

**NEW YORK STATE OLYMPIC REGIONAL  
DEVELOPMENT AUTHORITY  
FINANCIAL REPORT  
MARCH 31, 2007**

# 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, 2007 and 2006. 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, 2007 and 2006, 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 June 26, 2007 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 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.*

June 26, 2007

# 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, 2007. 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 \$51,334,890 at March 31, 2007. This compares to the previous year, when assets exceeded liabilities by \$36,102,649.
- Total net assets are comprised of the following:
  - (1) Investment in capital assets of \$57,711,885, which includes property and equipment, net 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 (\$6,376,338) 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, 2007, operating activities used cash of \$15,608,304, state and local appropriations provided cash of \$7,462,617, net cash provided by capital and related financing activities was \$8,119,604 and investing activities (interest income) provided cash of \$60,676, resulting in a net decrease in cash and cash equivalents of \$26,083 for the fiscal year. Cash and cash equivalents at the beginning of the year was \$777,764, while at the end of the year, cash and cash equivalents was \$751,681.

This statement also presents the reconciliation of net loss from operations of \$14,462,233, (including depreciation of \$6,234,603) to net cash used by operating activities of \$15,608,304.

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 \$51,334,890. This is a \$15,232,241 increase over last year's net assets of \$36,102,647. The following table provides a summary of the Authority's assets, liabilities and net assets:

	<u>2007</u>	<u>2006</u>		
Current Assets	\$ 5,665,042	\$2,512,186	\$ 3,152,856	125.50%
Capital Assets	57,711,228	57,345,811	\$ 365,417	0.64%
Total Assets	<u>63,376,270</u>	<u>\$59,857,997</u>	<u>\$ 3,518,273</u>	<u>5.88%</u>
Current Liabilities	\$ 9,836,774	\$13,039,347	\$ (3,202,573)	-24.56%
Other Liabilities	2,204,606	10,716,001	\$ (8,511,395)	-79.43%
Total Liabilities	<u>12,041,380</u>	<u>\$23,755,348</u>	<u>\$ (11,713,968)</u>	<u>-49.31%</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 57,711,228	\$47,175,206	\$ 10,536,022	22.33%
Unrestricted net assets	(6,376,338)	(11,072,557)	\$ 4,696,219	-42.41%
Total Net Assets	<u>51,334,890</u>	<u>\$36,102,649</u>	<u>\$ 15,232,241</u>	<u>42.19%</u>

The Authority reported positive balances in net assets for both fiscal years. Net assets increased by \$15,232,241 in 2007. The unrestricted deficit decreased by \$4,696,219 and working capital increased by \$6,355,429.

## **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**
- **America's Cup Bobsled/Skeleton - Televised**
- **Smucker's Stars on Ice - Televised**
- **FIBT World Cup Bobsled & Skeleton Verizon Cup - Televised**
- **Women's Frozen Four Hockey**
- **World Cup B Nordic Combined**
- **Bo-Dyn Bobsled Challenge - Televised**
- **ISI Figure Skating Competition**
- **New Year's Ski Jump**
- **Lake Placid Loppet**
- **75<sup>th</sup> Anniversary/1932 Olympics**
- **Empire State Games – Televised**
- **Nokia World Cup Snowboard - Televised**
- **Moe Concert – Snoe-Down**
- **World Cup Gymnastics**
- **Flaming Leaves Festival**

## **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 Olympic Sports Complex, generates more revenue every year, and touts the reputation of having the longest season in the world.

Operating revenues for the 2007 fiscal year increased by \$744,802, or 3.53%. Improvements to snowmaking and grooming and new marketing strategies at the ski centers helped raise revenue, as did more events at the 1980, Herb Brooks Arena, which caused revenue to increase by over \$500,000.

Operating expenses decreased by \$681,986, resulting in an operating loss that was \$1,426,788 less in fiscal year 2007 compared to fiscal year 2006. ORDA's personal service expense increased by \$294,218, which included contractual increases in wages paid and an increase in payroll added cost (i.e.: health insurance, worker's compensation insurance, retirement expense and accrued health insurance liability) of \$636,884 over the previous year. Utilities and fuel expense fell by \$606,353, mostly due to a significant decrease at Gore and Whiteface mountains. This large decrease is mostly attributed to the inability to make snow and groom trails because of unseasonably warm weather in the beginning of the winter. The purchases of supplies and materials decreased by over \$31,775 in fiscal year 2007. Contractual service expense decreased by \$232,346, which can be attributed to less equipment rental for snowmaking at the ski centers and installation of a new payroll system, which saved ORDA over \$22,000.

***Graphic presentation on pages 8 - 11 of revenue and expense by venue and type follow to assist the analysis of the Authority's activities for the fiscal year 2007.***

### **Revenue by Source Chart**

The Revenue by Source pie chart for 2007 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 2007. Support from the State of New York was approximately 23%; the Town of North Elba contributes 3%, and the remaining 22% 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 almost \$100,000 more in 2007 compared to 2006. Considering that December and January were both unseasonably warmer than normal, this shows that our ability to recover from adverse weather conditions is growing stronger. Gore Mountain's revenue remained nearly the same. Revenue from the Olympic Sports Complex at Mount Van Hoevenberg continues to increase every year. In 2007 we earned about \$10,000 more than in 2006.

