

**NEW YORK STATE OLYMPIC REGIONAL
DEVELOPMENT AUTHORITY
FINANCIAL REPORT
MARCH 31, 2006**

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY

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Marvin and company, p.c.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Kevin J. McCoy

Thomas W. Donovan

Frank S. Venezia

Mary Ann Racicot

James E. Amell

Carol A. Hausamann

Benjamin R. Lasher

Daniel J. Litz

We have audited the accompanying financial statements of the New York State Olympic Regional Development Authority, a component unit of New York State, as of and for the years ended March 31, 2006 and 2005. These financial statements are the responsibility of the New York State Olympic Regional Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Olympic Regional Development Authority as of March 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages A1-A11 is not a required part of the basic financial statements, but is supplementary information required by the U.S. generally accepted accounting procedures. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page C1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marvin and Company, P.C.

May 16, 2006

New York State Olympic Regional Development Authority

Management Discussion and Analysis

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, 2006. 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 \$36,102,649 at March 31, 2006. This compares to the previous year, when assets exceeded liabilities by \$37,685,669.
- Total net assets are comprised of the following:
 - (1) Investment in capital assets of \$47,175,206 which includes property and equipment, the nets of accumulated depreciation and related debt, and a reduction of outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net assets of (\$11,072,557) representing the excess of non-capital expenses over revenue since the inception of ORDA.

Overview of Financial Statements

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

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

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

The third statement is the *Statement of Cash Flows*, which shows the sources and uses of cash. For the fiscal year ending March 31, 2006, operating activities used cash of \$5,285,340, State and local appropriations provided cash of \$7,507,721, net cash used by capital and related financing activities was \$3,252,604 and investing activities (interest income) provided cash of \$37,176, resulting in a net decrease in cash and cash equivalents of \$993,047 for the fiscal year. Cash and cash equivalents at the beginning of the year was \$1,770,811, while at the end of the year, cash and cash equivalents was \$777,764.

This statement also presents the reconciliation of net loss from operations of \$15,890,857 (including depreciation of \$6,519,579) to net cash used by operating activities of (\$5,402,420). Non-cash capital and related financing activities included a capital lease of \$26,680 to finance snowmaking equipment.

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

Financial Analysis of the Authority

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

ORDA's net assets at fiscal year-end are \$36,102,649. This is a \$1,583,020 decrease over last year's net assets of \$37,685,669. The following table provides a summary of the Authority's assets, liabilities and net assets:

	Summary of Net Assets		Amount of	%
	Totals		Change	Change
	<u>2006</u>	<u>2005</u>		
Current Assets	\$2,512,186	\$3,284,134	(\$771,948)	-23.51%
Capital Assets	57,345,811	60,063,861	(2,718,050)	-4.53%
Total Assets	<u>\$59,857,997</u>	<u>\$63,347,995</u>	<u>(\$3,489,998)</u>	<u>-5.51%</u>
Current Liabilities	\$13,039,347	\$8,227,640	\$4,811,707	58.48%
Other Liabilities	10,716,001	17,434,686	(6,718,685)	-38.54%
Total Liabilities	<u>\$23,755,348</u>	<u>\$25,662,326</u>	<u>(\$1,906,978)</u>	<u>-7.43%</u>
Net Assets:				
Invested in capital assets, net of related debt	\$47,175,206	\$43,799,446	\$3,375,760	7.71%
Unrestricted	(11,072,557)	(6,113,777)	(4,958,780)	81.11%
Total Net Assets	<u>\$36,102,649</u>	<u>\$37,685,669</u>	<u>(\$1,583,020)</u>	<u>-4.20%</u>

The Authority reported positive balances in net assets for both fiscal years. Net assets decreased by \$1,583,020 in 2006. The unrestricted deficit increased by \$4,958,780 and working capital decreased by \$5,583,655.

Major Events That Impact Financial Results

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

- **North Atlantic Figure Skating Championships**
- **America's Cup Bobsled/Skeleton - Televised**
- **Smucker's Stars on Ice - Televised**
- **FIBT World Cup Bobsled & Skeleton Verizon Cup - Televised**
- **Viessmann World Cup Luge - Televised**
- **World Cup B Nordic Combined**
- **Geoff Bodine Bobsled Challenge - Televised**
- **Lake Placid Synchronized Skating Competition**
- **Nature Valley Freestyle Grand National - Televised**
- **Lake Placid Loppet**
- **Harlem Globetrotters**
- **Empire State Games – Televised**
- **World Cup Snowboard - Televised**
- **Moe Concert – Snoe-Down**

Revenues, Expenses and Changes in Net Assets

The two ski centers, Whiteface and Gore Mountains, are the source of about 52 % of ORDA's operating revenue. Capital improvements made at the ski areas over the last several years have resulted in increased skier visits. Whiteface has been rated the #1 Resort in North America for off-hill activities by readers of Ski Magazine for 13 years running, and rated the #1 ski resort in the Eastern United States by Ski Magazine readers for three consecutive seasons. Gore Mountain's "The Rumor" was featured as "One of the All-Time, Undisputed Absolute Best Trails" by Ski Magazine in October 2004. The new Combined Bobsled/Luge/Skeleton run at the Verizon Sports Complex, generates more revenue every year, and touts the reputation of having the longest season in the world.

Operating revenues for the 2006 fiscal year increased by \$602,352, or 3.06%. Part of this increase can be attributed to a new photo concession program at all venues, and improvements to snowmaking and grooming, which caused Whiteface Mountain's revenue to increase by about \$600,000.

Operating expenses increased by \$1,967,033, resulting in a loss before capital contributions that was \$1,098,300 larger in fiscal year 2006 compared to fiscal year 2005. ORDA's personal service expense increased by \$575,193, which included contractual increases in wages paid and an increase in payroll added cost (i.e.: health insurance, worker's compensation insurance and retirement expense) of \$250,591 over the previous year. Utilities and fuel expense rose by \$1,261,707, or 31.27%. This large increase is mostly attributed to the rising cost of fuel and electricity. The purchases of supplies and materials decreased by \$438,307. Contractual service expense increased by \$378,705, which included snowmaking compressor rental, and equipment repair at Gore Mountain, and an increase in insurance expense as well.

Graphic presentation on pages A8 – A11 of revenue and expense by venue and type follow to assist the analysis of the Authority's activities for the fiscal year 2006.

Revenue by Source Chart

The Revenue by Source pie chart for 2006 shows that Whiteface continues to be the venue that produces the most revenue at 29%, while Gore Mountain produced 23% of ORDA's revenue for 2006. Support from the State of New York was approximately 24%; the Town of North Elba contributes 3%, and the remaining 21% comes from the other venues, the ORDA Store, Corporate Marketing and Sports Development.

