

We are going to, we're going to start with the Audit Committee. Now the members of the Audit Committee, Jerry Strack, Bob Black, and I'm going to be the third Audit Committee member for today because we don't have other members of the Audit Committee here.

Jerry, Bob and now Doug.

But Doug is an advisor to the Audit Committee. He's not an official member of the Board. And he's an accountant by training, and he has been looking at our books and trying to help us through the financials. We also have Sergei Lussi, Kathy, Jim Amell, Ted Blazer just for the viewing audience, if we have anybody out there. This is live webcast, so we are on air. And we're going to just -- we have non-committee member board members here who are obviously welcome to participate in everything, because every board member is invited to every committee meeting. So anybody that wants to comment or ask questions should feel free; very informal. Do we want to start? Well, we'll start with a roll call I guess. You want to do it?

Sure.

You can do it.

Okay. We do the roll call for the Audit Committee, and that'll be our first part of business before the Governance Committee. And the roll call would be Bob Black?

Here.

And Jerry Strack?

Here.

And Chairman Martens?

Here.

And Doug Hoffman?

Here.

And the Chairman of the Audit Committee through scheduling today could not make this meeting. He originally was going to be able to, and then he had a last-minute real job responsibility come up and he couldn't make it. That's Cliff Donaldson.

So we are going to start with the review of the 2009, '08-'09 financials. And I think Jim is going to walk us through it.

Yes, yes. Thank you.

And then we'll just launch right into questions. And I think even during the presentation, if you have questions, ask him right away.

Mm-hm. All right. As the recurring Board members are aware, I am presently not the partner responsible for the audit. Frank Menezia is the partner responsible for the audit. But I'm up here for the rest of the meeting. So rather than send two of us up, we all figured it would be better for me to go through the audit. So I'm going to go through the draft audit report. Looks like this. I think everybody's got it.

I'd appreciate it if you'd tell me what page, 'cause I've got my pages all messed up.

Yup, okay. I'm going to start right with page one.

If I could, from the original , this packet that today has the most, anything most recent that came in, I think that's what we might be speaking to. And I -- yeah, that right there.

I didn't get today.

Did you have one?

Today, ...

Sorry. That would help.

I got my own . Okay, thanks.

There you go.

All right. Page one is -- okay, there you go.

I'm getting there.

You got it. Page one is our auditor's report. And a couple of things to highlight. First, on the first paragraph, just a reminder that the financial statements are the responsibility of the Authority's manager. And it is our responsibility as auditors to express our opinion on the financial statement based on our audits.

The second paragraph indicates the standards that we follow in conducting the audit. We follow U.S. generally accepted auditing standards as well as government auditing standards in performing this audit. In the third paragraph is our opinion. And our opinion is that the financial statements are fairly state in all material respects in accordance with U.S. generally accepted accounting principles. So that's what we in the profession call an unqualified opinion, or what is sometimes referred to as a clean opinion. The fourth paragraph refers to several other reports that I'll go over later regarding internal control and compliance. And in the last paragraph on page one, this addresses our opinion or lack of opinion related to some of the supplemental schedules. So the management's discussion on analysis, we don't necessarily give an opinion on, but we do obviously review it for accuracy and reasonableness. And then there's a final paragraph on page two that refers to other supplemental information that we do indicate is fairly stated in comparison to the rest of the financial statements taken as a whole. The next page begins the A series of pages. And this is management's discussion of the analysis. So this has been required for the past couple years under GASB 34. And it does provide some opportunity for management to summarize the financial position, the financial results, and indicate key activities, key initiatives, key issues if you will related to the Authority. And Ted or Kathy, if there's anything here you would like to point out, we can. Much of it is really just a summary of what follows in the financial statements.

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Yes. You know, as we move on through the pages, on page A6, again there's some interesting information here that's not necessarily included in the notes to financial statements. So there's some discussion on the economic environment, some discussion on what was forecast to be on the horizon for the next couple of years. And then there's a couple of graphs on the following pages that are somewhat interesting, and that sometimes it's easier to visualize than to see some of the numbers, so. And again, management does have some latitude as far as what can be reported here.

I think we've actually had the graphs, came before page A6.

I . I go from two to B1. That's the one, if you could... Sergei, in the packet

You want the ones , yeah.

Yeah, look at that one, yeah.

Why is there a difference?

Just more up to date.

Just more up to date? The first one was...

Yeah.

... , you know. Okay. ... Are you B1 now?

Yup. Moving to B1, if everybody's here. All right. B1 is the comparative balance sheet showing the 2009, March 2009 balance at March 31, compared to March 31, 2008. You can see, especially in the current assets, a very substantial decrease. The total current assets from last year are fourteen point, almost four million, to this year eight point, just under five million. The biggest decrease is really receivables. And that is primarily last year -- there's a footnote in this -- but last year there was a very substantial amount of grant receivable. And that's obviously quite a bit lower this year. The cash position at the end of March this year is actually \$1.2 million, ahead of last year, in terms of cash balances. And then pretty much all the other assets, our current assets other than receivables are consistent. Property plant equipment, the non-current assets -- again, a four and a half million jump over the prior year. And again, there's an annual depreciation charge of almost seven million, but also there was very substantial capital investment this past year, you know, substantially at White Face and Lookout Mountain and Gore, at Burnt Ridge, that caused a net increase. On the liability side, again, I'd say there's some good news here in that the accounts payable are down over half a million dollars. The line of credit, which was at \$4 million, almost three, the end of last year, is down to just over \$2 million at the end of March of 2009. You know, current installments of debt are a bit higher, and your, and accrued and deferred liabilities are pretty consistent between the past two years. And the non-current liabilities -- capital lease obligations increased. And again, that was the mechanism for financing a small portion of the capital improvements. You know, retirement system liability continues to drop a bit. Compensated absences, which is accrued vacation and sick, is fairly consistent. And then accrued post-retirement benefits is going to really continue to jump every year. That's the GASB 45 liability that first appeared last year. And you know, we did discuss it in some detail last year. But the trend is, when that standard, that requirement first goes into effect, there's a prior service liability. You've got retirees or employees who have

already earned service credit. And the standard doesn't require that to be popped into liability all at once. It allows an amortization over thirty years, which you know, factor in the present value, it's more like 16 years. So the effect is, you're going to have a pretty significant jump in that liability every year to the tune of, you know, three to four million dollars.

