

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

**Financial Statements
as of March 31, 2014
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

June 25, 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New York State Olympic Regional Development Authority (Authority), a New York Public Benefit Corporation, which is a component unit of the State of New York, as of and for the year ended March 31, 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and cash flows of the Authority, as of March 31, 2014, and the respective changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) AS OF AND FOR THE YEAR ENDED MARCH 31, 2014

Within this section of the New York State Olympic Regional Development Authority's (ORDA's) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of ORDA for the fiscal year ended March 31, 2014. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

- ORDA's assets exceeded its liabilities by \$31,289,887 as of March 31, 2014. This compares to the previous year, when assets exceeded liabilities by \$40,724,600.
- Total Net Position is comprised of the following:
 - (1) Investment in capital assets of \$62,784,130 which includes property and equipment, net of accumulated depreciation and related debt.
 - (2) Unrestricted Net Position of (\$31,455,598) representing the excess of non-capital expenses over revenue since the inception of ORDA.

Overview of Financial Statements

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

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

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

The third statement is the *Statement of Cash Flows*, which shows the sources and uses of cash. For the fiscal year ended March 31, 2014, operating activities used cash of \$7,602,381, state and local appropriations provided cash of \$6,517,796, net cash provided by capital and related financing activities was \$489,255 and investing activities provided cash of \$755, resulting in a net decrease in cash and cash equivalents of \$594,575 for the fiscal year ending March 31, 2014. Cash and cash equivalents at the beginning of the year were \$2,359,343, while at the end of the year, cash and cash equivalents were \$1,764,768.

This statement also presents the reconciliation of net loss from operations of \$19,500,635 (including depreciation of \$7,428,437) to net cash used by operating activities of \$7,602,381.

Overview of Financial Statements (Continued)

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

Financial Analysis of the Authority

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

ORDA's Net Position at fiscal year-end is \$31,289,887. This is a \$9,434,713 decrease over last year's Net Position of \$40,724,600. The following table provides a summary of the Authority's assets, liabilities and Net Position:

Summary of Net Assets

	Totals		Change	% Change
	<u>2014</u>	<u>2013</u>		
Current assets	\$ 6,908,315	\$ 7,577,557	\$ (669,242)	-8.83%
Capital assets	71,846,073	76,449,625	(4,603,552)	-6.02%
Other assets	-	96,351	(96,351)	-100.00%
Total assets	<u>\$ 78,754,388</u>	<u>\$ 84,123,533</u>	<u>\$ (5,369,145)</u>	<u>-6.38%</u>
Current liabilities	\$ 11,777,670	\$ 11,306,998	\$ 470,672	4.16%
Other liabilities	35,686,831	32,091,935	3,594,896	11.20%
Total Liabilities	<u>\$ 47,464,501</u>	<u>\$ 43,398,933</u>	<u>\$ 4,065,568</u>	<u>9.37%</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 62,784,130	\$ 66,014,601	\$ (3,230,471)	-4.89%
Unrestricted net assets	(31,494,243)	(25,290,001)	(6,204,242)	24.53%
Total net assets	<u>\$ 31,289,887</u>	<u>\$ 40,724,600</u>	<u>\$ (9,434,713)</u>	<u>-23.17%</u>

Current assets decreased predominately through a decrease of cash of \$865,000 and an increase in accounts receivable of \$350,000.

Capital assets decreased \$4.6 million due primarily to capital asset disposal and depreciation.

Other liabilities increased primarily because of a \$3.61 million dollar increase in other post-employment benefits.

Major Events That Impact Financial Results

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

- Lake Placid Freestyle Skating Championships
- Lake Placid Ice Dancing Championships
- North Atlantic Figure Skating Championships
- America's Cup Bobsled and Skeleton
- Holiday Festival on Ice
- USA Women's Four Nation Hockey
- Harlem Globetrotters
- World Cup Luge
- World Cup Bob/Skeleton
- World Cup Freestyle Skiing Grand National
- International Skating Institute Figure Skating Competition
- Lake Placid Loppet
- NCAA D III Men's Hockey Championships
- Empire State Games
- ECAC Men's Hockey Championships
- Conferences, meetings, festivals and weddings

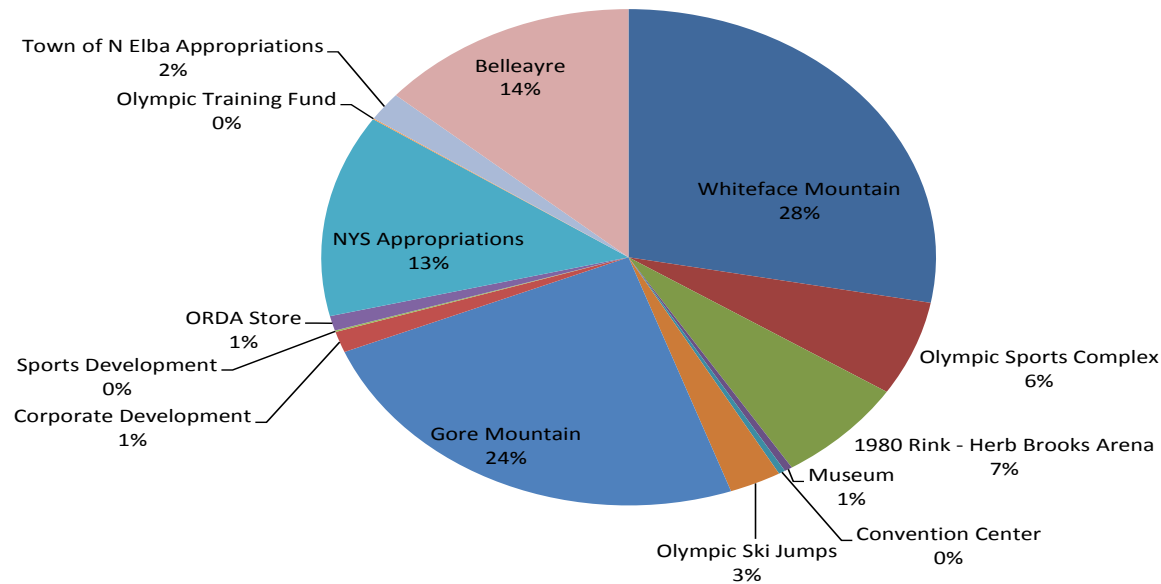
Revenues, Expenses and Changes In Net Position

ORDA's operating revenue increased by \$1,928,461 which is attributed to a strong winter with increased skier visits at the mountains. The three ski centers, Whiteface, Gore, and Belleayre Mountains, are the source of about 77% of ORDA's earned revenue. Revenue at the ski centers increased from 2013 by over \$1.3 million.