Revenue by Venue Graph

Looking at the bar graph labeled Revenue by Source shows that Whiteface Mountain earned about \$600,000 more in 2006 compared to 2005. This is due to our ability to provide better skiing and snowboarding conditions because of our ability to recover more quickly from adverse weather conditions through improved and upgraded snowmaking and grooming equipment. Gore Mountain's revenue remained about the same as the previous year. Revenue from the Verizon Sports Complex at Mount Van Hoevenberg continues to increase every year. In 2006 we earned about \$150,000 more than in 2005.

Each year we have been able to increase the capacity of the shading system on the new Bobsled/Luge/Skeleton Track, which allows us to keep the track open longer and offer passenger rides for more days each year.

Revenue by Type Graph

The following Graph, Revenue by Type 2006 Compared to 2005 again shows that skiing is ORDA's best revenue producer.

Expense by Type Graph

The Expense by Type graph shows that hourly employees' personal service continues to be one of the Authority's greatest expenses. Utilities and fuel expense and payroll added costs have both increased dramatically in the past few years.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation as of March 31, 2006 and 2005 was \$57,345,811 and \$60,063,861, respectively. The total decrease in this net investment was approximately 4.53%. Major capital asset additions during the fiscal year included new snowgrooming equipment for both Whiteface and Gore Mountains, continued Bobsled/Luge/Skeleton Track construction, continued upgrades to the ticketing system, and renovations to the Olympic Ski Jumping Complex.

Long Term Debt

At the end of the fiscal year, the Authority had total debt outstanding of \$10,170,605, which was a decrease of \$6,093,810 from March 31, 2005. This decrease is mostly due to forgiveness of \$5,117,080 in debt by New York State. \$5,000,000 of this debt was incurred to build the US Olympic Training Center in Lake Placid. Included in long-term debt are capital lease obligations of \$9,988,775 for the purchase of ski lifts and equipment See Notes to the Financial Statements, Note 10.

Short Term Debt

The Authority currently has a line of credit of \$2.5 million, of which \$1,199,875 was outstanding as of March 31, 2006. See Note 10.

Economic Environment and Next Year's Forecast

Economic Environment

As the economy stabilizes, the economic environment in the North Country continues to strengthen. ORDA continues to provide economic stimulus in a challenging environment. New businesses are popping up that include hotels, restaurants, shops and homes. This indicates a confidence in the economy of our region as both new residents and business owners are choosing to stake their claim here.

ORDA's operating results and cash flow are dependent on daily sales, state and local appropriations and corporate sponsorships. The first three quarters rely heavily on appropriations 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.

Given that ORDA relies heavily on fourth quarter sales to sustain its annual budget, its results are highly dependent on weather conditions and tourism trends. The 2005-2006 season was again difficult due to fluctuations in weather and the relatively small amounts of natural snowfall. Recovering from warm wet weather required substantial snowmaking and ice making efforts to maintain the quality of our product. These efforts are not without a cost. As a result, operational postures in the first two quarters of the 05-06 year have required conservative spending in personal and non-personal service categories. ORDA however still fulfilled its mission by providing numerous events and activities for the public and athletes alike. As well, 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 lure tourists to our destinations.

Next Year's Forecast

The 06-07 year will again be filled with many activities, events and opportunities to experience our facilities. We will be celebrating the 75th Anniversary of the 1932 Winter Olympic Games. Once again, world events will be staged. Attractive season pass programs and lift ticket schedules are designed to provide value and opportunity for our guests. Modifications to our ticket schedules and resort passes will provide additional revenues for the organization. ORDA will have to be vigilant in regards to operational spending as it is anticipated that fuel, utilities, insurance and retirement costs will continue to increase. 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. Though this will be a challenge, our team is committed to working as a unit to accomplish this directive.

ORDA will soon release an Economic Impact Study prepared by the Technical Assistance Center at Plattsburgh State University that shows ORDA's impact to Essex, Warren, Franklin and Clinton Counties was over \$323 million, and over \$356 million in New York State for fiscal year 2004-2005.

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

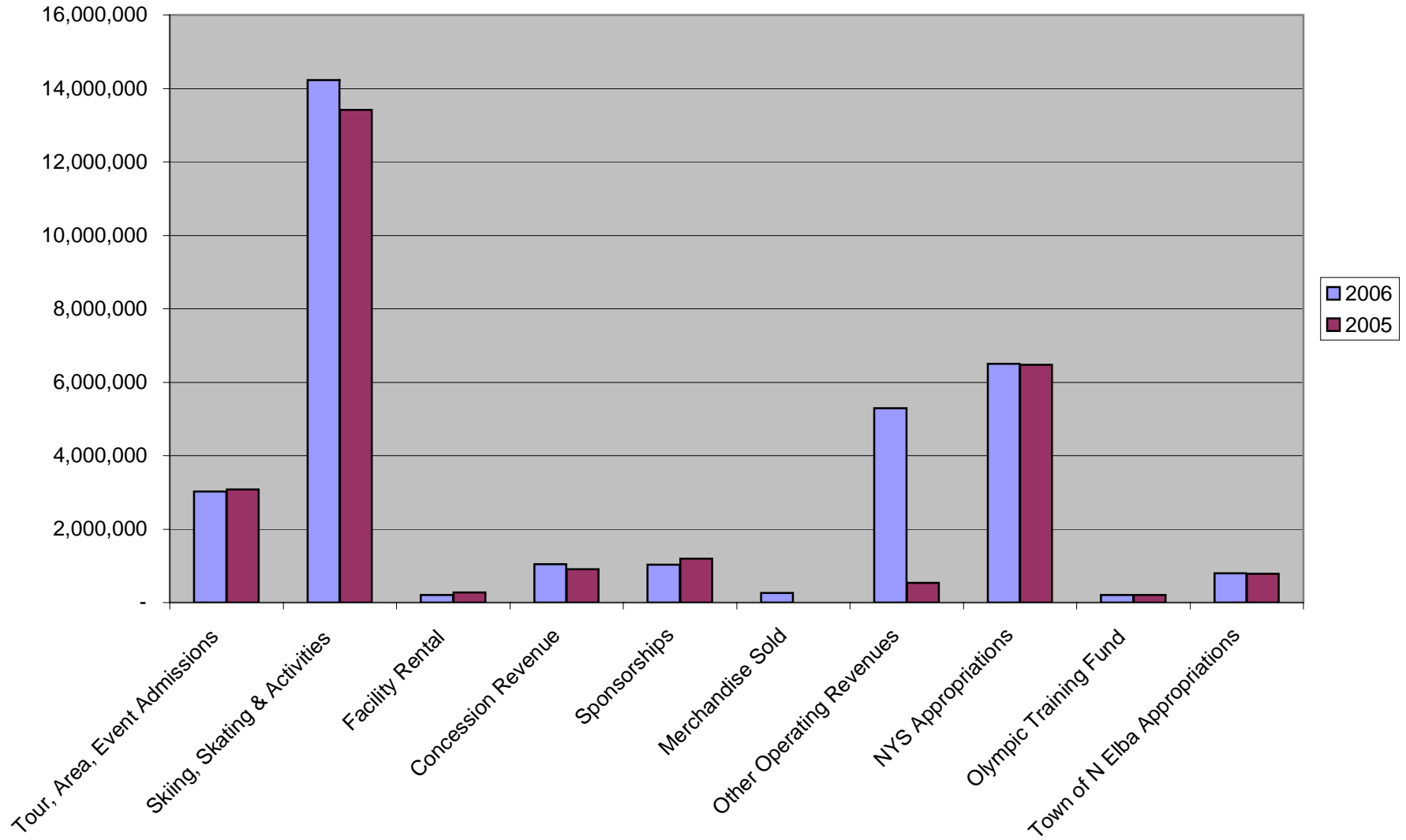
This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate the Authority's commitment to public accountability. If you have questions about this report or would like to request additional information, contact Kathleen Bushy, Director of Finance at 518 523-1655, extension 217.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the Authority's revenues, expenses and changes in net assets:

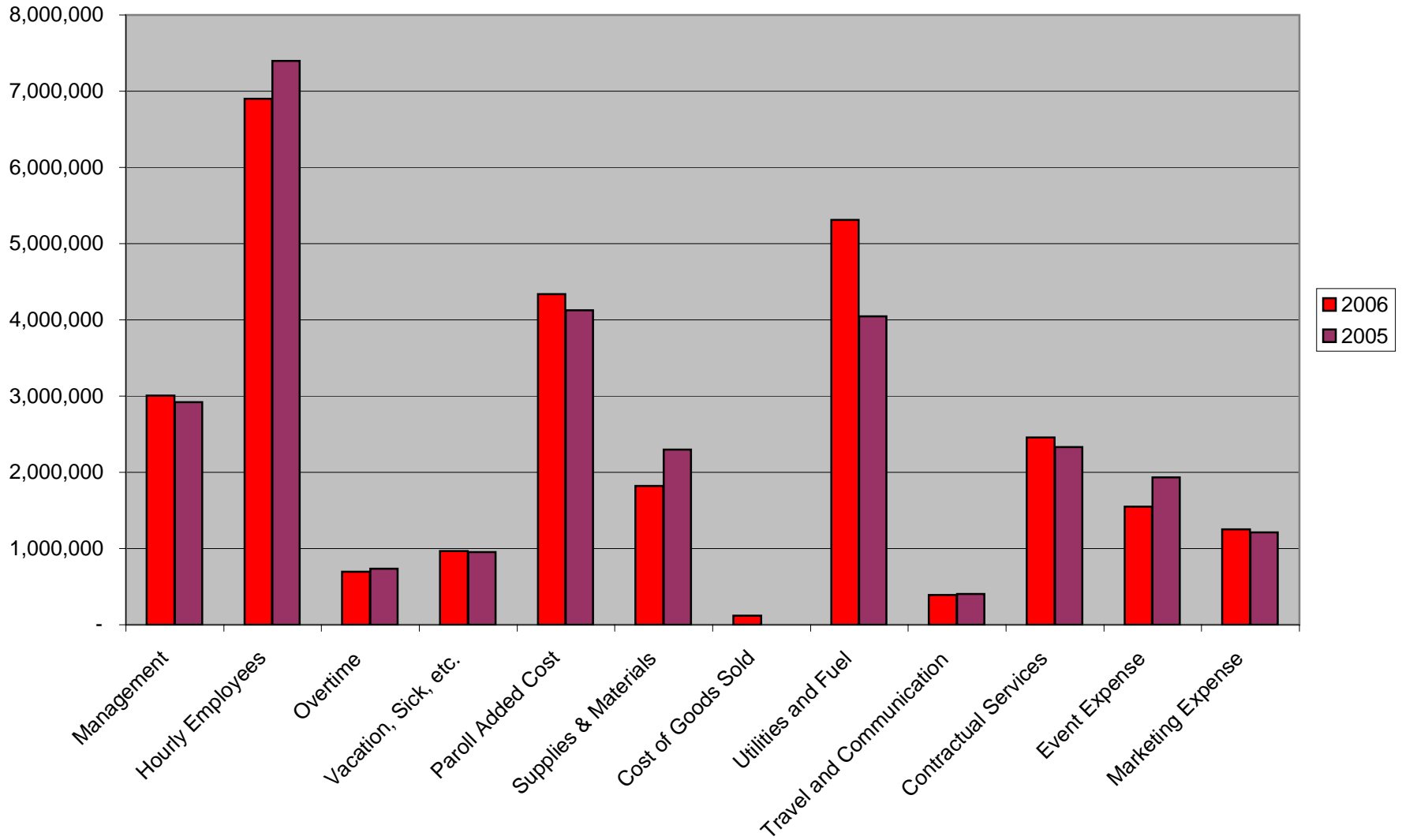
Revenues, Expenses and Changes in Net Assets

