions	-	8,800
Miscellaneous	404,844	259,678
	4,086,778	3,800,751
Operating income	1,828,990	1,814,136
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	100,643	102,003
Miscellaneous income	-	1,000
Unrealized loss on investments, net	(46,601)	(48,800)
Amortization of bond insurance premiums and deferred losses	(38,701)	(38,704)
Interest expense	(925,434)	(946,502)
Total nonoperating expenses, net	(910,093)	(931,003)
Change in net position	918,897	883,133
NET POSITION, <i>beginning of year</i>	(65,152)	(948,285)
NET POSITION, <i>end of year</i>	\$ 853,745	\$ (65,152)

See accompanying Notes to Financial Statements.

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Statements of Cash Flows

	Years Ended December 31,	
	2014	2013
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	\$ 5,936,252	\$ 5,606,214
Cash paid to suppliers and other vendors	(1,800,528)	(1,438,223)
Cash paid for salaries, payroll taxes, and employee benefits	(1,384,662)	(1,424,390)
	2,751,062	2,743,601
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Investment and other income	100,643	103,003
Change in restricted cash	(250,748)	(227,682)
Purchase of investments, restricted	2,295,892	(2,326,636)
Proceeds from sale of investments, restricted	(2,316,076)	2,305,940
	(170,289)	(145,375)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(40,851)	(102,938)
Proceeds from long-term financing	25,000	-
Payments of long-term debt	(1,074,730)	(988,961)
Interest paid	(1,435,722)	(1,442,347)
	(2,526,303)	(2,534,246)
Net increase in cash and cash equivalents	54,470	63,980
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	1,200,919	1,136,939
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 1,255,389	\$ 1,200,919
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 1,828,990	\$ 1,814,136
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	760,071	682,470
(Increase) decrease in		
Accounts and other receivables	7,160	(10,313)
Prepaid expenses	(64,387)	25,095
Increase (decrease) in		
Accounts payable, accrued expenses, and unearned revenues	73,573	73,621
Accrued postretirement health benefits	145,655	158,592
	\$ 2,751,062	\$ 2,743,601
SUPPLEMENTARY CASH FLOW INFORMATION		
Non-cash financing activities		
Direct financing for purchase of meters	\$ -	\$ 235,950

See accompanying Notes to Financial Statements.

Albany Parking Authority **(A Component Unit of the City of Albany, New York)**

Notes to Financial Statements
December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies

a. Nature of Business

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.

b. Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. 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 (i.e., total assets net of total liabilities) is segregated into restricted and unrestricted components, as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances and unspent debt proceeds.
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of "restricted net position" or "net investment in capital assets."

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Notes to Financial Statements
December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Basis of Accounting and Financial Statement Presentation - Continued

Revenues are recognized when earned, and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing parking services. Operating expenses include the cost of personal and contractual services, repairs and maintenance, utilities, PSO expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments.

The Authority adopted GASB Statement Nos. 69 and 70 as of January 1, 2014. There was no significant impact to the financial statements as a result of these adoptions.

e. 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 various bond issues and a deferred compensation plan.

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Notes to Financial Statements
December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. 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, 2014 and 2013, 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 receivables written off during the years ended December 31, 2014 and 2013.

g. 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.

h. Bond Issuance Costs and Deferred Charges

Bond issuance costs are expensed as incurred in the statements of revenues, expenses, and changes in net position. Gains or losses on the refunding of bonds are reported as deferred inflows or outflows in the statements of net position and are amortized over the shorter of the remaining maturities of the refunded bonds or the newly issued bonds, utilizing the effective interest rate method. Amortization of deferred losses on refunded bonds is reported as amortization expense in the statements of revenues, expenses, and changes in net position. Certain bond issue costs, which are specific to prepaid insurance premiums, are reported as deferred inflows in the statements of net position and are amortized on a straight-line basis over the life of the related bonds.

i. Unearned 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 unearned parking revenues.

j. Reclassifications

Certain reclassifications were made to the prior year amounts in order to conform to the current year presentation.

k. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through February 25, 2015, the date the financial statements were available to be issued.