So that's going to be what, two to three million dollars every year, or three to four?

Three to four every year. So it's...

Is that changed by the actuaries at all, or does it...?

Yes. Yeah, they value it every year. And there is a significant jump in it, in the total liability this year, again, most of which has not been recognized yet just because the discount rate used drop, because of our interest rate environment. So, and I believe there was more eligible people this year. So she looks at it every year, every other year, and you know, trues up and recalculates.

What about the future cash payments of these? Do they come out of the State's pocketbook or the ORDA's pocketbook?

ORDA's pocketbook. Right now, right now from a true cash flow, you're on a pay-as-you-go basis. There's really no funding for this accrued liability. So your pay-as-you-go number was, was it four hundred something thousand...

Yeah.

...this year? So the true premiums for retirees in this past year was, you know, four hundred something, four hundred plus thousand.

Have you any thought as to where that's going to go over the next few years? This is a rather young agency.

Yeah. It's likely to go up. Because more people are going to retire. So yeah, from a cash flow standpoint, that's going like this.

Well, I mean, if we were at \$900,000, is it a different number, retirement payment, in the past few years?

Oh, this is...

This is just health insurance, not retirement.

This is just health insurance?

Right.

For retirees?

retire [at?]...?

I would expect -- you know, we know the ERS rate is going up. It's what, percent now. I think it's going to... Yeah, so that...

That's charged back to ORDA?

Yes, it is. That's been a jump substantially.

So it's right back to the State of New York, or is it basically our own calculations?

No, from the retirement system.

Yeah, so you're a member of the New York State Employees' Retirement System. And it's a charge based on the membership in the system for an individual.

, yeah.

Yup.

So we pay the same as every other agency?

Same rate, yeah. Yup.

Who calculates that rate, the Retirement System?

Yes.

So there's different, there's four tiers now?

Right.

Yeah, yeah.

It's a different percentage for each tier.

May be a fifth tier coming.

Yeah.

And this is tier five now? That is if the Senate ever bothers going there. Let me ask you a question concerning the line of credit. Do they zero it out or they...?

It doesn't require a zero, a paydown.

But do they zero it out?

No. I think there was a time, what, a year, year and a half ago where it was paid down.

Yes, we did, yeah.

But that's, I would say that's unusual.

Yesterday we made a payment of \$400,000 against the line of credit. I into it to reduce it.

Yeah, so the balance I believe presently is what, \$1.1 million?

Yeah.

We still have some ESD grants to come in, and we have the...

NIFA.

...NIFA, and we have the, well, small grants.

Well, but zeroing down the line of credit, doesn't that really basically make it a time loan? I mean, that they time loan if there's no requirement to zero it out.

Effectively, yes. Yeah.

Does the requirement then come from the lending institution or the Budget Division?

Lending institution.

And there's no, no zero out?

No, no.

 know every year...

Okay. Yeah, you probably could. If the State approp cycle is the same as last year, it could be zero today, right...

Yes, it could, yeah.

About a million, a million five behind last year in terms of the State, State approp.

just for my own thing, Bob, back to the accrued type post retirement benefits ; that's going to go up how much next year?

Another three, three and a half million.

So non, is it a non cash.,.??

It's a non-cash, right.

It's a non-cash calculation.

Right.

Kind of like depreciation.

It does represent a future potential liability payment. If you were funding this presently like you're funding the pension plan, the theory is, you'd have to put three to three and a half million a year into a trust to help fund what your present employees and retirees have earned to date and earned in the past year.

So what does it really mean to us, in actual dollars?

In the short term, it doesn't mean much. Although again, being aware that there is, I don't know, \$430,000 to \$450,000 a year out of your budget that you are paying for retiree health insurance, what it means...

Towards ?

There's a disclosure later on that will tell that.

So we pay how much each year?

About \$400,000.

Yeah. For health insurance for retirees.

For retirees.

For health insurance?

Right.

Right.

Retirees can use their sick time to pay for health insurance after retirement.

But you're also paying into the retirement system for the retirement people?

Mm-hm.

Right, but then the, but the retirement system itself takes, takes care of their retirement benefits, so it's not us.

Right.

Yes, yes.

Right.

That's the big difference here. This is solely ORDA's obligation...

Right.

...the insurance requirements.

Right.

Hard dollars, and it costs us hard dollars each year, about \$400,000 dollars for health and retirement -- is that correct?

No.

No.

For retired people.

Just health, just...

Just health insurance?

Health for retired...

For retired people?

Yeah.

And about \$800,000 for the New York State Retirement System.
We have to pay them.

In February every year.

Yeah.

Now, just as an offshoot to that, what does the health insurance policy, what are the major tenets of it? Is it when a person retires, does the amount that ORDA contributes reduce itself? Is there a balance between, when a person goes on Medicare or Medicaid/Medicare?

But it's Medi....

I never

I always get that screwed up.

I think there is a reduction in costs when they go on Medicare.

Who checks that?

The actuary...

The insurance company.

Yeah.

Yeah.

To answer your question though, you don't have to fund it this year. But three million dollars, if you put three million dollars away each year, that would fund it in the future. So that's why your liability's increasing. And if you don't fund it, later on you're going to have to fund it.

If we close, right?

No.

Even if you continue to operate.

Because we're self funding it now. We're self funding...

We're paying current costs.

Right.

Right.

Current

Current cost.

But if you don't put three million dollars away, in the future you're going to have to put three million dollars away, each year.