	<u>2006</u>	<u>2005</u>	<u>Amount of Change</u>	<u>% Change</u>
Operating Revenues:	\$ <u>20,300,503</u>	\$ <u>19,698,151</u>	\$ <u>602,352</u>	<u>3.06%</u>
Operating Expenses:				
Personal services	16,482,572	15,907,379	575,193	3.62%
Utilities and fuel	5,308,572	4,043,865	1,264,707	31.27%
Fees, dues	355,902	409,703	(53,801)	-13.13%
Marketing expense	1,263,100	1,211,802	51,298	4.23%
Event related costs	1,590,471	1,936,370	(345,899)	-17.86%
Contractual services	2,298,431	1,919,726	378,705	19.73%
Supplies and materials	1,860,529	2,298,836	(438,307)	-19.07%
Cost of Goods Sold	122,309	-	122,309	100.00%
Communications	240,580	262,090	(21,510)	-8.21%
Travel and lodging	147,603	140,340	7,263	5.18%
Bad debts	1,712	3,567	(1,855)	-52.00%
Depreciation	6,519,579	6,090,649	428,930	7.04%
Total Operating Expenses	<u>36,191,360</u>	<u>34,224,327</u>	<u>1,967,033</u>	<u>5.75%</u>
Operating Loss	<u>(15,890,857)</u>	<u>(14,526,176)</u>	<u>(1,364,681)</u>	<u>9.39%</u>
Non-Operating Revenues (Expenses)				
Appropriations - New York State	6,505,733	6,468,133	37,600	0.58%
Appropriations - Town of North Elba	801,988	778,630	23,358	3.00%
Olympic Training Fund	200,000	200,000	-	0.00%
Interest Income	37,176	30,772	6,404	20.81%
Interest Expense	(593,240)	(792,259)	199,019	-25.12%
Total Non-Operating Revenue (Exp)	<u>6,951,657</u>	<u>6,685,276</u>	<u>266,381</u>	<u>3.98%</u>
Loss Before Capital Contributions	<u>(8,939,200)</u>	<u>(7,840,900)</u>	<u>(1,098,300)</u>	<u>14.01%</u>
Capital Contributions				
Appropriations - New York State	1,890,000	2,600,000	(710,000)	-27.31%
Concessionaire Contribution	3,458	621,027	(617,569)	-99.44%
New York State forgiveness of debt	5,117,080	-	5,117,080	100.00%
HUD Grants	345,642	781,075	(435,433)	-55.75%
Decrease in Net Assets	<u>(1,583,020)</u>	<u>(3,838,798)</u>	<u>2,255,778</u>	<u>-58.76%</u>
Net Assets-Beginning of Year	<u>37,685,669</u>	<u>41,524,467</u>	<u>(3,838,798)</u>	<u>-9.24%</u>
Net Assets-End of Year	<u>\$ 36,102,649</u>	<u>\$ 37,685,669</u>	<u>\$ (1,583,020)</u>	<u>-4.20%</u>