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Notes to Financial Statements
December 31, 2014 and 2013

Note 2 - Investments, Restricted

The Authority accounts for its investments at fair value. 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 tables present the cost, carrying amount, fair value, and maturities of investments:

December 31, 2014				
Investment Maturities (in Years)				
	Cost	Fair Value	Less than 1	1 to 5
U.S. Government Sponsored Agency	\$ 659,295	\$ 687,373	\$ -	\$ 687,373
Guaranteed Income Contract	1,077,500	1,077,500	-	1,077,500
	\$ 1,736,795	\$ 1,764,873	\$ -	\$ 1,764,873
December 31, 2013				
Investment Maturities (in Years)				
	Cost	Fair Value	Less than 1	1 to 5
U.S. Government Sponsored Agency	\$ 659,295	\$ 733,975	\$ -	\$ 733,975
Guaranteed Income Contract	1,077,500	1,077,500	-	1,077,500
	\$ 1,736,795	\$ 1,811,475	\$ -	\$ 1,811,475

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

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.

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:

U.S. Government Obligations and Mutual Funds: Valued at the closing price reported on the active market on which the individual security is traded.

Guaranteed Income Contracts: Valued at contract value which is equal to the accumulated cash contributions and interest credited based on the associated contracts, less any withdrawals. Contract value approximates fair value.

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

Note 2 - Investments, Restricted - Continued

A summary of assets and liabilities measured at fair value on a recurring basis is as follows:

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
U.S. Government Sponsored Agency	\$ 687,373	\$ -	\$ -	\$ 687,373
Guaranteed Income Contract	-	-	1,077,500	1,077,500
	<u>\$ 687,373</u>	<u>\$ -</u>	<u>\$ 1,077,500</u>	<u>\$ 1,764,873</u>
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
U.S. Government Sponsored Agency	\$ 733,975	\$ -	\$ -	\$ 733,975
Guaranteed Income Contract	-	-	1,077,500	1,077,500
	<u>\$ 733,975</u>	<u>\$ -</u>	<u>\$ 1,077,500</u>	<u>\$ 1,811,475</u>

a. Credit Risk

All of the Authority's deposits with financial institutions were either covered by FDIC insurance or fully collateralized by authorized investments of the pledging financial institution.

Except for certain investments related to a deferred compensation plan, the Authority's investment policy limits investments to time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by the United States of America, and certain guaranteed income contracts. All of the Authority's investments had a credit rating AA or higher by major rating agencies.

b. Custodial Credit Risk

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held either by (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. All of the Authority's investments are held under their name with the custodian.

c. Interest Rate Risk

The fair value of the Authority's fixed maturity investments fluctuates in response to changes in market interest rates. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument, and other general market conditions. The Authority plans to hold its restricted investments to maturity, which minimizes the occurrence of loss on investments.

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Notes to Financial Statements
December 31, 2014 and 2013

Note 2 - Investments, Restricted - Continued

d. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the Authority's investment in single issues. As of December 31, 2014 and 2013, the Authority had approximately 61% and 59%, respectively, of its restricted investment portfolio in a Citigroup Global Markets Guaranteed Income Contract. No other issuer makes up more than 5% of the Authority's restricted investment portfolio.

Note 3 - Capital Assets

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

	December 31, 2014 and 2013						Balance December 31, 2014
	Balance as of January 1, 2013	2013 Additions	2013 Disposals	Balance as of December 31, 2013	2014 Additions	2014 Disposals	
Garages and improvements	\$ 21,474,312	\$ -	\$ -	\$ 21,474,312	\$ -	\$ -	\$ 21,474,312
Furniture and equipment	727,927	30,102	(13,767)	744,262	40,851	(49,147)	735,966
Meters and other equipment	548,524	559,036	(24,624)	1,082,936	-	-	1,082,936
Leasehold improvements	376,611	-	-	376,611	-	-	376,611
Total capital assets	23,127,374	589,138	(38,391)	23,678,121	40,851	(49,147)	23,669,825
Accumulated depreciation	11,066,056	682,470	(38,391)	11,710,135	760,071	(49,147)	12,421,059
Total capital assets, net of accumulated depreciation	<u>\$ 12,061,318</u>	<u>\$ (93,332)</u>	<u>\$ -</u>	<u>\$ 11,967,986</u>	<u>\$ (719,220)</u>	<u>\$ -</u>	<u>\$ 11,248,766</u>

During 2013, the Authority disposed of certain fully depreciated parking meters with historical costs of \$24,624.