### **Revenue by Type Graph**

The following Graph, Revenue by Type 2007 Compared to 2006 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. Payroll added costs expense has increased dramatically in the past few years.

## **Capital Assets**

The Authority's investment in capital assets, net of accumulated depreciation as of March 31, 2007 and 2006 was \$57,711,228 and \$47,175,206, respectively. The total increase in this net investment was approximately 18%. Major capital asset additions during the fiscal year included new snow-grooming and snowmaking equipment for both Whiteface and Gore Mountains, a new Kids Kampus at Whiteface Mountain, a new green trail, Ruby Run, at Gore Mountain, 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 no outstanding long-term debt, which is a decrease of \$10,170,605 from March 31, 2006. This decrease is due to an Empire State Development Corporation Grant of over \$15 million. Included in the long term debt were capital lease obligations of nearly \$10 million, for the purchase of ski lifts and equipment. The grant was also used to pay-off invoices from the New York State Retirement System, and funds allocated to the Olympic License Plate Fund in error by the NYS Comptroller's office. The remaining funds available from this grant is being used as a Contingency Fund for the Olympic Authority. See Notes to the Financial Statements, Note 10.

## **Short Term Debt**

The Authority currently has a line of credit of \$7 million, of which \$4,048,240 (including accrued interest) was outstanding as of March 31, 2007. This line of credit is used for bridge financing, to pay expenses incurred for several projects that will ultimately be funded by Empire State Development Corporation Grants. One Grant is being used for capital improvements at Whiteface and Gore Mountains (\$6.2 million). Another two, totaling \$20 million, will be used to design and construct a new convention center in Lake Placid. 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 2006-2007 season started off with an unseasonably warm December and January. However, February and March provided several large snowstorms and cold weather. Although we were forced to cancel a Freestyle World cup due to weather, overall we had a good revenue producing season. As a result, operational postures in the first two quarters of the 06-07 year 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 07-08 year will again be filled with many activities, events and opportunities to experience our facilities. 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.

Pursuant to a study released on February 28, 2006, ORDA had a statewide economic impact of \$356 million in the 2004-2005 fiscal year. ORDA's local (Clinton, Essex, Franklin and Warren Counties) economic impact was \$323 million.<sup>1</sup>

According to an Economic Impact Study released in April 2007 by the Northern New York Travel and Tourism Research Center, tourism had a total economic impact of \$1.7 Billion in the 10 counties of northern New York. \$635 million of this money came from Clinton, Essex, Franklin and Warren Counties.<sup>2</sup>

ORDA's economic impact on the region represents more than 1/2 of the tourism dollars brought to 4 of the counties in the North Country.

Aside from the numerous capital projects to be undertaken at our venues, one of the most significant will be the new Conference Center. Not only will the new facility aid in the economic vitality of Lake Placid and ORDA, the economic impact from the construction will be substantial.

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.