Right, but we have a table that indicates when those types of payments are likely to come due?

It's not in the actuary's report, but I'm sure she has it.

'Cause it would be helpful to know when those obligations are going to come due; how far out in the future, so we can then I think rationally kind of figure out how those are going to be addressed.

Right.

There's a footnote later on, and maybe we should go over that...

Yeah, yeah.

... would be later on that.

If it's not too much paperwork, could you give either a summary of the Actuary's Report or the actual Actuary's Report to the Audit Committee and/or the Board?

It's in here.

Is it?

?

the copy ...

I think you sent out an email last night...

Yeah.

...that had it.

And it's, it looks like this?

It's the last piece of this.

Okay.

Post retirement.

Oh, yeah, we did get it last night .

Yeah.

And I copied it for this renewal .

got to say, so in the future we're looking at our hard cost right now .

Yeah, as Doug suggests, let's go to page B14. Because this is the disclosure on this. Let me see. B13 is just some of the actuarial background, but B14 has some of the numbers. So if you look at the 2009 column, I can briefly explain what each of these mean. The normal cost is really what current employees earned this year for future retiree sick pay. So you know, if you want to really monetize, you know, what an employee's earning, it's their hourly rate plus the retirement contribution, plus current health insurance benefits; they're also earning a portion of their, you know, right to obtain health insurance when they retire. And that's effectively the cost for just one year.

How much of the health insurance do we pay when they're retiring?

It depends on how much sick leave they have. It's calculated, the number of hours times your hourly rate of pay. And you come up with a number. And there are other calculations.

And you're expected, how long you're expected that's...

Yeah, yeah.

...divided out per year, then by month, then by .

Some people don't pay anything.

Is that done through the union? Is that a union negotiation?

No. It's a...

It's a State require, a State retirement benefit. It's ...

health insurance after they retire.

That's right.

You can't do that in the private sector. I don't know why we should have to do it in here. I ... it...

But ... do that.

Yeah.

All right. The second figure which is ... the two million, eighteen thousand, is really an amortization or a phase-in of what had already been earned, either by current employees or retirees, you know, when this requirement went into effect last year. So that's what's called your prior, essentially a share in the prior service cost. And then interest is just a reflection of the fact that all these numbers are discounted, you know, to present value each year.

And Jim, just to -- for my own clarity -- the two million dollars, the amortization, funded ... liability, that is based on a thirty-year amortization, or...?

Yes, it is. But if you looked at the mathematical calculation you would see the divisor is really 16 point something because it is, it's discounted. So, now you get into...

No, I got the...

...the old statistics class and financial class and...the one we had to take and wondered why.

And that number -- so that, on a straight line, that would be two million dollars every year going out for ... years?

Right.

But it's affected by interest rates?

Yes.

And that also would be affected by the number, the actual number of people? I guess that's why you have a separate line?

Yeah, yeah.

It's a very changing thing.

Mm-hm.

Every year it changes. People die, so on and so forth.

Right. Yeah.

So you're working with medians, means and averages.

Yeah.

And the actuality is always different than those three things.

Mm-hm.

Okay.

You know, again, then there's another interest factor and then an adjustment to the annual required contribution. Actually is a negative. And that reflects just the methodology; includes some double counting between the normal cost and the amortization. So that's, again, an actuarial true up. So, but again, the expense, when it hits the financial statements on, you know, and the income statement as an expense this year, is, you know, the 3.820 million.

So that's a real expense?

It's a real expense, but it's not a cash expense.

It's going to be somewhere down the line though, right?

The cash expense...

expense is the \$481,000 dollars?

Right, right.

That's how much we're paying out.

Right.

And if you want to see how the...

the obligation, the anticipated obligation for 2009 is \$3.8 million dollars.

Right. And if you want to see a trend from year to year, last year you paid \$325,000. It's already up to \$481,000 this year. So.

Can we go back four years maybe and, where this wasn't reported, but it was still, we still had the liability...

Right.

Mm-hm.

...and it was just a non-reported, non-cash item?

Yeah, non-cash, non-reported.

We still had the same obligation.

Correct. But you didn't have ...

Then somebody got smart and said, well, you're going to have to take ...

...

...including in the financial statement.

Well, what happens -- for discussion's sake only -- if ORDA ceases to exist, where do these monies come from?

To pay for that?

Yeah.

It's from our balance sheet. We'd have to ... that.

No...

But I don't know what the legal obligation is to retirees.

I'm not saying...

If ORDA were to cease and desist, if it, if they go back to the State...? I don't know.

I don't know either,

Or if they're just out of luck.

Well, it would seem to me -- I can tell you what happens in the private sector, because I just went through it with Fitch Prime. I'll just give you that example. Fitch Prime ended up with cash of about \$200 million dollars. The State immediately wanted \$50 million dollars put aside in the New York State account to take care of the retirement and health insurance things that may or may not be paid. It will take Fitch Prime six years to finally dispose of all their assets to the owners because of the obligations of health insurance and retirement benefits. It would seem to me that what will happen is it will revert back to the people who gave you ORDA in the beginning, which is the State of New York, the Department of Environmental Conservation as one, and the Town of North Elbow.

That was my question. So ...

It's some type of a pro-rated formula -- yes. Now that, the question then goes is, if it reverts back to -- they sell the assets -- so it's a question that's, requires massive legislation. It would require legislation.

That's good to hear. That's the good news?

But a key point we haven't even talked about is number on that page. That's your real liability...

Yeah.

Yeah.

Mm-hm.

...at this point. It's not on the balance sheet.

That number is just health insurance? No...?

Yeah.

Just health insurance?

Yeah.

But that's it? The retirement benefits we're paying into the Retirement System ...

Right. That's currently funded

Right.

Right.

Right.

Yeah, and really the way -- this has certainly engendered a lot of conversation, you know, with our clients who now have to deal with this. You know, have a lot of School District clients who are starting to look at this. This is the first year for many of them. And really the way to manage it and address it is start looking at contract negotiations and start asking for more contribution towards health insurance by retirees. That's how it's starting to be managed.