Management has taken extraordinary steps to decrease personal service expense in the past several years, so much so that more cuts in that area would be unproductive, even detrimental to ORDA's bottom line. Personal service expense has large increases this year due largely in part to the negotiation of the union contracts resulting in retro-active payments to employees and overall wage increases across the board. Further, the organization was hit with increases in retirement expense, health insurance, and workers compensation. Non-personal service expense increased slightly in 2014 due primarily to the extended ski season in April of 2014 as well as the implementation of a companywide point-of-sale integrated system.

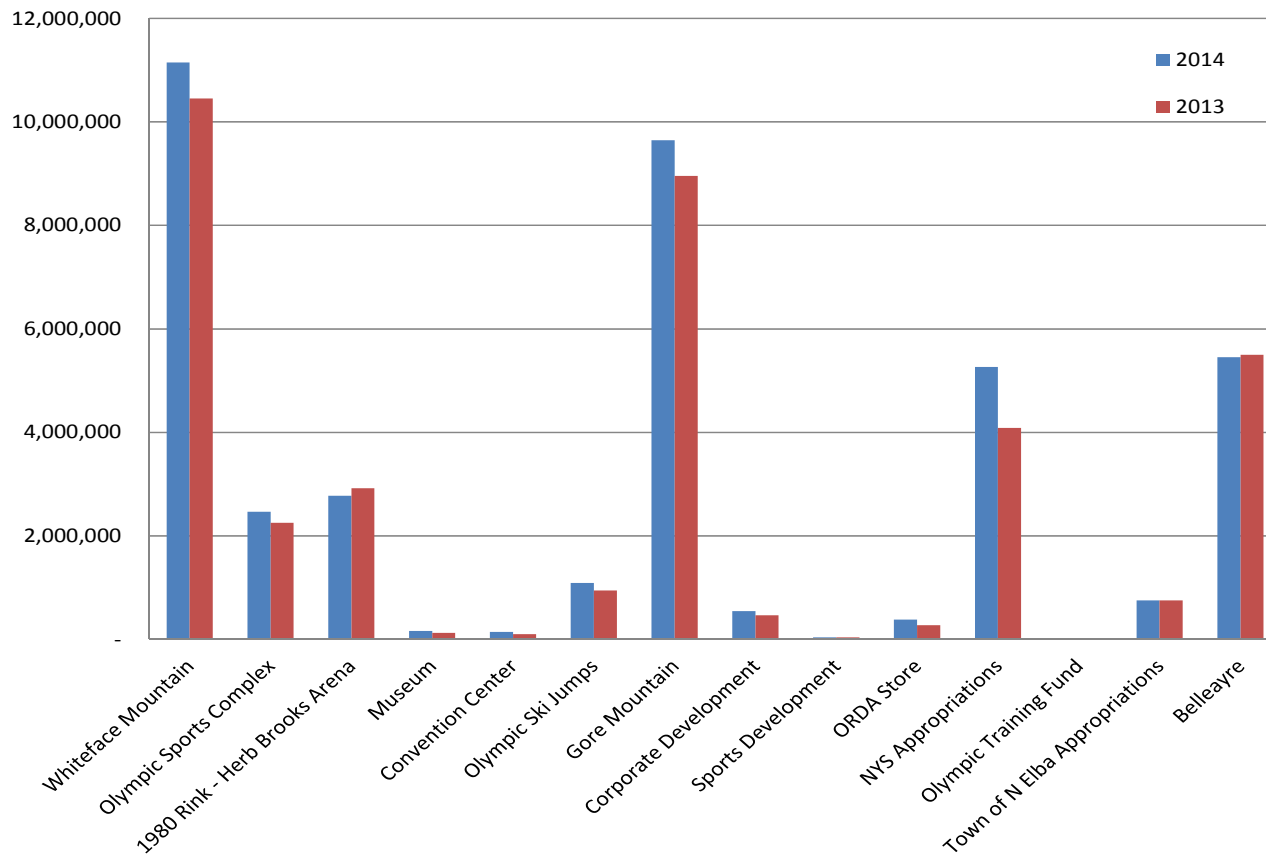
Graphic presentation of revenue and expense by venue and type follow to assist the analysis of the Authority's activities for the fiscal year 2013.

NYS ORDA Revenue By Venue 2014



The Revenue by Venue pie chart for 2014 shows that Whiteface Mountain continues to be the venue that produces the most revenue at 28%, followed by Gore Mountain at 24%, Belleayre Mountain at 14%, support from the State of New York was approximately 13%, the Town of North Elba contributed 2%, and the remaining 19% comes from the other venues, the ORDA Store, Corporate Marketing and Sports Development.