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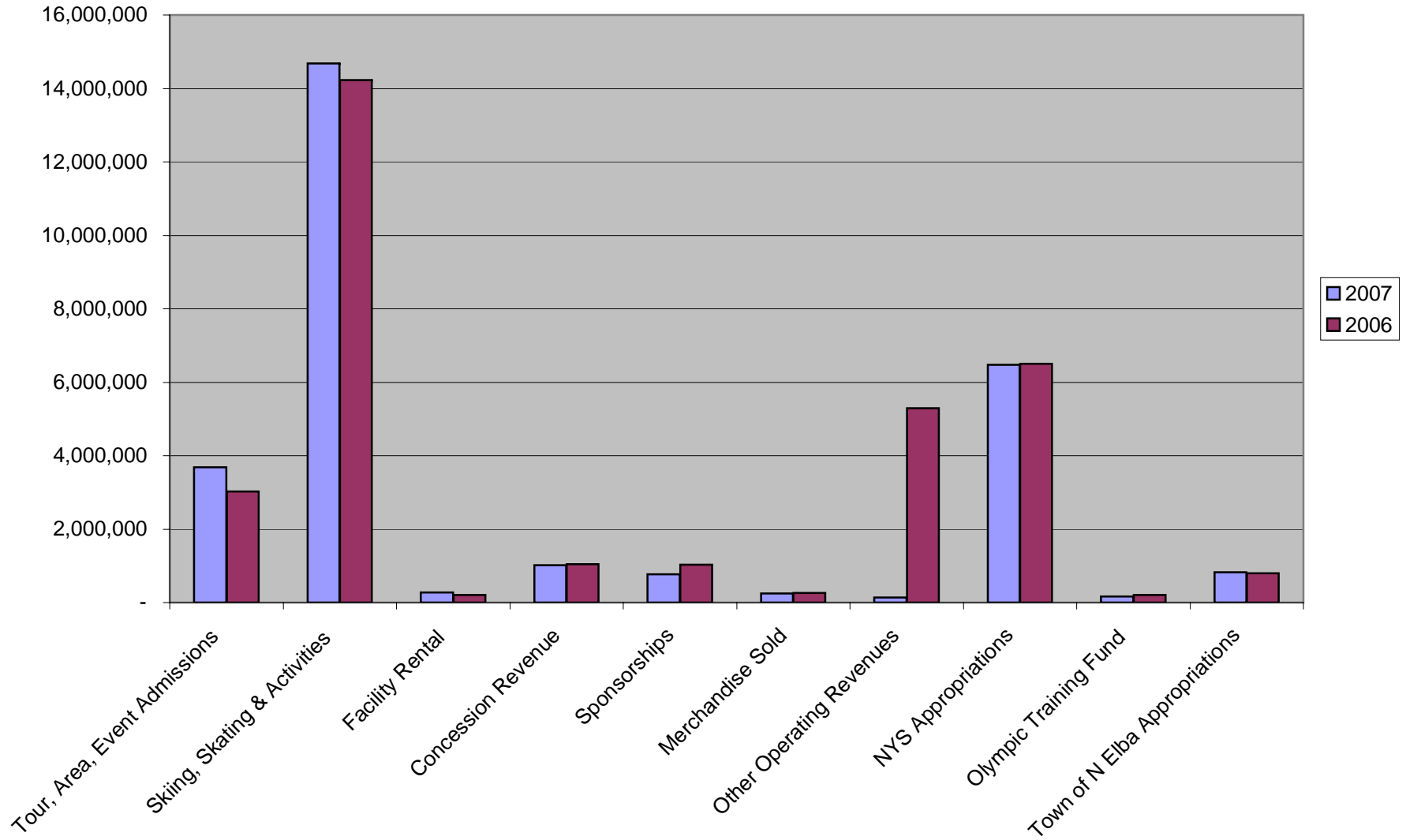
<sup>1</sup> The full text of the Economic Impact Study is available on ORDA's web site at [http://www.orda.org/newsite/about/annual\\_report.php](http://www.orda.org/newsite/about/annual_report.php)

<sup>2</sup> The full text of the Economic Impact Study is available at the Northern NY Travel and Tourism Research Center's web site at <http://www.nnytourismresearch.org/reports.asp>