Note 4 - Financing and Deferred Amounts

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

	December 31, 2014		
	Cost	Accumulated Amortization	Net Book Value
Bond insurance premiums (a)	\$ 245,297	\$ 100,747	\$ 144,550
Deferred loss on bond refunding (b)	879,569	599,726	279,843
	<u>\$ 1,124,866</u>	<u>\$ 700,473</u>	<u>\$ 424,393</u>
	December 31, 2013		
	Cost	Accumulated Amortization	Net Book Value
Bond insurance premiums (a)	\$ 245,297	\$ 87,609	\$ 157,688
Deferred loss on bond refunding (b)	879,569	574,163	305,406
	<u>\$ 1,124,866</u>	<u>\$ 661,772</u>	<u>\$ 463,094</u>

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

Note 4 - Financing and Deferred Amounts - Continued

- (a) Includes prepaid insurance premiums incurred relative to the 2007 Revenue Bonds. These costs are being amortized over the life of the bonds using the straight-line method. Amortization of these costs totaled \$13,138 and \$13,141 for the years ended December 31, 2014 and 2013, 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 using the effective interest rate method. Amortization of deferred amounts totaled \$25,563 for both of the years ended December 31, 2014 and 2013.

Note 5 - Long-Term Debt

A summary of long-term debt ending balances and transactions for the years ended December 31, 2014 and 2013 is as follows:

Balance as of January 1, 2013	\$ 18,313,709
Bond discount used in 2013	4,382
Principal payments	<u>(897,618)</u>
Balance as of December 31, 2013	17,420,473
Financing through long-term debt	25,000
Bond discount used in 2014	4,381
Principal payments	<u>(885,776)</u>
 Balance at December 31, 2014	 <u><u>\$ 16,564,078</u></u>

Long-term debt consisted of the following:

	December 31,	
	2014	2013
<i>Garage #1</i>		
Parking revenue refunding bonds, Series 1992A (including capital appreciation bonds), interest at 6.5% to 7.25%, payable semiannually, principal due in various installments annually through 2017, collateralized by a first lien on the property (i)(ii)	\$ 429,667	\$ 595,443
<i>Quackenbush Garage</i>		
Parking revenue refunding bonds, Series 2007A and 2007B, 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)	9,185,000	9,600,000

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

Note 5 - Long-Term Debt - Continued

	December 31,	
	2014	2013
<i>Quackenbush Garage</i> - Continued		
Parking revenue refunding bonds, Series 2011, interest at 5.135%, payable semi-annually, principal due in various installments amortized through 2025, collateralized by a first lien on trust revenues	6,970,000	7,275,000
<i>Central Lot</i>		
Albany Community Development Agency loan for parking lot development, interest at 0% with \$2,500 principal payments payable annually, commencing January 15, 2015 and maturing on January 15, 2024 (iv)	25,000	-
	16,609,667	17,470,443
Less current maturities	976,436	885,777
Less bond discounts	45,589	49,970
Long-term debt, less current maturities and bond discounts	\$ 15,587,642	\$ 16,534,696

- (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, if any, are due semi-annually through 2017. There were no payments under this lease agreement for the years ended December 31, 2014 and 2013.
- (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%.
- (iv) On November 25, 2014, the Authority entered into an interest-free loan agreement for \$25,000 with the Albany Community Development Agency. The proceeds for this loan are to be used exclusively for the purpose of installing security equipment in the Central Parking Lot #3. Specifically, the Authority will use the funds to install a fence surrounding the parking lot and install a closed-caption television to monitor the activity in the lot. The loan requires annual payments in January every year of \$2,500, until the loan is paid off in January 2024.