NYS ORDA Revenue By Venue 2014 Compared To 2013



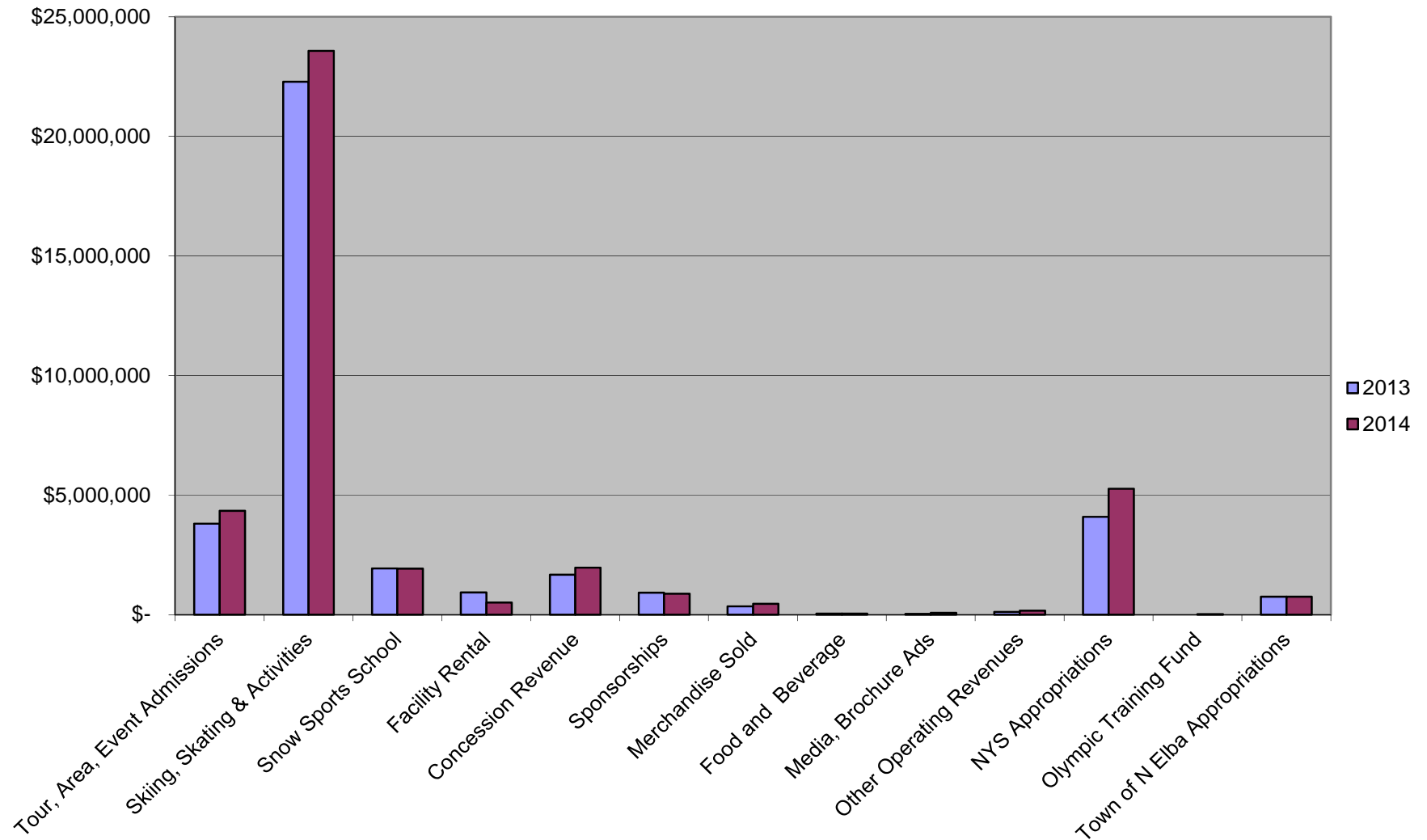
Revenue by Venue Bar Chart

Looking at the bar graph labeled Revenue by Venue shows that Whiteface Mountain earned \$698,184 more in 2014 compared to 2013. Gore Mountain earned \$689,250 more this year compared to last. All venues showed an increase in revenue for 2014 compared to 2013 other than Sports Development, the Arena, and Belleayre while State appropriations increased by \$1,179,827 and town appropriations stayed constant.

Revenue by Type Graph

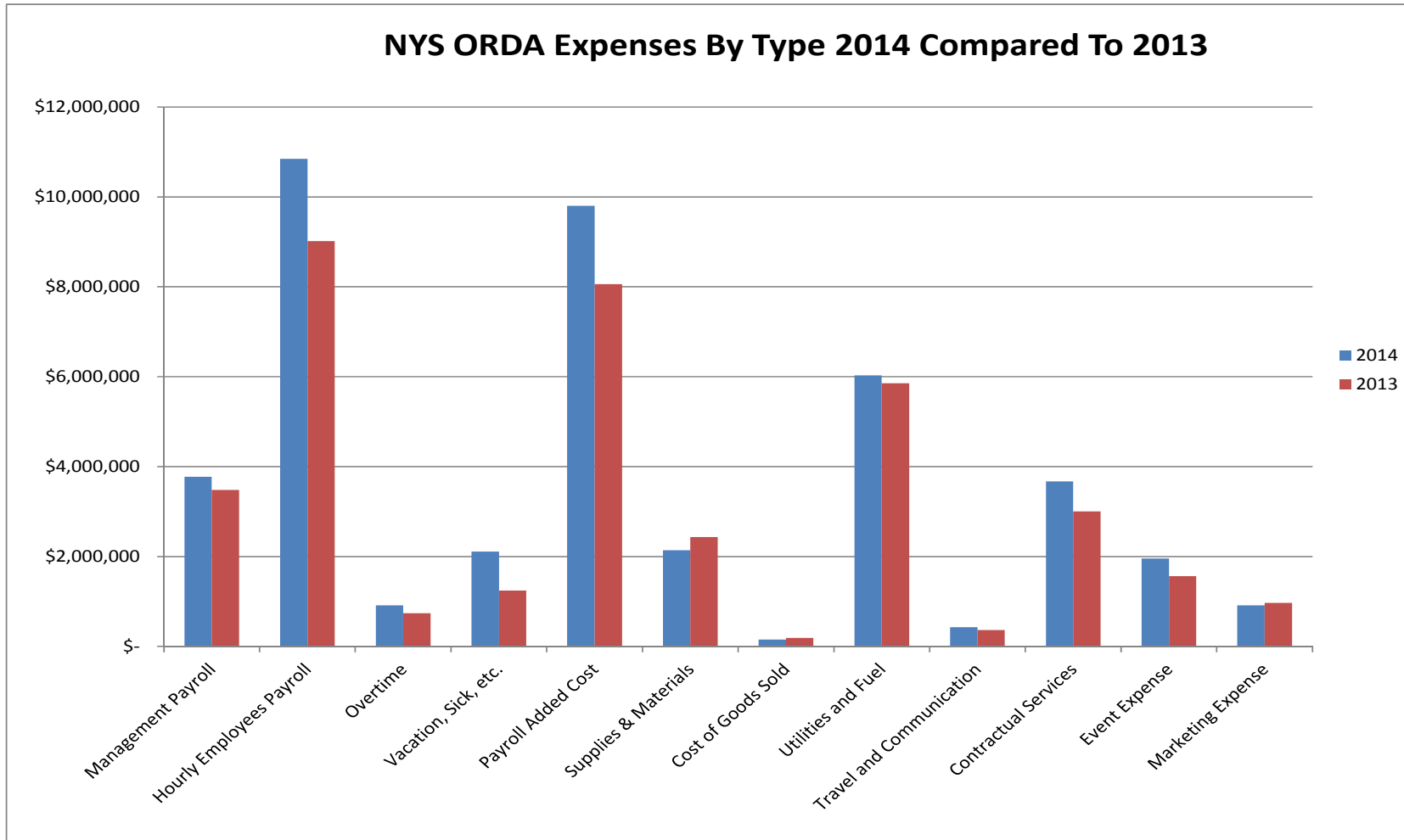
The following Graph, Revenue by Type 2014 Compared to 2013 again shows that skiing is ORDA's largest revenue producer.