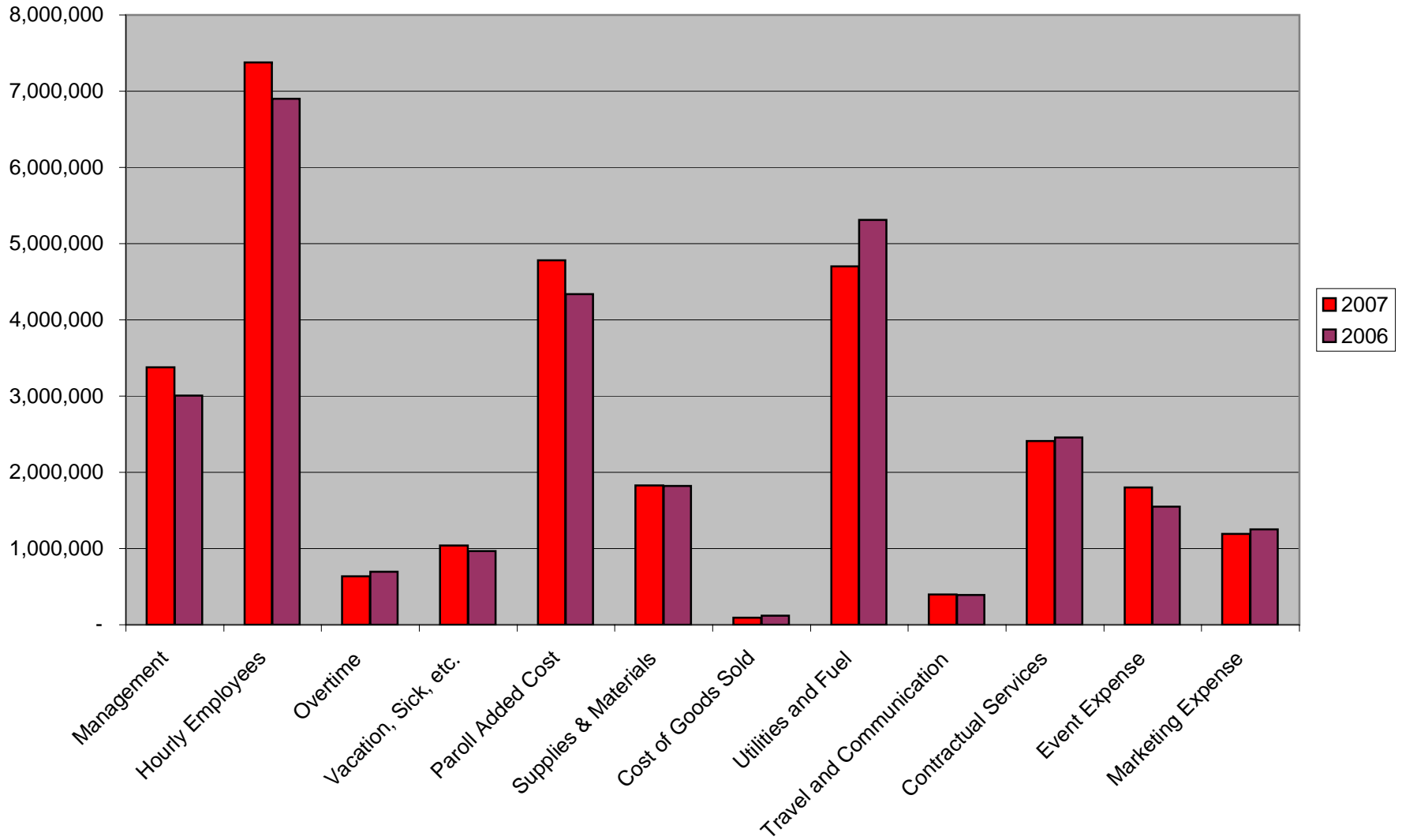
### **Contacting ORDA's Management**

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.