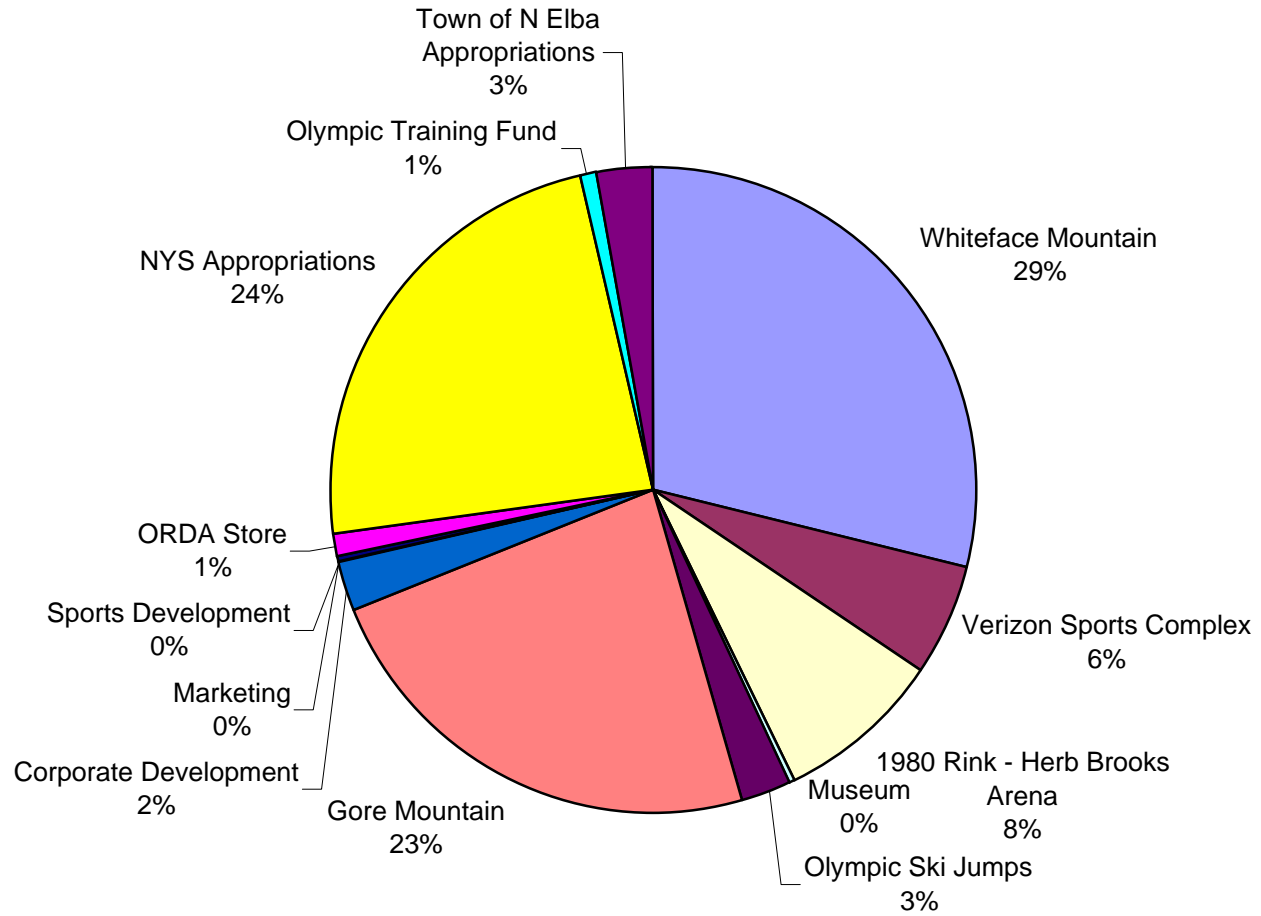
NYS ORDA Revenue By Type



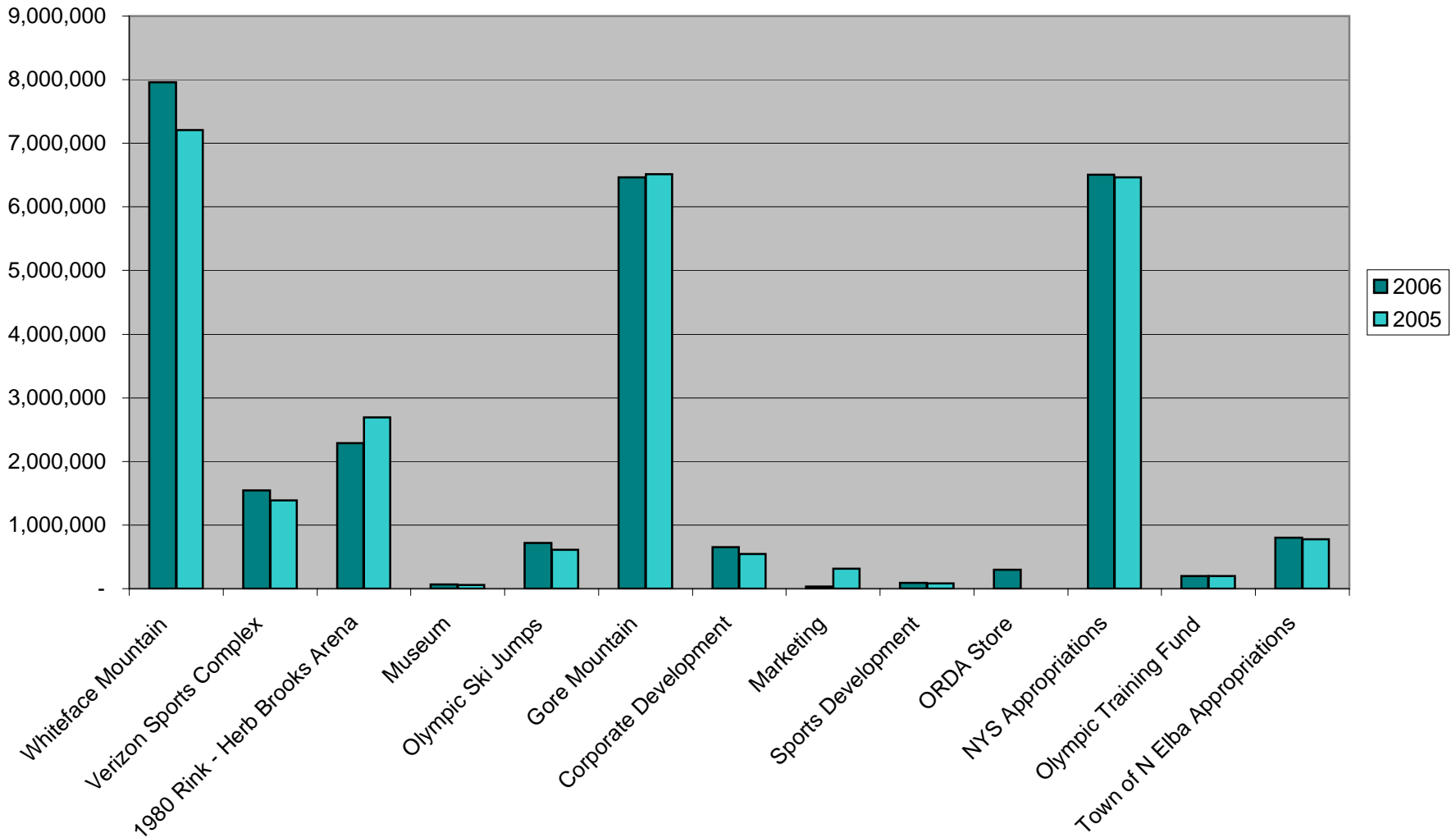
NYS ORDA Expenses By Type



NYS ORDA Revenue By Source 2006



NYS ORDA Revenue By Venue or Department 2006 and 2005



**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
BALANCE SHEETS
MARCH 31, 2006 AND 2005**

ASSETS

	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and cash equivalents - unrestricted (Note 4)	\$ 777,764	\$ 1,770,811
Inventory	62,747	77,846
Accounts receivable, net (Note 5)	1,239,153	1,203,109
Prepaid expenses	432,522	232,368
Total Current Assets	<u>2,512,186</u>	<u>3,284,134</u>
Property, Plant and Equipment, Net (Note 7)	<u>57,345,811</u>	<u>60,063,861</u>
TOTAL ASSETS	<u>\$ 59,857,997</u>	<u>\$ 63,347,995</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 8,173,398	\$ 3,477,192
Line of credit payable (Note 10)	1,199,875	1,203,000
Current installments of notes payable, long-term debt and capital lease obligations (Note 10)	1,180,966	616,275
Accrued liabilities (Note 9)	2,224,159	2,491,285
Deferred revenue (Note 8)	260,949	439,888
Total Current Liabilities	<u>13,039,347</u>	<u>8,227,640</u>
Other Liabilities		
Notes payable, long-term debt and capital lease obligations (Note 10)	8,989,639	15,648,140
Due to N.Y.S. Employees' Retirement System (Note 11)	374,645	413,966
Accrued compensated absences (Notes 9 and 12)	1,351,717	1,372,580
Total Other Liabilities	<u>10,716,001</u>	<u>17,434,686</u>
Total Liabilities	<u>23,755,348</u>	<u>25,662,326</u>
Net Assets		
Invested in capital assets, net of related debt	47,175,206	43,799,446
Unrestricted	<u>(11,072,557)</u>	<u>(6,113,777)</u>
Total Net Assets	<u>36,102,649</u>	<u>37,685,669</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 59,857,997</u>	<u>\$ 63,347,995</u>

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Earned revenues	\$ 18,999,018	\$ 18,261,912
Sponsorships and in-kind contributions	1,338,661	1,467,011
Total Operating Revenues	<u>20,337,679</u>	<u>19,728,923</u>
Operating Expenses		
Personal services	16,482,572	15,907,379
Utilities and fuel	5,308,572	4,043,865
Fees, dues	355,902	409,703
Marketing expense	1,263,100	1,211,802
Event related costs	1,590,471	1,936,370
Contractual services	2,298,431	1,919,726
Supplies and materials	1,860,529	2,298,836
Cost of goods sold	122,309	-
Communications	240,580	262,090
Travel and lodging	147,603	140,340
Bad debts	1,712	3,567
Depreciation	6,519,579	6,090,649
Total Operating Expenses	<u>36,191,360</u>	<u>34,224,327</u>
Operating Loss	<u>(15,853,681)</u>	<u>(14,495,404)</u>
Non-Operating Revenues (Expenses)		
Appropriations - New York State	6,505,733	6,468,133
Appropriations - Town of North Elba	801,988	778,630
Olympic Training Fund	200,000	200,000
Interest expense	(593,240)	(792,259)
Total Non-Operating Revenue (Expenses)	<u>6,914,481</u>	<u>6,654,504</u>
Loss Before Capital Contributions	(8,939,200)	(7,840,900)
Capital Contributions		
Appropriations - New York State	1,890,000	2,600,000
Concessionaire Contribution	3,458	621,027
New York State - debt forgiveness	5,117,080	-
HUD grants	345,642	781,075
Decrease in Net Assets	(1,583,020)	(3,838,798)
Net Assets, Beginning of Year	<u>37,685,669</u>	<u>41,524,467</u>
Net Assets, End of Year	<u>\$ 36,102,649</u>	<u>\$ 37,685,669</u>

See accompanying notes to financial statements.