NYS ORDA Revenue By Venue 2014 Compared To 2013



Expense by Type Graph

The Expense by Type graph shows that hourly employees' personal service continues to be one of the Authority's greatest expenses, followed by payroll added cost. The large increase in payroll expense for 2014 relates to retro-active payments and wage increases associated with union contract negotiations. Further increases were felt in workers compensation, retirement expense, and health insurance. Extended operation into April 2013 increased payroll as well as April 2012 ORDA mountains were not open due to weather.



Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation and debt as of March 31, 2013 and 2014 was \$66,014,601 and \$62,859,681, respectively. The total decrease in this net investment at March 31, 2014 was \$3,154,920. The decrease is due to capital appropriations for 2014 being cut from NYS. Major capital asset additions during the fiscal year included new snow-grooming, trail maintenance, and snowmaking equipment for Whiteface, Gore, and Belleayre Mountains, snowmobiles and pick-up trucks for all venues, and upgrades and maintenance at all venues.

Long Term Debt

At the end of the fiscal year, the Authority had capital lease obligations of \$9 million. Included in the long term debt were a lease of about \$5 million for improvements at both Gore and Whiteface, and a New York Power Authority lease of about \$4 million for the purchase of new energy efficient compressors and new energy efficient snowmaking equipment at the ski centers. At the end of the fiscal year, the Authority had post-employment benefits obligations of \$22 million and compensated absences of \$3 million.

Short Term Debt

The Authority currently has a line of credit of \$7 million, of which \$4.4 million was outstanding as of March 31, 2014. This line of credit is used to pay expenses incurred for projects that will ultimately be funded by an Empire State Development Corporation Grant, for the new Convention Center at Lake Placid. Additionally, this has been used to help with large personal expense retirement payments during the course of the year.

Economic Environment and Next Year's Forecast

Economic Environment

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

Given that ORDA relies heavily on fourth quarter income to sustain the annual budget, its results are highly dependent on winter weather conditions and tourism trends. The 2013-2014 winter season was another strong winter season resulting in revenue gains at Whiteface, Gore, Mt. VanHoevenberg, and the Jumping Complex. Gore and Whiteface had revenue growth compared to 2012-2013 of \$689,000 and \$698,000, respectively. New York State Appropriations were higher than the previous year as requests were made to help supplement the first full fiscal year of Belleayre Mountain falling under ORDA management. Understanding the financial pressures as well as incurring increased payroll added cost such as retirement, workers compensation, and insurance, ORDA continued a concerted effort to reduce costs. All venues continued to be challenged with profitability and cash management. Furthermore, 2013-2014 concluded the first full year of management for Belleayre Mountain, allowing for a better understanding of the year-round operations and opportunities for savings and revenue growth. Management continues to evaluate this operation to determine what continued steps can be taken to increase revenue and skier visits, while also improving the guest experience.

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

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

Next Year's Forecast

The 2014-2015 year will again be filled with many activities, events and opportunities to experience our facilities. Once again, world events will be staged and hosted across our venues. Season pass programs continue to improve to provide a 3 mountain opportunity for our customers with the Ski3 Pass.

Season pass sales are continuing to increase on an annual basis as new offerings are provided. Lift ticket schedules are designed to provide value and opportunity for our guests while providing flexibility in pricing. Modifications to our ticket schedules and resort passes will provide additional revenues for the organization as long as weather and operating conditions permit. New marketing initiatives will be undertaken to increase visitation and develop strategies to align all mountains and venues to maximize revenue potential. Among these initiatives is the introduction of the Parallel From the Start beginner lesson program being rolled out at all three ski facilities. Further, the organization is making investment into an e-commerce platform which will provide our guests with a more streamlined approach at purchasing tickets to all of our venues. ORDA will have to continue to be vigilant in regards to operational spending as it is anticipated that fuel, utilities, insurance and retirement costs will continue to increase and support from the state may decrease. Managers and department heads will work together to minimize expenses while at the same time striving to fulfill our mission and provide absolute quality experiences for our guests.

ORDA has already begun to take measures to positively affect next year's sales. Along with the Ski3 Season Pass and Parallel From the Start initiatives, there are various marketing efforts being put in place to reach our consumers across all of our venues. Promotional campaigns are being developed to further increase visitation and produce additional revenue streams. A strong emphasis on cross-promotional marketing between our three ski facilities has been put into place to expand our reach from a venue wide perspective. A more concerted effort is being put on online sales and advertising and making strides to stay consistent with market trends and industry standards. E-commerce will be rolled out this year which will provide additional revenue growth as well as the use of other online outlets to reach as many guests as possible.

Further, with the help of NYS, the organization received increased capital funding to be used in 2014-2015. Plans are already in place to spend this money in areas which will provide additional revenue streams or growth, or provide savings through energy efficient investment. A large emphasis is being put on further improving the ORDA guest experience while also improving the core business streams of the organization. The goal is to utilize these funds in the most financially beneficial way while improving our visitation and overall tourism of NYS.