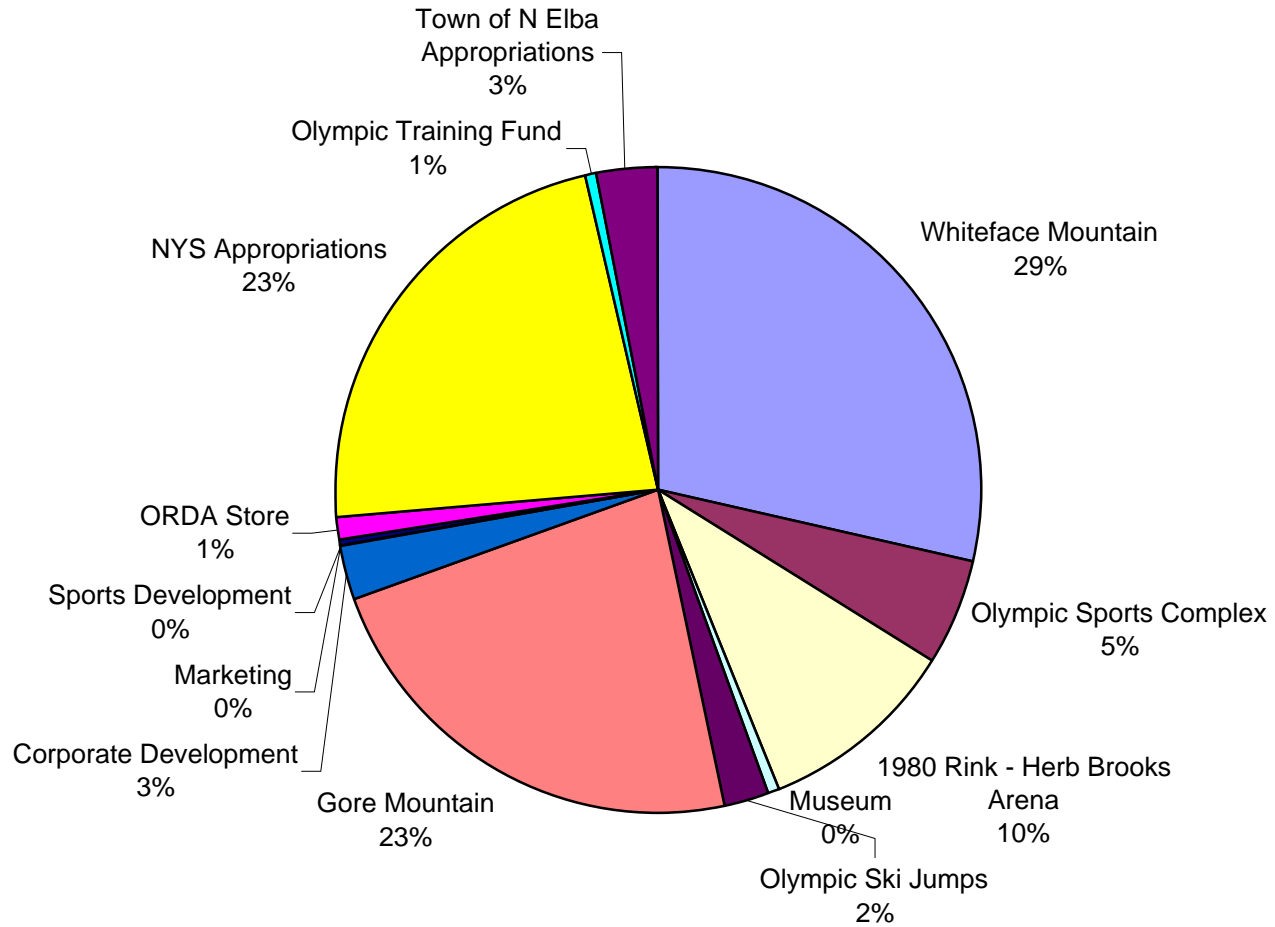
### NYS ORDA Revenue By Type



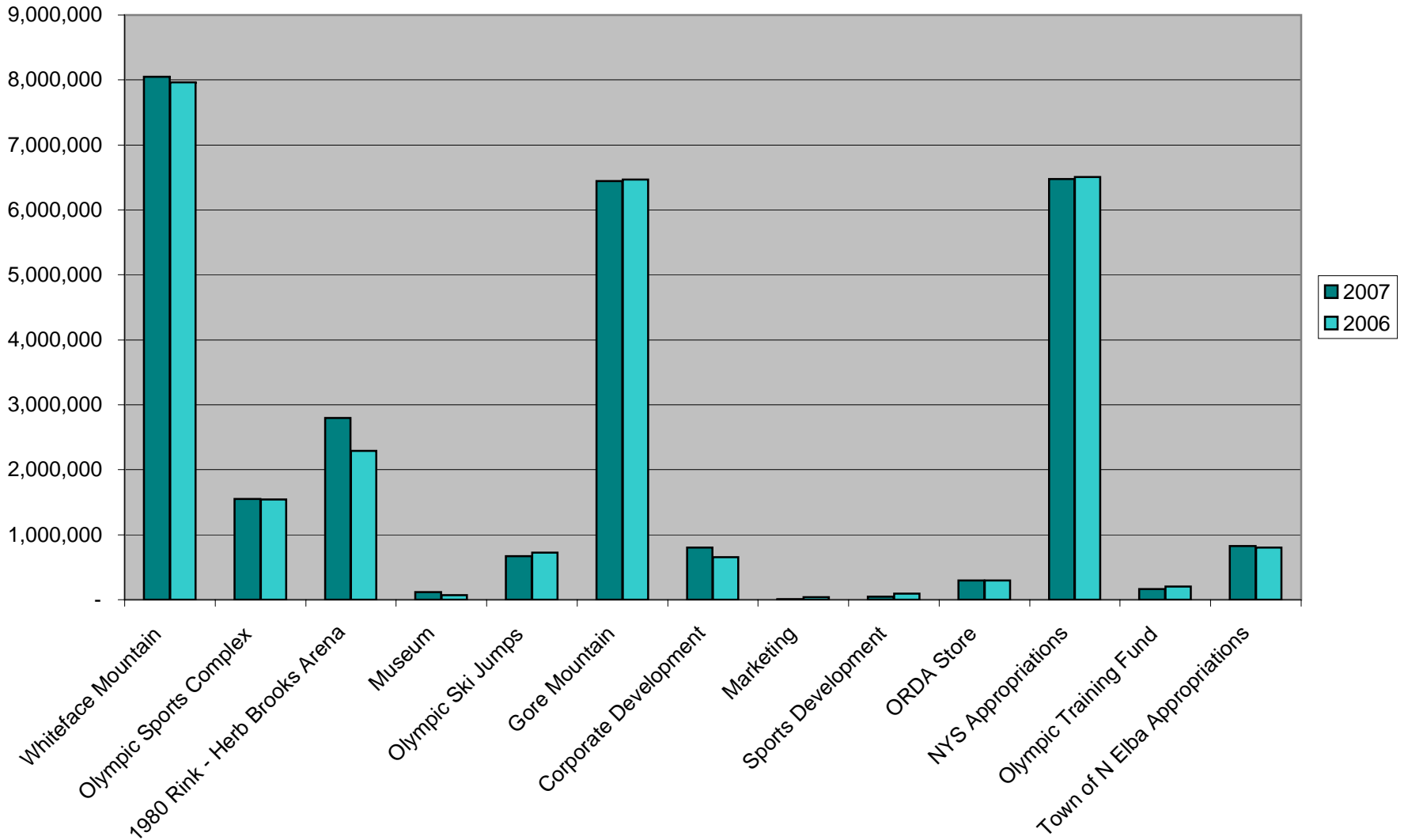
### NYS ORDA Expenses By Type



### NYS ORDA Revenue By Source 2007



### NYS ORDA Revenue By Source



**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY**  
**BALANCE SHEETS**  
**MARCH 31, 2007 AND 2006**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>Current Assets</b>		
Cash and cash equivalents - unrestricted (Note 4)	\$ 751,681	\$ 777,764
Inventory	100,868	62,747
Accounts receivable, net (Note 5)	4,666,057	1,239,153
Prepaid expenses	146,436	432,522
Total Current Assets	<u>5,665,042</u>	<u>2,512,186</u>
<b>Property, Plant and Equipment, Net (Note 7)</b>	<u>57,711,228</u>	<u>57,345,811</u>
<b>TOTAL ASSETS</b>	<u>\$ 63,376,270</u>	<u>\$ 59,857,997</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 3,414,354	\$ 8,173,398
Line of credit payable (Note 10)	4,048,240	1,199,875
Current installments of notes payable, long-term debt and capital lease obligations (Note 10)	-	1,180,966
Accrued liabilities (Note 9)	2,257,263	2,224,159
Deferred revenue (Note 8)	116,917	260,949
Total Current Liabilities	<u>9,836,774</u>	<u>13,039,347</u>
<b>Other Liabilities</b>		
Notes payable, long-term debt and capital lease obligations (Note 10)	-	8,989,639
Due to N.Y.S. Employees' Retirement System (Note 11)	291,288	374,645
Accrued compensated absences (Notes 9 and 12)	1,913,318	1,351,717
Total Other Liabilities	<u>2,204,606</u>	<u>10,716,001</u>
<b>Total Liabilities</b>	<u>12,041,380</u>	<u>23,755,348</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	57,711,228	47,175,206
Unrestricted	<u>(6,376,338)</u>	<u>(11,072,557)</u>
Total Net Assets	<u>51,334,890</u>	<u>36,102,649</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 63,376,270</u>	<u>\$ 59,857,997</u>