Interest expense incurred on long-term debt totaled \$899,828 and \$933,160 for the years ended December 31, 2014 and 2013, respectively.

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

Note 5 - Long-Term Debt - Continued

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 \$1,572,249 and \$2,071,181 at December 31, 2014 and 2013, respectively.

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

	Principal	Interest	Total
For the year ending December 31,			
2015	\$ 972,056	\$ 1,385,331	\$ 2,357,387
2016	981,059	1,354,922	2,335,981
2017	1,250,909	1,320,686	2,571,595
2018	2,223,119	611,835	2,834,954
2019	1,283,119	511,996	1,795,115
2020 through 2024	7,490,595	1,632,000	9,122,595
2025	2,363,221	110,203	2,473,424
	\$ 16,564,078	\$ 6,926,973	\$ 23,491,051

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 138 multi-space meters, which were installed gradually between July 2011 and December 2013. The agreement states that payments will commence six months after a group of meters are placed in service. The Authority has monthly payments ranging from \$1,956 to \$1,087 with interest of 4.498%. These obligations mature on various dates ranging from December 2015 to May 2018.

A summary of the Authority's capital lease obligation for December 31, 2014 and 2013, is as follows:

	December 31,	
	2014	2013
Capital lease obligation	\$ 700,583	\$ 915,143
Less amount representing interest	45,312	70,918
Present value of future minimum lease payments	655,271	844,225
Less current installments, principal only	245,538	188,954
Present value of long-term obligation under capital lease	\$ 409,733	\$ 655,271

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

Note 6 - Capital Lease Obligation - Continued

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,			
2015	\$ 245,538	\$ 24,456	\$ 269,994
2016	195,607	14,225	209,832
2017	159,310	6,012	165,322
2018	54,816	619	55,435
	\$ 655,271	\$ 45,312	\$ 700,583

The total cost of the multi-space meters acquired under the capital lease arrangement was \$986,700, and the related accumulated depreciation was \$140,957 and \$114,314 at December 31, 2014 and 2013, respectively.

Interest expense on the capital lease obligation for the years ended December 31, 2014 and 2013, was \$25,606 and \$13,342, respectively.

Note 7 - Pension Plan

a. Plan Description

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

b. Funding Policy

ERS is noncontributory except for (1) employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and (2) employees who join after January 1, 2010, will contribute 3% of their salary for their entire career. 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:

2014	\$ 143,412
2013	146,011
2012	171,675

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

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

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 years ended December 31, 2014 and 2013, 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 \$29,107 and \$30,079 for the years ended December 31, 2014 and 2013, 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 than 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:

	December 31,	
	2014	2013
Annual required contribution	\$ 194,356	\$ 194,356
Interest on net OPEB obligation	17,612	14,574
Adjustment to annual required contribution	<u>(32,614)</u>	<u>(26,990)</u>
Annual OPEB cost	179,354	181,940
Contributions made	(29,107)	(30,079)
Net OPEB obligation, <i>beginning of year</i>	<u>880,578</u>	<u>728,717</u>
 Net OPEB obligation, <i>end of year</i>	 1,030,825	 880,578
 Less current portion	 <u>32,932</u>	 <u>28,340</u>
 Net OPEB obligation, less current portion	 <u><u>\$ 997,893</u></u>	 <u><u>\$ 852,238</u></u>

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

Note 8 - Postemployment Benefits Other Than Pensions - Continued

c. Annual OPEB Cost and Net OPEB Obligation - Continued

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
12/31/2014	\$ 179,354	16.23%	\$ 1,030,825
12/31/2013	181,940	16.53%	880,578
12/31/2012	180,843	11.96%	728,717

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 \$908,727 and \$939,969 for both years ended December 31, 2014 and 2013, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 225.44 and 217.95 percent as of December 31, 2014 and 2013, respectively.

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

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.

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

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

Note 8 - Postemployment Benefits Other Than Pensions - Continued

e. Methods and Assumptions - Continued

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 - 2015 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, 2014 and 2013, was twenty-five and twenty-six years, respectively.