From an operational standpoint, ORDA is continuing to invest and improve on their newly implemented point-of-sale system. Technological advances in guest experience and interaction are constantly changing and management is taking the steps to evaluate the best options and most logical next steps for the organization. Investment in these areas will provide our guests with a more streamlined, efficient experience while providing ORDA the opportunity to increase revenues and market reach.

The Conference Center is now fully booking conferences, meetings, and other events into 2018 and beyond. There are growth expectations for the Conference Center as feedback from past customers continues to resonant a successful operation. ORDA management sees extensive potential for success not only with Conference Center bookings, but also the impact these events will have on other ORDA venues.

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

Contacting ORDA's Management

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

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

STATEMENT OF NET POSITION

March 31, 2014

(with comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,764,768	\$ 2,359,343
Restricted cash	8,300	8,300
Inventory	63,222	62,987
Accounts receivable, net	4,606,259	4,282,354
Prepaid expenses	<u>465,766</u>	<u>864,573</u>
Total current assets	6,908,315	7,577,557
PROPERTY, PLANT AND EQUIPMENT, net	71,846,073	76,449,625
DEFERRED OUTFLOWS OF RESOURCES:		
Financing costs	<u>-</u>	<u>96,351</u>
	<u>\$ 78,754,388</u>	<u>\$ 84,123,533</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,178,871	\$ 2,234,281
Line of credit	4,367,714	3,917,714
Current portion - Capital leases	1,439,181	1,713,294
Current portion - N.Y.S. Employees Retirement System	162,785	49,406
Accrued liabilities	2,670,027	2,401,590
Advanced collections	<u>959,092</u>	<u>990,713</u>
Total current liabilities	<u>11,777,670</u>	<u>11,306,998</u>
OTHER LIABILITIES:		
Due to Office of General Services	1,708,018	1,300,068
Capital lease obligations, net of current portion	7,631,062	8,826,381
Due to N.Y.S. Employees Retirement System	1,212,219	603,195
Accrued compensated absences	3,072,631	2,917,810
Other post employment benefits	<u>22,062,901</u>	<u>18,444,481</u>
Total other liabilities	<u>35,686,831</u>	<u>32,091,935</u>
Total Liabilities	<u>47,464,501</u>	<u>43,398,933</u>
NET POSITION:		
Invested in capital assets	62,784,130	66,014,601
Unrestricted	<u>(31,494,243)</u>	<u>(25,290,001)</u>
Total Net Position	<u>\$ 31,289,887</u>	<u>\$ 40,724,600</u>

The accompanying notes are an integral part of these statements.

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2014
(with comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Earned revenue	\$ 33,195,992	\$ 31,307,184
Sponsorships and in-kind contributions	1,129,553	1,113,288
Olympic Training Fund	<u>23,388</u>	<u>-</u>
Total Operating Revenues	<u>\$ 34,348,933</u>	<u>\$ 32,420,472</u>
Operating Expenses		
Personal services	\$ 27,293,357	\$ 22,161,728
Depreciation	7,428,437	6,868,722
Utilities and fuel	6,028,561	5,856,894
Post employment benefits	3,618,420	3,664,038
Contractual services	3,156,331	2,466,290
Supplies and materials	2,119,066	2,229,536
Event related costs	1,953,507	1,564,750
Marketing	924,098	976,067
Fees, dues	511,681	487,006
Cost of goods sold	294,312	188,655
Communications	248,340	209,452
Travel and lodging	175,580	151,841
Amortization	96,351	19,200
Bad debts	<u>1,527</u>	<u>52,954</u>
Total Operating Expenses	<u>53,849,568</u>	<u>46,897,133</u>
Operating Loss	<u>(19,500,635)</u>	<u>(14,476,661)</u>
Non-Operating Revenues (Expenses)		
Appropriations - New York State	5,267,796	4,087,969
Appropriations - Town of North Elba	750,000	750,000
NYS EPF grant	500,000	500,000
New York State DEC - Belleayre	-	997,000
Interest income	751	586
Restricted interest	4	28
Interest expense	<u>(395,311)</u>	<u>(395,030)</u>
Total Non-Operating Revenue	<u>6,123,240</u>	<u>5,940,553</u>
Loss Before Capital Contributions	<u>(13,377,395)</u>	<u>(8,536,108)</u>
Capital Contributions		
NYS capital appropriations	2,500,000	5,000,000
New York State ESD	1,050,000	925,578
Other	<u>392,682</u>	<u>626,606</u>
Total Capital Contributions	<u>3,942,682</u>	<u>6,552,184</u>
Decrease in Net Position	<u>(9,434,713)</u>	<u>(1,983,924)</u>
Net Position, Beginning of Year	<u>40,724,600</u>	<u>42,708,524</u>
Net Position, End of Year	<u>\$ 31,289,887</u>	<u>\$ 40,724,600</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014
(with comparative totals for 2013)**

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 33,540,374	\$ 35,488,057
Payments to employees	(27,190,628)	(22,161,728)
Payments to suppliers	(13,952,127)	(14,580,745)
Net Cash Used By Operating Activities	<u>(7,602,381)</u>	<u>(1,254,416)</u>
Cash Flows From Noncapital Financing Activities		
Appropriations received from State and Town of North Elba	<u>6,517,796</u>	<u>6,334,969</u>
Cash Flows From Capital and Related Financing Activities		
Other capital contributions	3,942,682	6,552,184
Change in restricted cash	-	813,775
Change in capital related accounts receivable	451,506	(3,652,394)
Change in capital related accounts payable	334,695	(443,729)
Additions, net of disposals, to property, plant and equipment	(2,824,885)	(6,846,756)
Net proceeds (repayments) of the line of credit	450,000	815,003
Principal paid on capital lease obligations	(1,469,432)	(1,039,804)
Interest paid on debt	(395,311)	(395,030)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>489,255</u>	<u>(4,196,751)</u>
Cash Flows From Investing Activities		
Restricted interest	4	28
Interest income	751	586
Net Cash Provided by Investing Activities	<u>755</u>	<u>614</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(594,575)	884,416
Cash and Cash Equivalents, Beginning of Year	<u>2,359,343</u>	<u>1,474,927</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,764,768</u>	<u>\$ 2,359,343</u>
Reconciliation of Net Loss From Operations to Net Cash Used By Operating Activities		
Operating loss	\$ (19,500,635)	\$ (14,476,661)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Amortization	96,351	19,200
Depreciation	7,428,437	6,868,722
Bad debts (Recoveries)	1,527	52,954
(Increase) decrease in assets:		
Inventory	(235)	(11,983)
Accounts receivable	(776,938)	2,966,457
Prepaid expenses	398,807	(565,796)
Increase (decrease) in liabilities:		
Accounts payable	(390,105)	(1,694,559)
Accrued liabilities, N.Y.S. ERS, and compensated absences	1,145,661	1,321,908
Due to Office of General Services	407,950	500,177
Other post employment benefits	3,618,420	3,664,037
Advanced collections	(31,621)	101,128
Net Cash Used By Operating Activities	<u>\$ (7,602,381)</u>	<u>\$ (1,254,416)</u>