And going from that, Jim, the -- when we hired somebody, they go on the books as a salaried employee, let's say. We, they get immediate health and retirement. Is that correct?

Well, it depends, it depends on the type of employee. A management confidential person at a certain level would. Some levels don't. With the union, they have to complete thirteen consecutive pay periods before they get health, and then nineteen continuous pay periods of which thirteen have to be consecutive to get the other benefits, which is...

It's a vesting period, yeah.

It's quite conceivable that if ORDA eventually dissolved or went out of business that the health insurance benefits would lapse. They wouldn't get them.

Is that the same with New York State?

Why not? Health insurance is something that New York State gives to people who are contracted. If they break the contract they don't have to pay it.

, same thing?

Yeah. Like I'm saying, it's the same thing as the car companies;
lost all theirs now.

We could probably spend the whole meeting just talking about this.

Yeah, right.

And I think it's probably worthwhile that we at least figure out what other authorities are doing; how this situation is being addressed generally. Because I'm sure that ORDA is not the only one that's struggling with this situation.

Oh, absolutely not.

But I think it is sobering to see that there's, Doug says that bottom line is an obligation of ORDA, assuming ORDA doesn't disappear and somebody else comes in to clean up afterwards; it's an obligation that we have and we have to figure out how we're going to address it.

And we can we can't the bottom.

Well...

We can't.

There's, for Authorities in particular, there may be a mechanism to fund it. Pretty much for everybody else, there isn't even an opportunity in New York State to fund it. There's no legal reserves; there's no trust funds established. But I've seen or heard of legal -- I guess not a formal legal opinion -- but there are some of the opinion that public authorities might kind of fall through the cracks and be able to establish a trust fund. But again, that assumes you have enough money to set aside or some money to set aside to start funding, so.

But the bottom line here, isn't it that we really can't keep going on? We can't, we can't afford that. Shouldn't we start charging the, or charging employees a little bit more of that or making them pay a little bit more? 'Cause that's the trend all over the country today. I think people have to pay a little more of their benefits and...

It's in retirement.

They can't.

It's in retirement. And we're doing what the other State agencies do.

We're talking about hospitalization right now though. This is just hospitalization alone.

We can't do that, can we?

Sure we can. Everybody else does.

Well, we started... Let's go back . . . For the health insurance, isn't State mandatory?

Not to pay it all.

It's in retirement. This is in Retirement System.

I'm lost. I'm lost.

I think there is a way to negotiate it. You may not -- it may be going forward, but I guess I wouldn't say hands up, there's nothing we can do. I think there is something you can do. It might be very, very slow and very, a long-term effect. But I think there is potentially something that's . . .

So would DEC be able to negotiate post retirement benefits for their employees, retired employees?

You know, I don't know if it's DEC or if it has to be CSCA that drives it. I don't know.

Well, it could go on forever. There's a distinct difference between retirement and health benefits.

Right.

Retirements are legislated. The health insurance are negotiated...

Right.

...individually by unions. Okay? And some unions, whether they're municipal or not, they do pay a portion of the health insurance. And that's the big issue that's on the table. So if you would like to, somebody should examine the fact as to whether or

not you can begin to charge for health insurance. And that would be a good thing to put into your fund.

So is that union _____, after the union _____ ?

Somebody should, at ORDA, should examine whether or not you can negotiate with your unions to increase the health insurance -- yes or no.

I suspect they...

Whether you do it or not, that's a different thing; but can you do it?

Yeah. Dave might have a better insight into that.

Dave _____ ?

David _____, yeah.

Or not.

Exactly. I mean, it's a huge _____, because we've been, we never had to report it until it came from the FASB _____. It's not like it started today. It started a long time ago. So we've been accruing these liabilities all along.

Mm-hm.

We're _____ more _____ it today.

Right.

In order to suggest that we might be able to, you know, incrementally charge now to address all of those benefits, I think it's going to be very difficult to do. But I think we should try to find out what others are doing; what options we have as an Authority to try to address this problem, if there is a way to address it. But again, I think we could probably talk about this for a long time. But we should find out who's in the same boat and what they're doing about it. And Kathy I guess, if you can give us a, some feedback on this, you know, between now and the next meeting, that would be great. Because this is -- that's a big imposing number that we're looking at.

Mm-hm.

So absent any other questions, shall we move on? We're on B...
We're still on B1?

Yeah, I think we're wrapping up on B1. The last, really the last figures to look at are the net assets. And this is divided into two sections. You invested in, in the capital assets, net of the debt, and then unrestricted. So, you know net to \$51.8 million this year. And again, you can see the capital piece of it is positive to the tune of \$61.6, and the unrestricted, if you will, is almost to \$10 million negative. And again, the accrued post-retirement benefit is included in that negative \$9.8 million deficit. So it's obviously over half of it, as it was last year. All right. Pages two, B2 is a statement of revenues and expenses and changes in net assets. And in this presentation, in operating revenues, we just summarize by earned revenues, and then sponsorships, any kind of contributions. So you can see both sources of revenue are down a bit from last year, although not real substantially. Then on the expense side, again, in total, \$42 million of expenses, of operating expenses this year, compared to \$40 million last year. You know, a couple of things of note: the personal service is your single biggest expense, and that includes wages, salaries and all the benefits other than the post-retirement benefit. And that increased by, you know, \$400,000, which is actually a fairly small percentage. You know, again, as we saw during the periodic reports during the year, the personnel costs were pretty well controlled. I believe -- I don't see the detail -- but I think that personal service increase is probably all in the payroll added cost area. I think the actual salary and wages are down from last year.

Can you talk about that a little bit?

Yeah, there's really two components to personal services. There's the actual salaries and wages...

Right.