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. There were seven employees participating in this plan at both December 31, 2014 and 2013.

The Authority also has a Deferred Compensation Plan for its Executive Director. Assets held under the Plan are classified as other restricted assets. Deferred compensation payable under the Plan is included in accounts payable and accrued expenses. Contributions into this Plan by the Authority totaled \$20,000 for each of the years ended December 31, 2014 and 2013.

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 each of the years ended December 31, 2014 and 2013, and are reported as PSO (Parking Service Officers) expense reimbursement in these financial statements.

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Notes to Financial Statements
December 31, 2014 and 2013

Note 10 - Commitments and Contingencies - Continued

a. Salary Reimbursement Agreement - Continued

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. New PSO Agreement With the City

On January 1, 2015, the Authority entered into a new agreement with the City, which will transfer 24 employees to the Authority, who were previously employed by the City. These employees will be performing the same tasks as mentioned above, but will be part of the Authority's payroll. The employees are collectively bargained through the Communication Workers of America, Local 1118, AFL-CIO, with an agreement on behalf of the Authority, which extends through December 31, 2017. All of the employees being transferred to the Authority will have no change in titles, seniority, accrued vacation, or sick leave time. The employees will also be included in the Authority's other postemployment benefits obligation beginning January 1, 2015.

The agreement also provides for a transfer of certain property from the City to the Authority, of which the Authority agrees to pay or provide credit to the City in the amount of the appraised value of the property transferred on or before December 1, 2015.

The agreement also requires the City to annually pay the full expenses associated with enforcement (capital and operating) arising from the employment of personnel, as well as associated plant and equipment utilized by the Authority for enforcement of parking rules in the amount of the actual costs incurred by the Authority. In addition, the Authority may annually pay a licensing fee to the City for the easement and license of the parking meters within the City, which will be agreed upon each year by the City and the Authority.

The terms of this agreement will continue through April 6, 2030.

c. 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 original lease entered into in June 2004 expired in June 2014 after two five-year extension terms, and a new lease was signed. The new lease, which includes options for two consecutive five-year renewals at the discretion of the Postal Service, is set to expire in June 2019.

Rental payments in the amount of \$95,450 and \$83,000 were received during the years ended December 31, 2014 and 2013, respectively. Future minimum annual rentals receivable under the lease at December 31, 2014, are as follows:

For the year ending December 31,

2015	\$ 110,000
2016	110,000
2017	110,000
2018	110,000
2019	55,000
	<hr/>
	\$ 495,000
	<hr/> <hr/>

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Notes to Financial Statements
December 31, 2014 and 2013

Note 10 - Commitments and Contingencies - Continued

d. 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. The balance was \$48,750 and \$63,750 as of December 31, 2014 and 2013, respectively, which is reported as unearned parking revenues in these financial statements. The unearned parking revenues balance is being amortized into income over the ten-year rental period, using the straight-line method.

WAMC is entitled to twenty annual parking passes for its employees and patrons. In consideration of these annual parking passes, WAMC provides 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 - Accounting Pronouncement Issued But Not Yet Implemented

Governmental Accounting Standards Board (GASB) 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 expenses/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.

Albany Parking Authority
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Notes to Financial Statements
December 31, 2014 and 2013

Note 11 - Accounting Pronouncement Issued But Not Yet Implemented - Continued

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with Statement No. 68.

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

Albany Parking Authority
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Required Supplementary Information
Schedule of Funding Progress

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%

Albany Parking Authority
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Supplementary Information - Revenues and Expenses by Operating Department