B2.

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 19,812,364	\$ 19,606,439
Payments to employees	(16,493,009)	(15,287,272)
Payments to suppliers	(8,567,519)	(11,426,102)
Net Cash Used By Operating Activities	<u>(5,248,164)</u>	<u>(7,106,935)</u>
Cash Flows From Noncapital Financing Activities		
State and local appropriations	<u>7,507,721</u>	<u>7,446,763</u>
Cash Flows From Capital and Related Financing Activities		
State capital appropriations and grants	1,890,000	2,600,000
Other capital contributions	3,458	301,027
Federal grants	345,642	781,075
Additions to property, plant and equipment	(3,774,849)	(2,229,494)
Proceeds of debt	-	1,000,000
Principal paid on capital lease obligations	(1,002,223)	(915,452)
Principal paid on notes, loans and line of credit	(121,392)	(72,956)
Interest paid on debt	(593,240)	(904,955)
Net Cash Used By Capital and Related Financing Activities	<u>(3,252,604)</u>	<u>559,245</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(993,047)	899,073
Cash and Cash Equivalents, Beginning of Year	<u>1,770,811</u>	<u>871,738</u>
Cash and Cash Equivalents, End of Year	<u>\$ 777,764</u>	<u>\$ 1,770,811</u>
Reconciliation of Net Loss From Operations to Net Cash Used By Operating Activities		
Operating loss	\$ (15,853,681)	\$ (14,495,404)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	6,519,579	6,090,649
Bad debts	1,712	3,567
(Increase) decrease in assets:		
Inventory	15,099	(15,404)
Accounts receivable	(37,756)	(166,240)
Prepaid expenses	(200,154)	(46,881)
Increase (decrease) in liabilities:		
Accounts payable	4,813,286	887,689
Accrued liabilities and compensated absences	(327,310)	591,333
Deferred revenue	(178,939)	43,756
Net Cash Used By Operating Activities	<u>\$ (5,248,164)</u>	<u>\$ (7,106,935)</u>
Schedule of Non-Cash Capital and Financing Activities		
Property and equipment acquired through capital lease	<u>\$ 26,680</u>	<u>\$ 591,300</u>
Capital contributions relating to forgiveness of debt obligations	<u>\$ 5,000,000</u>	<u>\$ -</u>

See accompanying notes to financial statements.

B3.

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity and 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) as agent for the State of New York (the State). The Authority assumed operation of the arena complex, the speed skating oval and the Intervale ski jump complex on October 13, 1982 under agreement with the Town Board of the Town of North Elba, as Trustee for the Town of North Elba Public Parks and Playgrounds 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). For State accounting purposes, the Authority is a component unit of the State and is included in its comprehensive annual financial report.

Basis of Accounting

In accordance with the current standards of the Governmental Accounting Standards Board, 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. Operating revenues include user and spectator fees, rentals, fees per agreements with various concessions located at the Olympic facilities and miscellaneous revenues. Non-operating revenues include appropriations from the State of New York and local governments, and investment income.

Revenue Recognition

Appropriations from the 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.

In-kind contributions which are clearly measurable are recorded as revenue at their fair market value on the date they are received. In turn, they are recorded as an expense in the period they are used. See Notes 2 and 3 for donated facilities and services.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

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

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

Accounts receivable are shown at net. The Authority uses the allowance method of accounting for bad debts. Bad debt expense was \$1,712 and \$3,567 for the years ended March 31, 2006 and 2005, respectively.

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 and declining balance methods over the following estimated useful lives:

	<u>Years</u>
Property and Plant	20-40
Equipment, Furniture and Vehicles	3-10

Reclassifications

Certain 2005 amounts have been reclassified to conform to 2006 financial statement presentation.

2. 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 organization has a clearly measurable and objective basis for determining the value. The agreements with the State and the Park District permit the Authority to use, operate, maintain and manage 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 the State and Park District does not pass to the Authority. The facilities, equipment and additions and improvements thereto revert back to the 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.

3. DONATED SERVICES

During the years ended March 31, 2006 and 2005, the recorded value of donated ski patrol services were approximately \$308,000 and \$260,500, respectively.

No other donated services have been reflected in the financial statements.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

4. CASH AND CASH EQUIVALENTS

The Authority's investment policies are governed by State statutes. In addition, the Authority has its own written investment policy. Authority monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Finance Director 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 deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies.

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the Authority's agent in the Authority's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Authority's name, or (3) uncollateralized.

At June 30, 2006, all deposits were fully insured and collateralized by the Authority's agent in the Authority's name.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the following:

	<u>2006</u>	<u>2005</u>
Trade receivables	\$ 1,201,530	\$ 1,174,839
Employee advances	<u>48,794</u>	<u>39,441</u>
Total	1,250,324	1,214,280
Less allowance for doubtful accounts	<u>11,171</u>	<u>11,171</u>
Accounts Receivable, Net	<u>\$ 1,239,153</u>	<u>\$ 1,203,109</u>

6. 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, 2006 and 2005, and had no balance in the reserve.

In the event of termination of the Authority, the State and the Park District each would receive fifty (50) percent of all monies in the sinking fund.