...and then there's all, what's called the payroll added cost, which is the payroll taxes, Workmen's Comp, health insurance, retirement. So the Workers' Comp and retirement, health insurance in particular, increased, what, ten, twelve percent?

Mm-hm.

Even though we negotiated for lower rates?

Right.

Yeah. It increased less than it would have.

Yeah. And the salaries and wages piece was actually down from the year before in spite of, you know, contractual pay increases.

I think that's a big point.

Yeah.

Because they, they got, what, a three percent increase?

Yeah, yeah.

So the salaries went up by three percent, but the number of paid employees went down.

Right.

So this is a, year to year, a very small...

that was a union decision.

Right.

Yeah. Yeah, so I think we saw during the year that there was a real concerted effort to control payroll and think about when the seasonal employees were added, and thinking how, you know -- the action taken to start laying them off a little bit earlier in the spring, based on conditions and revenue, so. Yeah, that was a good effort by management at ORDA. Utilities and fuel also dropped. You know, I suppose late in the year that that was attributable to the decrease in the unit cost for fuel and diesel. But again, I would say through much of the prime season the rates were

this year last year. So again, I think there might be some rebates in there, but again, I think it was a combination of a concerted effort to do things a little bit more intelligently. And again, there's been quite an investment the last couple of years in energy-efficient generators and in snow guns. And I think that's evident as well in these numbers. Marketing expenses, down a bit. Event-related cost is up. And I really think that's a function of just having more events, especially this winter, compared to the other years for last year. Contractual services, supplies and materials have been looked at and contained. Going down, there's kind of a new category this year -- impairment and construction in progress. And really, that's some of the lost cost, if you will, on the new convention center, just by going from one design to another. So there was a certain amount of engineering/architectural costs.

Some of it is actually usable for the new plans, but some of it wasn't. So there's an identification of what wasn't, and that was written off. Then of course depreciation affects the assets. It was a non-cash expense of \$6.9 million. So the operating loss -- and this is again before appropriations -- the \$17, just under \$18 million this year compared to \$15.4 last year. And then the non-operating revenues expenses come into play, and I've got your State approp, Town appropriation, you know, interest income, interest expense. So those total \$8.1 million this year, \$8.9 last year. So these are the loss, before capital contributions of \$9.8 versus \$6.5. And then, and the capital contributions are appropriations or grants that are used for capital purposes. So you've got part of the State appropriation used for capital purposes; New York State Environmental or ESD grant; and then some smaller, I think Warren County and a few other smaller grants. So the capital contributions total \$7 million this year versus almost \$10 million last year. Then after that, you know, entity-wide, you've got a decrease in net assets of \$2.8 million versus \$3.4 last year. And again, much of that's the capital, but not all of it. All right. Page B3 is a statement of cash flows. Doug, you may be the only one that appreciates this page, but...

Yeah. The cash flow is under what's called the direct method. So it's really just communicating cash flow based on where, where, who it came from and where, who it went. So from the operating area, cash received from customers -- obviously a positive number -- and you know, an increase from last year. Part of that though is collection of receivables from last year. Payments to employees is really the cash outflow. So again, that whole accrued liability for GASB 45 doesn't come into play here, because it's not a cash outflow. And then all your payments to suppliers or vendors. So your cash flow from operations is really a use of \$4.4 million this year versus a use of \$10 million last year. The State and Local appropriations are considered non-capital financing activities, and they're obviously positive cash flow. And then cash flow from all the capital and the related financing activities. So again, there's a net outflow there of \$3 million dollars versus a net inflow last year of \$1 million dollars. And that's, it really just reflects probably some, either some borrowing or last year that were spent this year.

Okay, where's the State appropriation shown in this cash flow?

The State Operating appropriation is in the second section. Cash flow is from non-op, non-capital financing. So that includes the State Operating approp and the town of North Elbow appropriation. The portion of the State approp that was used for...

Where is it in B3?

It's the \$8.67 million.

That's all operating?

Yeah.

Ah, I don't see it. Now hold on for a second while I find it. Okay.

Could I ask a question, just...?

Yeah.

What's the difference between, on the statement of revenue and expenses, the appropriations from New York State is \$7.7, and in the statement of cash flows it is \$8.6. What...

It, the \$8.6 also includes Town of North Elbow.

State and Local appropriations?

do not have the State appropriation into operating activities...

Because the, yeah, the presentation standards for GASB 34 explicitly define any government appropriations as non-operating. Before GASB 34, that's how we presented it. Because functionally, that's what it is. The State gives you an appropriation to help with operations. And for all intents and purposes, it is operating; it's just the presentation standards require a separation.

Well, I would dispute that, okay.

I don't disagree, but...

I think that you as the accounting principal have the latitude under generally accepted accounting principles to give clarity to these statements. And in order to give clarity to the statements, you have to make a de facto decision...

Mm-hm.

...that the State will continue to appropriate that money for you year after year after year after year. And whereas that principal, as elucidated in what you just said, it should go here and it should go there, does not apply to this. And so therefore I think you have the latitude, or at least you ought to determine whether you do have the latitude, and put it appropriately so that it can give clarity to the statement.

Okay.

Thank you.

I have a question -- on the receipts from customers...

Mm-hm.

...and maybe I just need a further understanding of this -- I would relate that to be the revenues shown on 82...

That's right.

...earned revenues. So when I looked at that, I said okay, we had twenty-three both years. And I see 20 in '08 and then 27 in '09. So I jumped to the conclusion that three thousand dollars came in after March of '08 as a receivable. Would you have three million dollars due from, for example, on ski tickets...?

Yeah, it wouldn't be ski tickets, but it might be, grants, yeah.

So that...

Grants.

... grants ?

Yeah.

Okay. So your earned revenues would include the grant income too?

Yes. Yeah.

All right. I didn't take that under consideration.

Yeah, yeah, yeah.

I was just wondering who made ski .