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED MARCH 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Operating Revenues</b>		
Earned revenues	\$ 20,030,972	\$ 18,963,678
Sponsorships and in-kind contributions	1,016,169	1,338,661
Total Operating Revenues	<u>21,047,141</u>	<u>20,302,339</u>
<b>Operating Expenses</b>		
Personal services	16,776,790	16,482,572
Utilities and fuel	4,702,219	5,308,572
Fees, dues	405,188	355,902
Marketing expense	1,194,860	1,263,100
Event related costs	1,803,707	1,590,471
Contractual services	2,066,085	2,298,431
Supplies and materials	1,828,754	1,860,529
Cost of goods sold	94,333	122,309
Communications	230,337	240,580
Travel and lodging	169,082	147,603
Bad debts	3,416	1,712
Depreciation	6,234,603	6,519,579
Total Operating Expenses	<u>35,509,374</u>	<u>36,191,360</u>
<b>Operating Loss</b>	<u>(14,462,233)</u>	<u>(15,889,021)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Appropriations - New York State	6,471,625	6,505,733
Appropriations - Town of North Elba	826,048	801,988
Olympic Training Fund	164,944	200,000
Interest income	60,676	35,340
Interest expense	(710,007)	(593,240)
Other revenue (expenses)	(115,635)	-
Total Non-Operating Revenue (Expenses)	<u>6,697,651</u>	<u>6,949,821</u>
Loss Before Capital Contributions	(7,764,582)	(8,939,200)
<b>Capital Contributions</b>		
Appropriations - New York State	1,567,361	1,890,000
New York State ESD	20,957,034	-
Concessionaire Contribution	19,823	3,458
New York State - debt forgiveness	-	5,117,080
Other	315,705	-
HUD grants	<u>136,900</u>	<u>345,642</u>
<b>Increase (Decrease) in Net Assets</b>	15,232,241	(1,583,020)
Net Assets, Beginning of Year	<u>36,102,649</u>	<u>37,685,669</u>
<b>Net Assets, End of Year</b>	<u>\$ 51,334,890</u>	<u>\$ 36,102,649</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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 17,223,785	\$ 19,777,024
Payments to employees	(15,937,329)	(16,493,009)
Payments to suppliers	(16,894,760)	(8,567,519)
Net Cash Used By Operating Activities	<u>(15,608,304)</u>	<u>(5,283,504)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
State and local appropriations	<u>7,462,617</u>	<u>7,507,721</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
State capital appropriations and grants	1,567,361	1,890,000
Other capital contributions	21,292,562	3,458
Federal grants	136,900	345,642
Additions to property, plant and equipment	(6,770,614)	(3,774,849)
Net proceeds (repayments) of the line of credit	2,848,365	(3,125)
Principal paid on capital lease obligations	(9,988,775)	(1,002,223)
Principal paid on notes and loans	(181,830)	(118,267)
Interest paid on debt	(784,365)	(593,240)
Net Cash Used By Capital and Related Financing Activities	<u>8,119,604</u>	<u>(3,252,604)</u>
<b>Cash Flows From Investing Activities</b>		
Interest income	<u>60,676</u>	<u>35,340</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(26,083)	(993,047)
Cash and Cash Equivalents, Beginning of Year	<u>777,764</u>	<u>1,770,811</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 751,681</u>	<u>\$ 777,764</u>
<b>Reconciliation of Net Loss From Operations to Net Cash Used By Operating Activities</b>		
Operating loss	\$ (14,462,233)	\$ (15,889,021)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	6,234,603	6,519,579
Bad debts	3,416	1,712
Loss on disposal	115,635	
(Increase) decrease in assets:		
Inventory	(38,121)	15,099
Accounts receivable	(3,430,320)	(37,756)
Prepaid expenses	286,086	(200,154)
Increase (decrease) in liabilities:		
Accounts payable	(4,759,044)	4,813,286
Accrued liabilities and compensated absences	585,706	(327,310)
Deferred revenue	(144,032)	(178,939)
Net Cash Used By Operating Activities	<u>\$ (15,608,304)</u>	<u>\$ (5,283,504)</u>
<b>Schedule of Non-Cash Capital and Financing Activities</b>		
Property and equipment acquired through capital lease	<u>\$ -</u>	<u>\$ 26,680</u>
Capital contributions relating to forgiveness of debt obligations	<u>\$ -</u>	<u>\$ 5,000,000</u>
Donated fixed assets	<u>\$ 50,600</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007 AND 2006**

**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, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Accounts Receivable***

Accounts receivable are reported net of an allowance for uncollectible accounts. Bad debt expense was \$3,416 and \$1,712 for the years ended March 31, 2007 and 2006, 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

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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 income 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 accrued sick pay and the estimated useful lives of property and equipment used to calculate depreciation. It is at least reasonably possible that the significant estimates used will change within the next year.