The accompanying notes are an integral part of these statements.

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

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2014

1. NATURE OF OPERATIONS

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

On April 1, 2012, the Authority assumed management responsibility of Belleayre Ski Area in Highmont, NY. Belleayre was previously managed by the NYS Department of Environmental Conservation (See note 15).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates used in preparing these financial statements include the calculation of compensated absences, the estimated useful lives of property and equipment and the estimated value other post-employment benefits obligation.

Cash and Cash Equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

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

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

At March 31, 2014 and 2013 deposits were fully insured and/or collateralized by the Authority's agent in the Authority's name.

Restricted Cash

Restricted cash amounted to \$8,300 as of March 31, 2014 and 2013 respectively. The funds consisted of the P. Wharton Memorial Scholarship.

Inventory

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

Accounts Receivable

Accounts receivable are stated at the unpaid balance, less an allowance for doubtful accounts. The Authority provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of the payers to meet their obligations. The allowance for doubtful accounts was \$50,443 and \$74,561 as of March 31, 2014 and 2013 respectively.

Deferred Financing Costs

Deferred financing costs consist of financing fees and expenses associated with a capital lease agreement with the New York Power Authority. These fees and expenses are being amortized on a straight line basis over the term of the lease.

Property, Plant and Equipment, and Depreciation

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

	<u>Years</u>
Property and plant	20-40
Equipment, furniture and vehicles	3-10

Sinking Fund – Capital Repairs and Improvements

Section 2619 of the Public Authorities Law requires the Authority to establish a sinking fund to provide for capital improvements and major repairs to the Olympic facilities. The law requires, among other things, that not less than twenty-five (25) percent of the net profit from operations in the Authority's fiscal year shall be deposited into the sinking fund. The Authority did not have net profits from operations for the years ended March 31, 2014 and 2013, and had no balance in the reserve.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of Accounting Standards

GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standard 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 or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority adopted the provisions of this statement for the year ended March 31, 2014.

GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. This standard improves accounting and financial reporting by clarifying guidance regarding risk financing, operating lease payments, and accounting for loans. The Authority adopted the provisions of this statement for the year ended March 31, 2014.

Revenue Recognition

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

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

Vacation Liability

Employees of the Authority are entitled to paid vacation and paid holidays depending on job classification, length of service and other factors. The accumulation of vacation hours is subject to a 200 hour limit for union employees and a 300 hour limit for non-union management/ confidential employees. The limits are determined on a calendar year basis. Unused holiday time accrues without limit. The accrued value of vacation and holiday time and salary related payments at March 31, 2014 and 2013 is \$1,046,971 and \$947,627, respectively, and is included within accrued liabilities on the Statement of Net Position.

Compensated Absences

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

The liability for sick leave is calculated at rates in effect as of the balance sheet date. The liability at March 31, 2014 and 2013 is \$3,072,631 and \$2,917,810, respectively.

Retirement Benefits

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

Other Post Employment Benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post Employment Benefits (Continued)

The Authority recognized the current cost of providing benefits for March 31, 2014 and 2013 by contributing \$1,191,772 and \$962,247 which is its share of insurance premiums for 88 and 78 currently enrolled retirees, as expenditure for the current year, respectively.

The Authority has recorded other post-employment benefits totaling \$22,062,901 and \$18,444,481 as of March 31, 2014 and 2013. See Note 13 for additional information regarding post-employment benefits.

NYS Capital Appropriations and Grants

The Authority received capital appropriations and grants from New York State, State Agencies and others to fund various capital and other projects related to Health and Safety, and Preservation and Improvement of Facilities. The funds were expended for property and plant, equipment and construction in process of \$3,550,000 and \$5,925,578 for the years ended March 31, 2014 and 2013, respectively.

Donated Use of Facilities

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

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

Donated Services

During the years ended March 31, 2014 and 2013, the recorded value of donated ski patrol services was approximately \$350,000 and \$285,000 respectively.

Comparative Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended March 31, 2013, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2013 statements to conform to the current year presentation.

3. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it.

3. CASH AND CASH EQUIVALENTS (Continued)

Governmental Accounting Standards direct that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are not covered by collateralization.

As of March 31, 2014, all of the Authority's cash or cash equivalent balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the Authority's name.

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash	<u>\$ 1,723,289</u>	<u>\$ 2,345,657</u>
Collateralized with securities held by the pledging financial institutions trust departments or agent in the Authority's name.	\$ 1,948,077	
Covered by FDIC insurance	<u>728,889</u>	
Total	<u>\$ 2,676,966</u>	

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2014</u>	<u>2013</u>
Trade receivables	\$ 2,956,702	\$ 2,481,366
Employee advances	-	38,768
Grant receivable	<u>1,700,000</u>	<u>1,836,781</u>
	4,656,702	4,356,915
Less: allowance for doubtful accounts	<u>50,443</u>	<u>74,561</u>
Accounts receivable, net	<u>\$ 4,606,259</u>	<u>\$ 4,282,354</u>

5. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consists of the following as of March 31, 2014:

	Balance <u>April 1</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31</u>
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Property and plant	136,087,606	2,895,244	-	138,982,850
Equipment, furniture and vehicles	44,885,251	3,184,998	(1,088,419)	46,981,830
Construction in progress	<u>3,423,237</u>	<u>-</u>	<u>(3,241,020)</u>	<u>182,217</u>
Total	184,541,094	6,080,242	(4,329,439)	186,291,897
Less: accumulated depreciation	<u>108,091,469</u>	<u>7,459,094</u>	<u>(1,104,739)</u>	<u>114,445,824</u>
Property, Plant and Equipment, net	<u>\$ 76,449,625</u>	<u>\$ (1,378,852)</u>	<u>\$ (3,224,700)</u>	<u>\$ 71,846,073</u>

Property, Plant and Equipment consists of the following as of March 31, 2013:

	Balance <u>April 1</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31</u>
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Property and plant	133,006,259	3,081,347	-	136,087,606
Equipment, furniture and vehicles	42,382,166	2,550,885	(47,800)	44,885,251
Construction in progress	<u>2,175,997</u>	<u>1,443,283</u>	<u>(196,043)</u>	<u>3,423,237</u>
Total	177,709,422	7,075,515	(243,843)	184,541,094
Less: accumulated depreciation	<u>101,237,831</u>	<u>6,868,721</u>	<u>(15,083)</u>	<u>108,091,469</u>
Property, Plant and Equipment, net	<u>\$ 76,471,591</u>	<u>\$ 206,794</u>	<u>\$ (228,760)</u>	<u>\$ 76,449,625</u>

6. ADVANCED COLLECTIONS

Advanced collections consist of the following as of March 31:

	<u>2014</u>	<u>2013</u>
General and event sponsorships	\$ 197,168	\$ 197,880
Advance ski pass sales	<u>761,924</u>	<u>792,833</u>
	<u>\$ 959,092</u>	<u>\$ 990,713</u>

7. LINE OF CREDIT

In July 2013, the Authority extended its \$7,000,000 tax-exempt bank line of credit. The maturity date of this new agreement is July 31, 2014, with a floating tax-exempt interest rate equal to 65% of the one month LIBOR rate plus 2.75% per annum (2.85% at March 31, 2014). The outstanding balance (including accrued interest) at March 31, 2014 was \$4,367,714. The bank line of credit with an outstanding balance of \$3,917,714 at March 31, 2013 provided for interest to be paid monthly on outstanding borrowings at LIBOR rate plus 2.75% per annum (1.92% at March 31, 2013). The outstanding balance is secured by assets of the Authority. Borrowings on the credit line are used primarily to pay employees and vendors when operating receipts are not sufficient.

8. LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended March 31, 2014 are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year	Long-term Portion
Capital lease obligations	\$ 10,539,675	\$ -	\$ 1,469,432	\$ 9,070,243	\$ 1,439,181	\$ 7,631,062
Due to NYS and Local Employee Retirement System (ERS)	652,601	805,109	82,706	1,375,004	162,785	1,212,219
Compensated Absences	2,917,810	154,821 (A)	-	3,072,631	-	3,072,631
Other post retirement benefits	18,444,481	6,192,019	2,573,599	22,062,901	-	22,062,901
Total	<u>\$ 32,554,567</u>	<u>\$ 7,151,949</u>	<u>\$ 4,125,737</u>	<u>\$ 35,580,779</u>	<u>\$ 1,601,966</u>	<u>\$ 33,978,813</u>

Long-term liability balances and activity for the year ended March 31, 2013 are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year	Long-term Portion
Capital lease obligations	\$ 11,579,479	\$ 543,250	\$ 1,583,054	\$ 10,539,675	\$ 1,713,294	\$ 8,826,381
Due to NYS and Local Employee Retirement System (ERS)	585,952	66,649	-	652,601	49,406	603,195
Compensated Absences	2,344,623	573,187 (A)	-	2,917,810	-	2,917,810
Postretirement benefits	14,780,444	5,709,648	2,045,611	18,444,481	-	18,444,481
Total	<u>\$ 29,290,498</u>	<u>\$ 6,892,734</u>	<u>\$ 3,628,665</u>	<u>\$ 32,554,567</u>	<u>\$ 1,762,700</u>	<u>\$ 30,791,867</u>

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

9. OBLIGATIONS UNDER CAPITAL LEASE AGREEMENTS

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

The Authority has two capital leases with Manufacturers and Traders Trust Company (M&T). With the first lease, the Authority financed the purchase of \$8 million of equipment. Semi-annual payments are \$417,980 through August 2017, with interest fixed at 4.48%. For the second, the Authority financed the purchase of \$1.2 million of equipment. Semi-annual payments are \$80,840 through August 2017, with interest fixed at 4.53%.

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

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

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

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

2015	\$ 1,677,912
2016	1,411,122
2017	1,405,358
2018	1,405,358
2019	2,784,967
Thereafter	<u>1,652,770</u>
	10,337,487
Less: Amount representing interest	<u>1,267,244</u>
Present value of net minimum lease payments	<u>\$ 9,070,243</u>

Assets held under capital assets are as follows:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 15,105,689	\$ 15,105,689
Less: accumulated depreciation	<u>4,813,264</u>	<u>3,948,664</u>
Net leased property	<u>\$ 10,292,425</u>	<u>\$ 11,157,025</u>

Total cash paid for interest expense was \$395,311 and \$395,030 for the year ended March 31, 2014 and March 31, 2013 respectively.

10. PENSION PLANS

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

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

Funding Policy

The System is noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System for more than 10 years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

2014	\$	2,104,797
2013		1,739,187
2012		1,385,264

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

Pursuant to Chapter 49 of the Laws of 2003 Maximum Amortization Amount, payments which would have been paid by February 1, 2005 are allowed to be made on a current basis, while amortizing existing unpaid amounts over a 10-year period, with a 5% interest factor added. The total unpaid liability at the end of the fiscal year was \$40,695 and is included in accrued liabilities.