Yeah, and actually there are some ski-related receivables in that, you know, there's hotels and others have, you know, a voucher system. But we're not talking millions; we're talking tens of thousands at the most.

Yeah, that's what I was thinking

Price

I don't understand that. Why would that be receivable ?

Well, somebody... You know, for example, at your hotel, somebody might get a package deal...

But that would be thirty days?

Well, there might be payment in for thirty days. But if they submitted the voucher on March 28th, you're not going to get billed by ORDA till early April.

But you had no problems and those accounts being paid right on time, do you?

No, well, not generally. Most...

What does that mean, not generally?

A couple problems. We've had a couple problems.

There have been a few write-offs over the years, but not thousands, not tens of thousands or hundreds of...

Well, we don't know, not in local businesses.

We've found a new collection agent.

collection...

Yeah.

Well, let's have the pay.

Right, well, I just take steps to assure that they don't do it again, if they short pay us or take a long time to pay. I won't let them charge the next year.

is it...

Yeah, but we have had some problems.

Okay.

Some we had to refer to for collection.

Yeah.

Right?

All right, so the bottom line with this statement is that your operating cash increased by one point, almost \$1.2 million from last year to this year. All right. And then the footnotes begin on page B4. Again, no significant change this year to the nature of the disclosures. You know, if you move to page B7, you get a better handle on note five, the components of receivables. Again, you can see last year the grant, the grants receivable was \$6.7 million versus a million this year. You know, the receivables are \$700,000 lower. And that includes, what, some sponsorships...

Mm-hm.

...events, you know, facility usage, that sort of thing. Note 7 just gives a little bit more breakout of the fixed assets, the property and equipment, and what changed. Note 8, a little breakout on deferred revenue. ...

If we come back to Note 7, can you explain the deletions for them, \$24 million dollars?

Under the \$18 million?

Under the construction in progress...

Yeah?

...you had \$18 at the beginning of the year; you had \$17 additions. And then the deletions I would expect would be just taking out of construction in progress and putting it into property and plan for equipment.

Yeah, that looks...

That's \$6,000 dollars or \$6 million dollars difference between the increase and in additions.

Yeah, I'm wondering if some of it rolled back into construction in progress.

Well, there's only \$2 million at the end of the year.

Yeah, but look at the -- yeah. But I'm wondering if it's part of the -- some of it's part of the eleven.

Seems to me, as I look at that, \$6 million dollars was written off.

Well... Four hundred thousand was, but not \$6 million.

Mm-hm.

Deletions were what we put into...

Yeah, but I would look at combination of...

...property and plan.

...I would look at property and plan equipment together and say that's \$17.8. And you deleted \$18. And there was certainly some additions during the year as well.

Oh, I see what you're saying.

So...

Oh, there were...

Yeah.

And sometimes we put directly into .

Yeah, that's a good question. We'll take a closer look at that.

You have to explain that

Well, if you look at construction in progress, when I started the year, you had \$18; you added \$17, which is \$25-\$26, and then you took off \$24. So it makes sense, you had \$2 million dollars at the end of the year. But that \$24 would have been transferred from

construction in progress to permanent property and plan for equipment. But that only went up by \$17 million. So 17 from 24 is this \$6 or \$7 million dollars' difference. You wrote off four million as, or \$400,000 as impaired. So where did the \$6 million go?

Right.

Well, I'm not sure it's \$6 million we're looking for, but...

Well, I think it's somewhere around there.

Can I go from that particular one to 14? Because it just is a, just as a suspicion that's probably where it is. I don't believe that on item 14, capital appropriations, government grants and restricted funds, I believe that you should outline each grant, you should explain each grant in the footnotes as to whether they're a direct payment or whether they're a payment on, on submission of invoices. And you should show how much has been expended each year and how much is left for each grant. Now why do I say that? Because it's very important that the Board has a handle on the grant system as it comes in, that they clearly understand where the grant came from, who it was, whether there are any restrictions on it. And also the fact that you'll give clarity and comfort to the Board that grant monies are not used for operating expenses.

Mm-hm.

For example, is the entire engineering staff being charged off to grants, or is it being charged off to operations? I don't know. I don't really particularly care. But it's something that should be clarified. And I don't think you go far enough in 14, and that in future years, I really would like you to do that.

Mm-hm.

Thank you.

There is...

I would second that . There's only a limited number of grants too, so I don't think it would be a big burden from an accounting standpoint at all.

Three or four, yeah.

but who are they from, where they going, restrictions,
pay as you go, some?

Another, another opportunity to disclose this in the management's
discussion and analysis.

I can, I could do it.

Well, you know, we have something that may or may not become
an embarrassment. And that is the fact that there was a grant for
roughly over \$20 million dollars to build a convention center.

Mm-hm.

And ORDA has expended a considerable amount of funds, but
there hasn't really been a shovel dug yet. And there has to be an
accounting of that. And I think that the way to account for that is
to be open and forthright before the fact, rather than to have
somebody at some point in time take a political shot at the ORDA
Board as to what the hell you did with the money.

Mm-hm.

I think that it's important to be up front with it, and I think it's
important to have it in the statements, so that you can always say
that we reviewed that and we understand that. If there are any
mistakes made, we own up to them or we have an explanation for
them, and so on. But anyway, that one grant worries me.

, you're absolutely right, but I think what you're asking
really , but there has been a shovel . We're digging.

Okay.

I mean, just for the record.

I stand corrected on your digging.

But your points are well taken. I agree.

All right, let me just go back to those points again. So if it's
something you want to include in your statements, you've got to do
it pretty quickly. Just understand the things you want to disclose.

I'm not interested in changing the work that's done. I hope

...

Okay.

...approve this at the end of the day.

Yeah.

Right.

But I am very much interested in...

Going forward.

...its coming forward. And I have one more item which I'll take up probably before Joe wants to close the meeting.

Okay.

I could do a report for the next board meeting to show you a detailed report. Maybe we could talk about what you would like to see.