***Reclassifications***

Certain 2006 amounts have been reclassified to conform to 2007 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.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007 AND 2006**

**2. DONATED USE OF FACILITIES**

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, 2007 and 2006, the recorded value of donated ski patrol services were approximately \$249,000 and \$308,000, respectively.

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

**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 March 31, 2007, 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>2007</u>	<u>2006</u>
Trade receivables	\$ 1,391,668	\$ 1,201,530
Employee advances	59,755	48,794
Grant receivable	<u>3,223,420</u>	<u>-</u>
Total	4,674,843	1,250,324
Less allowance for doubtful accounts	<u>8,786</u>	<u>11,171</u>
Accounts Receivable, Net	<u>\$ 4,666,057</u>	<u>\$ 1,239,153</u>

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007 AND 2006**

**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, 2007 and 2006, 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.

**7. PROPERTY, PLANT AND EQUIPMENT**

Property, Plant and Equipment balances for the year ended March 31, 2007 are as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>April 1,</b>	<b>Additions</b>	<b>Deletions</b>	<b>March 31,</b>
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Property and plant	90,353,499	4,074,981	2,478,333	91,950,147
Equipment, furniture and vehicles	30,563,515	1,066,498	450,718	31,179,294
Construction in process	<u>99,443</u>	<u>6,553,940</u>	<u>4,979,765</u>	<u>1,673,619</u>
Total	121,161,457	11,695,419	7,908,816	124,948,060
Less accumulated depreciation:	<u>63,815,646</u>	<u>6,234,603</u>	<u>2,813,417</u>	<u>67,236,832</u>
Net Property, Plant and Equipment	<u>\$ 57,345,811</u>	<u>\$ 5,460,816</u>	<u>\$ 5,095,399</u>	<u>\$ 57,711,228</u>

**8. DEFERRED REVENUE**

	<b>2007</b>	<b>2006</b>
General and event sponsorships	\$ 73,914	\$ 195,358
Advance ticket sales	38,835	61,423
Toll house repair	<u>4,168</u>	<u>4,168</u>
Total	<u>\$ 116,917</u>	<u>\$ 260,949</u>

**9. ACCRUED LIABILITIES**

	<b>2007</b>	<b>2006</b>
Accrued wages	\$ 647,772	\$ 594,968
Compensated absences (Note 12)	2,867,911	2,274,145
Current portion of:		
Accrued retirement incentives, (Note 11)	91,719	93,940
Payroll taxes and withholdings	57,829	28,364
Accrued interest	-	74,358
Other	104,097	108,848
Pension savings recovery due to State	<u>401,253</u>	<u>401,253</u>
Subtotal	4,170,581	3,575,876
Less non-current portion of compensated absences	<u>1,913,318</u>	<u>1,351,717</u>
Total	<u>\$ 2,257,263</u>	<u>\$ 2,224,159</u>

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007 AND 2006**

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

***Line of Credit***

The Authority maintains a line of credit agreement with Citizens Bank, which expires September 30, 2007. In 2007, the amount was \$7,000,000 with interest paid monthly on outstanding borrowings at 8.75%. In 2006, the amount was \$2,500,000 with interest paid monthly on outstanding borrowings at 8.25%. The outstanding balances at March 31, 2007 and 2006 were \$4,048,240 (including accrued interest) and \$1,199,875, respectively. Outstanding balances are secured by assets of the Authority. Borrowings on the credit line are used primarily to pay employees and vendors when operating receipts are not sufficient.

Line of credit activity for the year ended March 31, 2007 was as follows:

Beginning balance	\$ 1,199,875
Additions	7,533,610
Reductions	<u>(4,685,245)</u>
Ending Balance	<u>\$ 4,048,240</u>

***Long-Term Debt***

	<b>Balance <u>April 1,</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance <u>March 31,</u></b>
Capital lease obligations-equipment (B)	\$ 9,988,775	\$ -	\$ 9,988,775	\$ -
Notes payable (C)	<u>181,830</u>	<u>-</u>	<u>181,830</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 10,170,605</u>	<u>\$ -</u>	<u>\$ 10,170,605</u>	<u>\$ -</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, 2007 and 2006. 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. During 2007, the Authority paid off all capital leases in full.

(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%.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007 AND 2006**

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

(C) 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%.

During 2007, the Authority paid off all notes in full.

(D) Obligations Under Capital Lease

As noted above, during 2007, all capital leases were paid off in full.

Leased equipment is summarized as follows:

	<u>2007</u>	<u>2006</u>
Equipment	\$ -	\$ 11,840,323
Less accumulated depreciation	-	<u>5,315,618</u>
Net Leased Property	<u>\$ -</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.