	Year Ended December 31, 2014						
	<u>Garage #1</u>	<u>Garage #2</u>	<u>Garage #3</u>	<u>Parking Meters</u>	<u>Surface Lots</u>	<u>Office/ Administration</u>	<u>Total</u>
PARKING REVENUES	\$ 1,084,088	\$ 1,277,696	\$ 785,200	\$ 2,571,656	\$ 197,128	\$ -	\$ 5,915,768
OPERATING EXPENSES							
Salaries and related expenses	185,705	93,964	112,956	90,166	74	1,052,044	1,534,909
Insurance	-	-	-	-	-	81,945	81,945
Repairs and maintenance	48,884	184,878	59,259	6,439	8,622	54,582	362,664
Utilities	35,965	26,221	29,166	-	6,339	-	97,691
Professional fees	3,588	3,850	-	-	2,400	94,955	104,793
Depreciation	130,373	183,282	235,984	154,705	40,339	15,387	760,070
Meter supplies and equipment	-	-	-	23,195	-	-	23,195
PSO expense reimbursement	-	-	-	580,500	136,167	-	716,667
Miscellaneous	10,201	11,926	5,353	177,828	50,004	149,532	404,844
Total operating expenses	<u>414,716</u>	<u>504,121</u>	<u>442,718</u>	<u>1,032,833</u>	<u>243,945</u>	<u>1,448,445</u>	<u>4,086,778</u>
Operating income (loss)	<u>669,372</u>	<u>773,575</u>	<u>342,482</u>	<u>1,538,823</u>	<u>(46,817)</u>	<u>(1,448,445)</u>	<u>1,828,990</u>
NONOPERATING REVENUE (EXPENSES)							
Interest income	51,581	-	-	-	-	49,062	100,643
Miscellaneous income	-	-	-	-	-	-	-
Unrealized loss on investments	(46,601)	-	-	-	-	-	(46,601)
Amortization of bond issue costs	-	-	-	-	-	(38,701)	(38,701)
Interest expense	(126,769)	-	-	(25,606)	-	(773,059)	(925,434)
Allocation of administration expenses	(364,829)	(386,940)	(391,362)	(860,111)	(207,841)	2,211,083	-
Total nonoperating revenue (expenses)	<u>(486,618)</u>	<u>(386,940)</u>	<u>(391,362)</u>	<u>(885,717)</u>	<u>(207,841)</u>	<u>1,448,385</u>	<u>(910,093)</u>
Change in net position	<u>\$ 182,754</u>	<u>\$ 386,635</u>	<u>\$ (48,880)</u>	<u>\$ 653,106</u>	<u>\$ (254,658)</u>	<u>\$ (60)</u>	<u>\$ 918,897</u>

Year Ended December 31, 2013

	<u>Garage #1</u>	<u>Garage #2</u>	<u>Garage #3</u>	<u>Parking Meters</u>	<u>Surface Lots</u>	<u>Office/ Administration</u>	<u>Total</u>
PARKING REVENUES	\$ 988,246	\$ 1,295,662	\$ 756,073	\$ 2,375,398	\$ 199,508	\$ -	\$ 5,614,887
OPERATING EXPENSES							
Salaries and related expenses	214,217	103,112	117,657	103,221	-	1,038,044	1,576,251
Insurance	-	-	-	-	-	73,382	73,382
Repairs and maintenance	78,059	75,492	76,355	14,276	7,991	45,871	298,044
Utilities	29,781	23,309	31,875	-	1,525	-	86,490
Professional fees	9,348	11,696	5,848	-	-	51,564	78,456
Depreciation	129,385	182,278	235,984	79,768	39,912	15,143	682,470
Meter supplies and equipment	-	-	-	20,513	-	-	20,513
Contributions	-	-	-	-	-	8,800	8,800
PSO expense reimbursement	-	-	-	580,500	136,167	-	716,667
Miscellaneous	5,048	8,696	3,822	106,790	47,427	87,895	259,678
Total operating expenses	<u>465,838</u>	<u>404,583</u>	<u>471,541</u>	<u>905,068</u>	<u>233,022</u>	<u>1,320,699</u>	<u>3,800,751</u>
Operating income (loss)	<u>522,408</u>	<u>891,079</u>	<u>284,532</u>	<u>1,470,330</u>	<u>(33,514)</u>	<u>(1,320,699)</u>	<u>1,814,136</u>
NONOPERATING REVENUE (EXPENSES)							
Interest income	51,666	-	-	-	-	50,337	102,003
Miscellaneous income	-	-	-	-	-	1,000	1,000
Unrealized loss on investments	(48,800)	-	-	-	-	-	(48,800)
Amortization of bond issue costs	(1,212)	-	-	-	-	(37,492)	(38,704)
Interest expense	(126,769)	-	-	(13,329)	-	(806,404)	(946,502)
Allocation of administration expenses	(338,120)	(380,387)	(380,387)	(824,171)	(190,193)	2,113,258	-
Total nonoperating revenue (expenses)	<u>(463,235)</u>	<u>(380,387)</u>	<u>(380,387)</u>	<u>(837,500)</u>	<u>(190,193)</u>	<u>1,320,699</u>	<u>(931,003)</u>
Change in net position	<u>\$ 59,173</u>	<u>\$ 510,692</u>	<u>\$ (95,855)</u>	<u>\$ 632,830</u>	<u>\$ (223,707)</u>	<u>\$ -</u>	<u>\$ 883,133</u>