And at the future, audit would

Yeah, we could...

Yeah...

... have D&A, right?

Yeah, or a note. I mean, if it's...

Yeah.

...if it's not, well, too extensive, it could go -- and it doesn't sound like it needs to be. It's kind of a schedule of original grant, you know, spend to date available.

Yes.

Well, they say what did you guys do with this money? We say, this is what we did with the money.

Right.

Yeah.

It was done in good faith. It was done in an objective and fair amount. And from point A to point B we're here, and we're proud of what we did.

I can tell you that ESD did an audit on a grant on their end. They're being very careful about how we spend the money. They won't reimburse us if they think it's improper. And there was one thing found, and it was a letter that ESD didn't include in the grant package.

That's great. I'm glad they audit it.

So, yeah...

That should be in there too, they're audited by so-and-so.

Yeah.

Just so we're all keeping an eye on the time, it's 10:07 now. I don't think Governance is going to take an awful long time. So I think we've got a good, solid half an hour to finish up here with audit.

Board meeting at 10:30?

Oh, is it 10:30?

10:30.

I'm sorry.

Yeah.

Oh, boy. Okay, that changes things. So let's say another 15 minutes on audit; just aim for that.

Okay. Yeah, Bob, is there something else? You might as well bring... Yeah, we'll go through it now, so...

The only other thing that I really would like to see is that, is that management really requires a reworking of your cash flow. And you have to set -- you have in the cash flows somewhat mixed between operations and capital. And I really think that there should be a big separation between capital and operations with cash flow.

Mm-hm.

So there either is, is or isn't a negative or positive cash flow for capital...

Mm-hm

...or there is or there is not for operations.

Okay.

The thing that the Board should know is, is there a cash deficit at the end of each year; how much is the deficit; was it there last year; and are we going to have it the following year? Because eventually, with a cash flow deficit, you're going to rely upon that \$5 million-dollar line of credit that you have which is no longer a line of credit. You're covering a cash deficit and it becomes a

Right.

And the world comes crashing down on you. That's the end of my stuff.

Yeah, I think that the , the , because there is a whole section on cash flow from capital. It's really looking at realigning that State approp , yeah.

That's correct. And I think that no matter what you feel that GAAP wants you to do, I think that you have the right and duty and obligation...

Yeah, no, you are correct.

...to change...

Yeah, you are correct.

Thank you.

All right. Were there any other questions on the footnotes? I don't think there's anything else I wanted to point out. Talk about FASB 45...

management ...

Yeah, want to go through, starting on page D1.

D1?

Yeah.

D1. Okay. It's a separate piece. For everyone, it's a separate -- it's not in the big packet.

Looks like this. Under that.

It's right behind the... Just one sheet of paper, separating what we have.

Yeah, this report, it's our report on internal control and compliance.

D1? Okay.

And it's a required report. When an audit is performed or conducted in accordance with government auditing standards, and you know, provides a little more information on -- defines internal controls of financial reporting; defines and clarifies responsibilities. And we are required to report in here if there's any, any conditions in internal control that we consider significant deficiencies or material weaknesses in internal control. And this year we didn't have any such conditions. Also is a report on compliance -- that's on the top of page two. And if there are any instances of non-compliance that we believe are material to the financial statements, they would also be reported here. And they do not identify any material instances of non-compliance regulations. And then the following page, again, begins the management letter. And these are findings or comments of lesser severity or significance, but still warrant attention. And there's a couple of comments here, both pertaining to the disbursements, purchasing vendor side of operations. One just relates to review and really documentation of review.

That's

Yeah.

Well, that shows that doing an excellent job really with only those.

Yeah, there's been -- yeah, yeah -- there really has been, you know, a pretty intense focus on control, really the last three to five years. There's been a number of comments, and they are well taken and implemented. And yup, they keep dropping. And then we had a bit of concern over the process of adding new vendors. You know,

one of the things in your Great Plains software is it allows a vendor to be named one-time vendor which, again, makes it easier when you do have one-time vendors. But there's a little bit more risk in doing so. So we're just asking for a review of new vendors that are added each month by somebody independent of the process.

The items of business that we're going to have to take care of at this meeting would be the approval of the audit, the investment report, and then the inter report.

Mm-hm.

Can you
?

So we -- unless there's any questions about the management letter, we should probably go to the investment report.

Yeah. Let me just step back to where the audit is in our process. The, I mean, the report date is actually Monday or yesterday. It just didn't make this draft. Frank, who is the engagement partner, has done his review. And there was a few changes that were incorporated into the second draft. Today we have an independent partner that reviewed our quality control review. And again, I expect that to be completed today. So once he signs off, it's our quality processes that we cannot release the statement till he signs off. So we expect that today or perhaps tomorrow. So the final will be tomorrow or Friday morning. I know, you know, Kathy and Ted were asking about whether a draft can be approved. And my understanding -- yes. And...

That was my next question.

Yeah, again, I would a couple of other authorities where this is really the process, is actually the Board and the audit committee doesn't want the audit to be finalized until they've had a chance to meet and approve it, in case there's things that want to be changed or added. So they, they basically accept and approve the audit, the financial statements as presented, with the caveat that there's no material changes between today and tomorrow.

Well, I would move that we approve it subject to minor changes at the appropriate time.

Mm-hm.

I think now might be the appropriate time. So that we have a motion...

I'll second.

...to move it. Seconded by Jerry. The approval is subject to...

Minor changes by the senior partners.

Right. And we will get a list of those changes if there are any.

Yup. Well, I -- yeah. I think perhaps the components in that Note 7 will change. The bottom line won't change.

Right.

But the deletion, the numbers might shuffle a little bit.

Mm-hm.

Not to, not to -- any embarrassment at all -- because I think that it's always good to explain it. But I looked through the list of vendors, and I couldn't figure out how much they paid you guys. Do you happen to know?

I do not. I think our fee, was it \$24,000?