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

7. PROPERTY, PLANT AND EQUIPMENT

	<u>2006</u>	<u>2005</u>
Land	\$ 145,000	\$ 145,000
Property and plant	90,353,499	88,347,922
Equipment, furniture and vehicles	30,563,515	29,059,778
Construction in process	99,443	66,580
Total	<u>121,161,457</u>	<u>117,619,280</u>
Less accumulated depreciation	<u>63,815,646</u>	<u>57,555,419</u>
Net Property, Plant and Equipment	<u>\$ 57,345,811</u>	<u>\$ 60,063,861</u>

8. DEFERRED REVENUE

	<u>2006</u>	<u>2005</u>
General and event sponsorships	\$ 195,358	\$ 279,101
Advance ticket sales	61,423	156,619
Toll house repair	4,168	4,168
Total	<u>\$ 260,949</u>	<u>\$ 439,888</u>

9. ACCRUED LIABILITIES

	<u>2006</u>	<u>2005</u>
Accrued wages	\$ 594,968	\$ 486,172
Compensated absences (Note 12)	2,274,145	2,301,314
Current portion of:		
Accrued retirement incentives, (Note 11)	93,940	93,137
1988 pension deferral (Note 11)	-	37,085
Payroll taxes and withholdings	28,364	353,445
Accrued interest	74,358	74,358
Other	108,848	117,101
Pension savings recovery due to State	<u>401,253</u>	<u>401,253</u>
Subtotal	3,575,876	3,863,865
Less non-current portion of compensated absences	<u>1,351,717</u>	<u>1,372,580</u>
Total	<u>\$ 2,224,159</u>	<u>\$ 2,491,285</u>

10. NOTES PAYABLE, CAPITAL LEASE OBLIGATIONS AND LONG-TERM DEBT

Line of Credit

The Authority maintains a line of credit agreement with Charter One Bank in the amount of \$2,500,000. Interest is paid monthly on outstanding borrowings at 8.25%. The outstanding balances at March 31, 2006 and 2005 were \$1,199,875 and \$1,203,000, respectively.

Long-Term Debt

	<u>2006</u>	<u>2005</u>
Capital lease obligations-equipment (B)	\$ 9,988,775	\$ 10,964,319
Notes payable (C)	181,830	300,096
Loan payable-State of New York, non-interest bearing (A)	-	5,000,000
Total	<u>10,170,605</u>	<u>16,264,415</u>
Less current installments	<u>1,180,966</u>	<u>616,275</u>
Net Long-Term Debt	<u>\$ 8,989,639</u>	<u>\$ 15,648,140</u>

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

10. NOTES PAYABLE, CAPITAL LEASE OBLIGATIONS AND LONG-TERM DEBT

Principal and interest payments on notes payable, long-term debt and capital lease obligations payable in each of the next five years and thereafter are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2007	\$ 1,180,966	\$	418,249	\$	1,599,215
2008	1,164,336		373,983		1,538,319
2009	1,117,507		327,148		1,444,655
2010	1,120,375		272,720		1,393,095
2011	1,168,567		224,528		1,393,095
2012 and thereafter	<u>4,418,854</u>		<u>376,267</u>		<u>4,795,121</u>
Total	<u>\$ 10,170,605</u>	\$	<u>1,992,895</u>	\$	<u>12,163,500</u>

(A) The amount of each payment is based upon the annual net revenue derived by the Authority from the operation of the Olympic Training Center Facility. Deductions for operating expenses, excluding depreciation and debt service, reduce the annual net revenue from the Facility. Under this formula, no payments were required for the years ended March 31, 2006 and 2005. During the fiscal year ended March 31, 2006, the State of New York forgave this debt and the full amount was recorded as a capital contribution.

(B) Obligations Under Capital Leases-Equipment and Ski Lifts

The Authority leases equipment under capital leases expiring from 2009 to 2016. The asset and liability under capital leases are recorded at the present value of the minimum lease payments. The effective interest rates range from 1.043% to 4.4%. The assets under capital leases are included in the accompanying balance sheets. Depreciation of assets under capital leases is included in depreciation expense.

(C) The Authority financed the purchase of a telephone system with Adirondack Bank. Monthly payments are \$1,080 through March 2007. Interest rate fixed at 6.50% for the first three years, subsequently, the interest rate will adjust based on Prime Lending Rate plus 1.00%.

The Authority financed the purchase of a ticketing system and snowmaking equipment with Adirondack Bank. Monthly payments are \$2,292 through October 2008, with interest fixed at 5.4%.

The Authority financed the purchase of equipment with Manufacturers and Traders Trust Company. Monthly payments are \$6,425 through July 2007, with interest fixed at 4.5%.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

10. NOTES PAYABLE, CAPITAL LEASE OBLIGATIONS AND LONG-TERM DEBT

(D) Obligations Under Capital Lease

Approximate future minimum lease payments by year and in the aggregate for the aforementioned leases are as follows:

<u>Year Ending March 31</u>	<u>Amount</u>
2007	\$ 1,478,327
2008	1,478,327
2009	1,428,610
2010	1,393,095
2011	1,393,095
2012 and thereafter	<u>4,795,121</u>
Subtotal	11,966,575
Less amount representing interest	<u>1,977,800</u>
Present Value of Future Minimum Lease Payments	<u>\$ 9,988,775</u>

Leased equipment is summarized as follows:

	<u>2006</u>	<u>2005</u>
Equipment	\$ 11,840,323	\$ 11,840,323
Less accumulated depreciation	<u>5,455,917</u>	<u>5,315,618</u>
Net Leased Property	<u>\$ 6,384,406</u>	<u>\$ 6,524,705</u>

11. RETIREMENT PLAN

General Information

The Authority participates in the New York State and Local Employees' Retirement System (ERS). This 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.

Plan Descriptions

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 the 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, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005**

11. RETIREMENT PLAN

Funding Policies

The System is noncontributory except for employees with less than 10 years of service who contribute 3% of their salary. 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:

2006	\$	887,043
2005		840,400
2004		252,456

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

Pursuant to Chapter 70 of the Laws of 1999, Chapter 86 of the Laws of 2000 and Chapter 69 of the Laws of 2002, the State Legislature authorized local governments to make available retirement incentive programs with an estimated total cost to the Authority of \$350,000. The cost of the programs will be billed and paid over five years beginning December 15, 2000 for Chapter 70, December 15, 2001 for Chapter 86, and December 15, 2003 for Chapter 69 and will include interest at 8.75%. At March 31, 2006, the remaining balance is \$112,268 of which \$55,685 is included in accrued liabilities and \$56,586 in Due to N.Y.S. Employees' Retirement System.

Pursuant to Chapter 49 of the Laws of 2003 Maximum Amortization Amount, payments which would have been paid by February 1, 2005, allows payments to be made on a current basis, while amortizing existing unpaid amounts over a 10-year period, with an 8% interest factor added. The total unpaid liability at the end of the fiscal year was \$303,718 of which \$32,995 is included in accrued liabilities and \$270,723 in due to N.Y.S. Employees' Retirement System.

Pursuant to Chapter 49 of the Laws of 2003 Maximum Amortization Amount, payments which would have been paid by February 1, 2006, allows payments to be made on a current basis, while amortizing existing unpaid amounts over a 10-year period, with an 8% interest factor added. The total unpaid liability at the end of the fiscal year was \$52,596 of which \$5,260 is included in accrued liabilities and \$47,336 in due to N.Y.S. Employees' Retirement System.