Pursuant to Chapter 57 of the Laws of 2010 of the Employer Contribution Stabilization Program, payments which would have been paid by February 1, 2011, 2013 and 2014 are allowed to be made on a current basis, while amortizing existing unpaid amounts over a 10-year period, with a 5% interest factor added. The total unpaid liability was \$1,334,309 of which \$162,785 is included in current portion and \$1,212,219 in long-term debt and \$79,089 of which \$9,152 was included in accrued liabilities and \$69,937 in long-term debt at March 31, 2014 and 2013 respectively.

11. RELATED PARTY DISCLOSURES

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

		<u>2014</u>	<u>2013</u>
New York State and Local Employees' Retirement System	\$	1,375,004	\$ 652,601
New York State General Fund Pension Savings Recovery		401,253	401,253

The Authority purchased various services totaling approximately \$213,000 and \$209,000 during the years ended March 31, 2014 and 2013, respectively, from businesses owned by board members. These businesses also sell tickets for the various Authority venues under a voucher system. Included in total Accounts Receivable at March 31, 2014 and 2013 was \$33,071 and \$41,101, respectively, relating to these businesses.

12. COMMITMENTS AND CONTINGENCIES

Litigation

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

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance for all risk beyond minimal deductible amounts. Settled claims have not exceeded the commercial coverage by any material amounts during the years ended March 31, 2014 and 2013. There was no reduction in insurance coverage during the year ended March 31, 2014.

Service America Corporation Capital Contribution

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

In 2012 when the Authority assumed management responsibility of the Belleayre Ski Area, the Authority also assumed the agreement between the NYS Department of Environmental Conservation and Centerplate to manage the Belleayre Ski & Snowboard Sport Retail Shop and Demo Center through October 31, 2014. In October 2013, the Authority amended the agreement with Centerplate to continue through May 31, 2019 to correspond with the contract noted above to include all of the Authority's venues.

13. OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

Annual OPEB Cost and Net OPEB Obligation

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

	<u>2014</u>	<u>2013</u>
Normal cost	\$ 2,073,112	\$ 1,999,144
Amortization of unfunded actuarial liability	3,239,880	2,979,421
Interest	<u>196,581</u>	<u>184,207</u>
ARC	5,509,573	5,162,772
Interest on OPRB obligation	682,443	546,876
Adjustment to ARC	<u>(1,381,824)</u>	<u>(1,083,364)</u>
OPRB expense	<u>\$ 4,810,192</u>	<u>\$ 4,626,284</u>
Net OPRB obligation at the beginning of the year	\$ 18,444,482	\$ 14,780,444
Current year OPRB expense	4,810,192	4,626,285
Net OPRB contributions made during the fiscal year	<u>(1,191,772)</u>	<u>(962,247)</u>
Net OPRB obligation at the end of the year	<u>\$ 22,062,902</u>	<u>\$ 18,444,482</u>
Percentage of expense contributed	24.8%	20.8%

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB 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 OPEB Plan is currently not funded.

14. POST EMPLOYMENT BENEFITS LIABILITY

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/31/2014	\$ -	\$ 45,781,672	\$ 45,781,672	0%	\$ 14,345,041	319.1%
3/31/2013	\$ -	\$ 43,245,588	\$ 43,245,588	0%	\$ 9,432,773	458.5%
3/31/2012	\$ -	\$ 35,817,736	\$ 35,817,736	0%	\$ 8,865,776	404.0%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2014 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	3.7%
Medical care cost trend rate	7.5% initially. The rate is reduced over a 7 year period to an ultimate rate of 4.8%
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

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

15. BELLAYRE SKI CENTER AGREEMENT

Article VII, Part C of the NYS 2012-2013 Enacted NYS Budget authorized the NYS Department of Environmental Conservation to enter into a cooperative agreement with the Authority to transfer the rights to operate, maintain and manage the Belleayre Mountain Ski Center located in Ulster and Delaware County including the transference of all employees.

16. IMPACT OF FUTURE GASB PRONOUNCEMENTS

GASB has issued Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

16. IMPACT OF FUTURE GASB PRONOUNCEMENTS (Continued)

Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The Authority is required to adopt the provisions of these Statements for the year ending March 31, 2016 with early adoption encouraged.

GASB has issued 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. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Authority is required to adopt the provisions of this Statement for the year ending March 31, 2015. A prospective basis should be applied and early adoption is encouraged.

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. As issued in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. The Authority is required to adopt the provisions of this Statement for the year ending March 31, 2015. A prospective basis should be applied and early adoption is encouraged.

GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68* that addresses an issue regarding application of the transition provisions of [Statement No. 68, Accounting and Financial Reporting for Pensions](#). The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Authority is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending March 31, 2016.

The Authority has not yet assessed the impact of these statements on its future financial statements.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 25, 2014, which is the date the financial statements were available to be issued.

REQUIRED REPORTS

**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**

June 25, 2014

To the Board of Directors of
Olympic Regional Development Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards acceptable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Olympic Regional Development Authority (Authority) a New York State Public Benefit Corporation, which is a component unit of the State of New York, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 25, 2014.

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 opinions 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, (2014-1).

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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*

Compliance and Other Matters

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

The Authority's Response to Findings

The Authority's response to the findings and responses identified in our audit is described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2014**

Status of Prior Year Findings

None

Current Year – Financial Statement Findings

2014-01 Account Reconciliations

Criteria

Prepaid insurance expenditures posting procedures should ensure that monthly insurance expenditures are allocated appropriately.

Condition

Our audit procedures disclosed that though prepaid insurance was being expended monthly, the amount of which did not reflect the most recent billing period which necessitated a material adjustment during audit procedures.

Cause

Management did not properly routinely review prepaid insurance and the expenditure thereof to ensure that the monthly expenditure posted to the Authority's general ledger was allocated appropriately.

Effect

Interim financial statements and fiscal projections provided to management displayed insurance expenditures posted to the general ledger at a lesser amount than actually expended.

Recommendation

We recommended that management implement a process of routinely reviewing general ledger recurring entries to ensure the posting of the most current billing for prepaid insurance.

Management Response:

Management has considered all of the information included in the finding and has implemented an annual review process for renewal of yearly contracts and their entry into the general ledger system. Further, more detailed account reconciliations will be completed by the finance staff and reviewed and signed off on by the Director of Finance on a monthly basis. This will include prepaid expense entries as well as repeat system-generated GL entries.