Well, we did an RFP last year and we had firms that submitted bids. We...

... within that agreement was the, how much the audit would be. But I don't recall what that is. I can get that

Yeah, and I actually wasn't involved in the RFP, so I don't even know.

I thought I saw ...

Yeah, it's more than twenty. It might be \$28,000.

I thought I saw the number someplace, but I may have been...

That's okay. Yeah. No problem. Just curiosity.

Do you represent other Authorities also?

Ah, yes.

Which ones?

Airport Authority, and we had done Albany Parking Authority.

Okay.

Okay. We have a motion and a seconded. Any other discussion?
All in favor?

Aye.

Opposed? Okay. Investment report? Hey, Mike.

I'm going to circulate this too, because we need to include this in our annual report that we file. So it's just a statement that gets scanned, and it gets put up on the web site that you approved the audit. And I will say, subject to minor changes. Okay? I don't even have a copy of the investment report. The investment report is a required annual report for Public Authorities. So again, as part of our audit, we do review and assess the internal controls over your investing activities. And in your case, it's primarily, you know, just CD's, if any.

And we didn't have any.

And they didn't have any at the end of the year. So there really isn't much, yeah, investment activity to look at.

Sort of collateralized account ...

Yeah. Yeah, the other disclosure is a requirement for collateralization of cash accounts that exceed FDIC coverage, and then the collateral statement is in here as well.

Any questions? Can I have a motion?

Second? , Jerry.

Second.

Seconded by Bob. Any discussion? All in favor?

Aye.

Opposed? Thank you. Interest earning report.

put that in here. Interest earning report...

Do we have that in here?

Ah, I don't know if I've got it in here.

I think it is in here, because I looked at it.

?

Yeah. Sorry.

I'm sorry...

files ...

Here it is. is...

My leftovers and they're not numbered correctly.

Oh, save mine by .

They're next to the last -- this is the last tab.

Here it is. For ten percent four.

It's the next to last one.

That three? I don't know. go by tabs. Let's see. So it's tab three, I think.

go should do first, second, third, four . We . Tab four . I looked at it already, but okay. Does

everybody have it? Has everybody seen it? It was in the main package. It has all the tables and all of the interest or... Could I have a motion to approve it?

Made by

Second.

Any further discussion? All in favor?

Aye.

Opposed? Thank you. Okay, thanks.

business there...

That's all the, that's all the business for audit.

There's one piece that's going to come up in the general meeting, and that's a resolution. And a resolution would be approving the Audit Committee Charter. So if there's a discussion on the charter that was, that's been included for your review, through emails and hard copy. And also included in this packet today, which is the general -- basically what it is, it's, I went to the Authority Budget Office web site. They have some templates. We can revise them to adapt to your particular Authority. And then the duties and responsibilities of the Audit Committee, which was in the first models of governing bodies principles have been incorporated in this charter. And it's basically the duties that you're already doing; it's just put in a charter form.

Very good.

And if that is approvable, then we could move that to the, I guess the Board, for resolution.

It's certainly approvable by me.

I think we're just recommending basically Board approval, so. Okay, so do we need a motion or...?

You'll recommend it. I'd say the minutes, just say we recommended it for Board approval. And that's it for audit? Okay.

Thank you. I just need the sheet, the signed sheet back.

Okay, thank you, Jim.

Oh, thank you. Good discussion. Thank you.

Now, governance. We have a raft of new policies. Most of which I think, or maybe all of which were required to approve on an annual basis. And we have Sergei -- who else from Governance -- Jerry? You on the Governance Committee? Who's on the Governance Committee?

Harold.

Harold? Thank you.

Welcome, Harold.

Welcome, Harold.

Thank you, Doug.

Do you have a list in order for the...?

Yup. This for, for all the various policies, so we can just go through them one by one.

Yes, that's in the Board pack -- the original mailing of the Board packet.

Right. Now the resolution...

No, did I -- where did I do this?

It's 243 ...

It's Resolution 243, correct, Sergei, under the tab...

tab...

...tab four.

That

The last resolution. Tab four, the Resolution 241.

241?

Tab four.

I have 243.

243.

Is that Governance charter?

No, that's establishing the Governance Committee Charter.

Right.

I'm looking at the resolution approving all of the various policies, which is 241.

And that's this listing right here.

This is what I'm looking at. It's on top of the whole stack of policies. It's in the board book.

Tab four.

?

Correct. So we have, I'll just go through the list. Purchasing policies and procedures, up to \$50,000; guidelines for procurement, expected to exceed \$50,000; investment of corporate funds policy, investment and interest earnings, earning report for a disposition of surplus property policy, ORDA vehicle disposition policy, salary and compensation policy, time and attendance, employee and directors' liability, the prohibition against extension of credit to Board and staff; the internal control policy; and the minority and women-owned business report. So those were all included in the Board package that you should have received, I think the end of last week. And I'm open to go through these individually. We can deal with them collectively. Ideally, I would have liked the Governance Committee to have met in advance of the Board meeting. We just simply ran out of time. And I think, my own sense is, there are -- I have, I've gone through the policies and I have little questions and probably nitpicks that I would fully encourage everybody to, if they have any major concerns, bring them up today. But minor concerns we can always deal with after the, after the Board adopts the policies. We can amend them at any time. But we do have to deal with this annually, and I think it's

And the Charter then has been put into hard copy and distributed. And we're asking for a resolution at the Board meeting to accept that, as long as it's recommended and approved -- recommended by the Audit, or the Governance Committee.

Excuse me. You want to do that privately?

Oh, no...

ORDA . It's up to you. All right.

We're finishing the Governance Committee.

You feel free to join us.

Okay, so we have a motion and it's seconded. All in favor?

Aye.

closed. Okay, great, thank you.

Why don't we take a 15-minute break?

Yeah. So that concludes Audit and Governance. We'll take a short break, and then we'll go right into the Board meeting.

[END OF FILE] -- 1:17:00