12. COMPENSATED ABSENCES

Employees of the Authority are entitled to paid vacation and paid holidays depending on job classification, length of service and other factors. The accumulation of vacation hours is subject to a 200 hour limit for union employees and a 300 hour limit for non-union management/confidential employees. The limits are determined on a calendar year basis. Unused holiday time accrues without limit. The accrued value of vacation and holiday time and salary related payments at March 31, 2006 and 2005 is \$898,795 and \$913,047, respectively.

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

12. 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 vesting sick leave for employees who, at the balance sheet date, currently are eligible to convert vesting 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, 2006 and 2005 is \$1,375,350 and \$1,388,267, respectively.

13. 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.

Accrued Liabilities and Other Liabilities:

	<u>2006</u>		<u>2005</u>
New York State Employees' Retirement System	\$ 468,585	\$	544,221
New York State Department of Labor-Unemployment	-		255,088
New York State General Fund Pension Savings Recovery	401,253		401,253
Long-Term Debt:			
New York State	-		5,000,000

The Authority purchased various services which totaled approximately \$244,100 and \$164,200 during the years ended March 31, 2006 and 2005, respectively, from businesses owned by board members.

14. CAPITAL APPROPRIATIONS, GOVERNMENT GRANTS AND RESTRICTED FUNDS

NYS Capital Appropriations and Grants

The Authority received capital appropriations and grants of \$3,794,304 and \$4,613,338 for the years ended March 31, 2006 and 2005 from the State and State Agencies to fund various capital and other projects related to Health and Safety, and Preservation and Improvement of Facilities. The funds were expended as follows:

	<u>2006</u>		<u>2005</u>
Property and plant, equipment and construction in process	\$ 2,611,264	\$	2,466,563
Debt service	1,122,837		1,785,880
Repairs and maintenance	<u>60,203</u>		<u>360,895</u>
Total	<u>\$ 3,794,304</u>	\$	<u>4,613,338</u>

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

15. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance for all risk above minimal deductible amounts. Settled claims have not exceeded the commercial coverage by any material amounts during the years ended March 31, 2006 and 2005. There was no reduction in insurance coverage during the year ended March 31, 2006.

16. LITIGATION

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

The Authority was also a defendant in litigation related to construction of the new bobsled/luge track. A settlement was reached in March 2006, requiring the Authority to pay \$1,175,000 which is included in accounts payable at March 31, 2006.

17. COMMITMENTS AND CONTINGENCIES

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. As part of the current contract, Centerplate agrees to contribute an additional amount not to exceed \$1,125,000 toward improvements and food service equipment (investments). If the contract is terminated prior to the full amortization (as defined in the contract) of the improvements made, the Authority is required to reimburse Centerplate an amount equal to the unamortized portion of the improvements.

18. POSTRETIREMENT BENEFITS

In addition to providing pension benefits, the Authority provides health insurance coverage and survivor benefits for retired employees and their survivors. Employees contribute varying percentages of the premiums, depending on when retired. Substantially all of the Authority's employees may become eligible for these benefits if they reach normal retirement age while working for the Authority. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Authority recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the year ended March 31, 2006 approximately \$279,000 was paid on behalf of 50 retirees.

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006 AND 2005

19. DEBT FORGIVENESS

During the year ended March 31, 2006, New York State forgave \$5,117,080 of debt and accounts payable, which related primary to construction of the U.S. Olympic Training Center. The amount was recorded as a capital contribution.

20. MANAGERMENTS' PLANS

At March 31, 2006, the Authority's current liabilities exceeded its current assets by \$10.5 million. Management of the Authority, in conjunction with the State of New York, is taking steps to improve the Authority's balance sheet and invest in capital assets to increase future revenues and reduce operating costs. The following grant proposals were in process at March 31, 2006, which Management believes will be completed shortly:

- Continue to examine and identify ways to reduce debt through restructuring and refinancing.
- Capital grants from ESD totaling \$20 million for the construction of a convention center adjacent to the Olympic arena, plus another \$2 million from New York Power Authority (NYPA) to incorporate energy saving technology into the convention center.
- Capital grants from ESD totaling \$7.5 million for equipment and facility upgrades at Gore and Whiteface ski areas.
- Grant from NYPA/NYSERDA to acquire new energy efficient compressors at Gore and Whiteface ski areas.

The above grants, once realized, will reduce the Authorities annual debt service costs, reduce utility costs, and should provide additional sources of revenue.

NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT BY VENUE
MARCH 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Training Center		
Land	\$ 145,000	\$ 145,000
Property and plant	11,044,841	10,989,121
Construction in process	-	39,300
Total	<u>11,189,841</u>	<u>11,173,421</u>
Arena		
Property and plant	2,698,893	2,718,098
Equipment, furniture and vehicles	2,625,593	2,510,567
Construction in process	42,137	26,635
Total	<u>5,366,623</u>	<u>5,255,300</u>
Whiteface		
Property and plant	17,264,374	16,963,171
Equipment, furniture and vehicles	12,567,561	11,693,539
Construction in process	11,473	-
Total	<u>29,843,408</u>	<u>28,656,710</u>
Mt. Van Hoevenberg		
Property and plant	35,146,716	33,617,343
Equipment, furniture and vehicles	908,027	951,656
Total	<u>36,054,743</u>	<u>34,568,999</u>
Intervale		
Property and plant	3,749,079	3,659,446
Equipment, furniture and vehicles	444,521	482,513
Construction in process	45,833	645
Total	<u>4,239,433</u>	<u>4,142,604</u>
Gore		
Property and plant	20,449,596	20,400,743
Equipment, furniture and vehicles	14,017,813	13,421,503
Total	<u>34,467,409</u>	<u>33,822,246</u>
Totals	121,161,457	117,619,280
Accumulated Depreciation	<u>63,815,646</u>	<u>57,555,419</u>
Net Property, Plant and Equipment	<u>\$ 57,345,811</u>	<u>\$ 60,063,861</u>



INDEPENDENT AUDITORS' 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

Kevin J. McCoy

Thomas W. Donovan

Frank S. Venezia

Mary Ann Racicot

James E. Amell

Carol A. Hausamann

Benjamin R. Lasher

Daniel J. Litz

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

We have audited the financial statements of the New York State Olympic Regional Development Authority (the Authority), as of and for the year ended March 31, 2006, and have issued our report thereon dated May 16, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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, 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*.

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We noted other matters involving the internal control over financial reporting that we have reported to management of the Authority, in a separate letter dated May 16, 2006.

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

Marvin and Company, P.C.

May 16, 2006