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.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007 AND 2006**

**11. RETIREMENT PLAN**

Funding Policies

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

2007	\$	797,427
2006		887,043
2005		840,400

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

Pursuant to 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 \$283,000. The cost of the programs will be billed and paid over five years beginning December 12, 2003 and will include interest at 8.75%. At March 31, 2007, the remaining balance is \$60,755, all of which is included in accrued liabilities.

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 \$273,837 of which \$26,573 is included in accrued liabilities and \$247,264 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 \$48,415 of which \$4,391 is included in accrued liabilities and \$44,024 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, 2007 and 2006 is \$928,841 and \$898,795, respectively.

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, 2007 and 2006 is \$1,939,070 and \$1,375,350, respectively.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007 AND 2006**

**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>2007</u>	<u>2006</u>
New York State Employees' Retirement System	\$ 383,007	\$ 468,585
New York State General Fund Pension Savings Recovery	401,253	401,253

The Authority purchased various services which totaled approximately \$219,300 and \$244,100 during the years ended March 31, 2007 and 2006, respectively, from businesses owned by board members. Included in total Accounts Payable and Accounts Receivable for 2007, were \$82,753 and \$11,865, respectively, relating to these businesses.

**14. CAPITAL APPROPRIATIONS, GOVERNMENT GRANTS AND RESTRICTED FUNDS**

***NYS Capital Appropriations and Grants***

The Authority received capital appropriations and grants of \$19,328,313 and \$3,794,304 for the years ended March 31, 2007 and 2006 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>2007</u>	<u>2006</u>
Property and plant, equipment and construction in process	\$ 4,997,450	\$ 2,611,264
Debt service	13,588,736	1,122,837
Repairs and maintenance	33,052	60,203
EFP fund repayment	<u>709,075</u>	<u>-</u>
Total	<u>\$ 19,328,313</u>	<u>\$ 3,794,304</u>

**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, 2007 and 2006. There was no reduction in insurance coverage during the year ended March 31, 2007.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007 AND 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 and was paid in full by March 31, 2007.

**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 years ended March 31, 2007 and 2006, approximately \$316,000 and \$279,000 was paid on behalf of 51 and 50 retirees, respectively.

**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.

**NEW YORK STATE OLYMPIC REGIONAL DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007 AND 2006**

**20. NEW PRONOUNCEMENT**

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for the Authority for the year beginning April 1, 2007. The Authority has not yet determined the effect this Statement will have on its financial statements. However, management anticipates that the Authority's liability for postemployment benefits will be significant.



**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**

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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, 2007, and have issued our report thereon dated June 26, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

## **Audit Adjustments**

We proposed several significant audit adjustments, which were not identified by the Authority's financial reporting process. Each of the proposed adjustments was related to either complex or unusual transactions.

We recommend that controls over the financial reporting process be improved. One tool that could assist the Authority in accomplishing this objective would be to use monthly, quarterly and year-end financial reporting checklists as a reference to ensure all possible adjustments have been considered.

## **Access to Accounting Software**

We noted that all individuals within the Finance Department with access to the Great Plains software system have access to all modules, including the ability to make journal entries.

We recommend that, if at all possible, each individual's access to Great Plains be limited to those areas required for them to perform their daily job functions. We also recommend that the individual responsible for approving all journal entries not be allowed access to make journal entries. In addition, we recommend that the monthly review of the financial statements by the venue managers and department heads be formally documented. This could be accomplished by an e-mail being sent to all responsible for the review each month, requesting a reply as to whether they have any questions or concerns on their statements. The original e-mail, along with the replies by all managers should be retained on a monthly basis. The documentation of the review of the financial statements assists in reducing the risk of inappropriate journal entries and/or transactions and is a good control since access to the general ledger is difficult to limit.

## **Segregation of Duties**

We noted two circumstances where we believe there is a lack of segregation of duties relating to cash disbursements.

- The Accounts Payable Supervisor has access to the blank check stock, can make journal entries and electronic transfers and is also responsible for printing and mailing out all checks.
- The Director of Finance has access to the blank check stock, is an authorized check signor, and has the ability to make journal entries. We also noted that the blank check stock is kept in a room which is accessible by all members of the Finance Department.

We recommend that the blank check stock be kept in a locked cabinet or drawer accessible only to someone without cash disbursements or purchasing responsibilities. This will help to ensure the proper segregation of duties, as custody must be kept separate from authorization and record keeping. We also recommend the check sequence be accounted for by creating a check log that details the date, check numbers given and the individual to whom they were given.

The Authority has already implemented the following procedures to address the concerns noted above:

- Blank check stock is being kept in a locked cabinet accessible only to someone without cash disbursements or purchasing responsibilities.
- The individual with custody of blank checks is maintaining a check log that details the date, check numbers given and the individual to whom they were given.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the finding titled *Segregation of Duties* to be a material weakness.

#### 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*.

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 June 26, 2007.

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

*Marvin and Company, P.C.*

June 26, 2007