See Independent Auditor's Report.

Albany Parking Authority
(A Component Unit of the City of Albany, New York)

Supplementary Information - Capital Assets

	December 31, 2014						
	<u>Garage #1</u>	<u>Garage #2</u>	<u>Garage #3</u>	<u>Parking Meters/ Other Equipment</u>	<u>Surface Lots</u>	<u>Office/ Administration</u>	<u>Total</u>
Land, garages, and improvements	\$ 4,970,356	\$ 9,640,687	\$ 10,637,950	\$ -	\$ -	\$ -	\$ 25,248,993
Leasehold improvements	-	-	-	-	426,877	-	426,877
Furniture and equipment	326,897	176,748	124,011	-	-	58,044	685,700
Parking meters and other equipment	-	-	-	1,082,936	-	-	1,082,936
	<u>5,297,253</u>	<u>9,817,435</u>	<u>10,761,961</u>	<u>1,082,936</u>	<u>426,877</u>	<u>58,044</u>	<u>27,444,506</u>
Less accumulated depreciation and amortization	<u>3,869,847</u>	<u>4,906,421</u>	<u>3,059,235</u>	<u>272,362</u>	<u>282,236</u>	<u>30,957</u>	<u>12,421,058</u>
Net capital assets	<u>\$ 1,427,406</u>	<u>\$ 4,911,014</u>	<u>\$ 7,702,726</u>	<u>\$ 810,574</u>	<u>\$ 144,641</u>	<u>\$ 27,087</u>	<u>\$ 15,023,448</u>
	December 31, 2013						
	<u>Garage #1</u>	<u>Garage #2</u>	<u>Garage #3</u>	<u>Parking Meters/ Other Equipment</u>	<u>Surface Lots</u>	<u>Office/ Administration</u>	<u>Total</u>
Land, garages, and improvements	\$ 4,970,356	\$ 9,640,687	\$ 10,637,950	\$ -	\$ -	\$ -	\$ 25,248,993
Leasehold improvements	-	-	-	-	402,016	-	402,016
Furniture and equipment	318,789	175,571	124,011	-	-	100,486	718,857
Parking meters and other equipment	-	-	-	1,082,936	-	-	1,082,936
	<u>5,289,145</u>	<u>9,816,258</u>	<u>10,761,961</u>	<u>1,082,936</u>	<u>402,016</u>	<u>100,486</u>	<u>27,452,802</u>
Less accumulated depreciation and amortization	<u>3,739,474</u>	<u>4,723,139</u>	<u>2,823,251</u>	<u>117,657</u>	<u>241,897</u>	<u>64,717</u>	<u>11,710,135</u>
Net capital assets	<u>\$ 1,549,671</u>	<u>\$ 5,093,119</u>	<u>\$ 7,938,710</u>	<u>\$ 965,279</u>	<u>\$ 160,119</u>	<u>\$ 35,769</u>	<u>\$ 15,742,667</u>

See Independent Auditor's Report.

**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, 2014, 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 25, 2015.

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*.

Compliance and Other Matters - Continued

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
February 25, 2015