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Audit committee
ACAA
APPROVED
 1/3/11

**Minutes of the Audit Committee Meeting
 of the Albany County Airport Authority**

March 25, 2010

Pursuant to notice duly given and posted, the Audit Committee meeting of the Albany County Airport Authority was called to order on Thursday, March 25, 2010 at 10:00 am in the 2nd Floor Conference Room in the Administration Building, located at the Albany International Airport by Audit Committee Chair Dennis Fitzgerald with the following present:

MEMBERS PRESENT

Dennis J. Fitzgerald, Chair, Audit Committee
 Elliott A. Shaw (Committee Member)
 David E. Langdon (Ex-Officio Committee Member)
 Dorsey M. Whitehead (ACAA Member)
 Rev. Kenneth J. Doyle (ACAA Member)

MEMBERS ABSENT

John A. Graziano, Jr. (Committee Member)

STAFF

John A. O'Donnell
 Bill O'Reilly
 Margaret Herrmann
 Peter F. Stuto

Doug Myers
 Steve Iachetta
 Ginger Olthoff

ATTENDEES

None

1. Approval of Minutes

1.1 March 1, 2010 Minutes

Mr. Shaw moved to approve the minutes of the March 1, 2010 minutes. The motion was adopted unanimously.

Audit Committee Chair Dennis Fitzgerald stated that each item would be reviewed separately with a motion to recommend all items to the full Authority taken when the review of all items was completed.

Mr. Fitzgerald requested that Mr. O'Reilly review each item.

2. Acceptance of Financial and Audit Items

2.1 Review and Acceptance of Authority's Fifteenth Comprehensive Annual Financial Report, as of, and for the Year Ended, December 31, 2009, Together with the Audit and Compliance Reports of Marvin and Company, P.C., Certified Public Accountants

Mr. O'Reilly reviewed the highlights of the Authority's Fifteenth Comprehensive Annual Financial Report, as of, and for the Year Ended, December 31, 2009, together with the Audit and Compliance Reports of Marvin and Company, P.C., Certified Public Accountants by reviewing the Management Discussion and Analysis. This analysis covered the following areas: financial statements, airport activity highlights, airport revenues, commercial operations, enplanements, FBO operations, concessions, parking, summary of revenues, expenses and changes in net assets, operating revenues and non-operating income highlights, operating expenses and non-operating expense highlights, financial position summary, airline signatory rates and charges, cash management policies and cash flow activities, capital activities, long-term debt administration, interest rate swaption and interest rate exchange agreement, credit ratings and bond insurance, reserves, passenger facility charges, pension program, other post-employment benefits, risk management and financial statements.

Mr. Fitzgerald referred to the OPEB trust and stated that it was his understanding that the monies previously set aside for these costs were transferred into the trust. Mr. O'Reilly stated that they had and moving forward the annual contribution would be \$252,000.

ACAA Chair Langdon requested a brief overview of the on the swaption. Mr. O'Reilly reviewed in detail the item included in the Management Discussion and Analysis entitled, Interest Rate Swaption and Interest Rate Exchange Agreement.

Mr. O'Reilly also reviewed the requirement under GASB 53, wherein; beginning in 2010 measures have to be implemented to measure the effectiveness of the swaption transaction. If a determination is made that the transaction is not effective, it will be reported as a liability and the annual change in the termination payment currently at \$11.5 million, could flow through the Operating Statement as of 1/1/10.

Mr. O'Reilly reported that the Letter of Credit associated with the transaction will expire on 1/30/11 and will need to be replaced. He stated that costs associated with a Letter of Credit are extremely high. He stated that staff was looking at a potential refinancing of this transaction in mid-April to predetermined fixed rate bonds.

Mr. O'Donnell stated that currently the interest rates were doing well; however, due to future unknowns, it would be preferable to refinance to fixed rate bonds. He also stated that staff had met with local banks regarding issuance of a new Letter of Credit and it is very apparent that it would not be possible to obtain a Letter of Credit at a good rate.

Mr. Fitzgerald inquired as to when this refinancing might come before the Authority for approval. Mr. O'Donnell stated that it could be sometime in April.

2.2 Review and Acceptance of Marvin and Company, P.C. Letter Regarding Information Related to Their Conduct of the Audit Required under Generally Accepted Auditing Standards

Mr. O'Reilly reviewed the Marvin and Company, P.C. Letter Regarding Information Related to Their Conduct of the Audit Required under Generally Accepted Auditing Standards which was provided as a hand-out.

Mr. O'Reilly stated that this was a standard letter which outlines the conduct of the audit. He stated that it was important to note that the letter did not include any items to be corrected, no disagreements with management, and no management consultations with other independent accountants.

Mr. Fitzgerald inquired if any journal adjustments were made by the auditors. Mr. O'Reilly said there were not.

Mr. Shaw inquired as to why the letter was not included in the material that was sent to the members prior to the meeting. He stated that the decision made by the Audit Committee on March 1, 2010 to defer action was so that the material could be sent out prior to the meeting for review. Mr. O'Reilly stated that there was some confusion around which letters were included in the material and it was inadvertently omitted.

2.3. Review and Acceptance of Airline Rates and Charges Settlement and Revenue Sharing Transfer Calculation for 2009

Mr. O'Reilly stated that there had been no changes to Airline Rates and Charges Settlement and Revenue Sharing Transfer Calculation for 2009 from the original submission on March 1, 2010.

Mr. O'Reilly stated that the airlines would be given a credit of \$120,000 for the year ended 2009. He noted that this was a great improvement over last year when the airlines were billed \$1.7 million.

2.4 Review and Acceptance of Albany County Airport Authority Annual Investment Report for the Fiscal Year Ending December 31, 2009

Mr. O'Reilly reviewed the Albany County Airport Authority Annual Investment Report for the Fiscal Year Ending December 31, 2009.

Mr. O'Reilly stated that in accordance with the Public Authorities Law and as required by the ACAA Cash Management and Investment Policy, the Authority is required to prepare and approve an Investment Report annually. Mr. O'Reilly stated that the Authority's compliance with its investment policy has been audited by Marvin and Company, PC.

2.5 Review of Albany County Airport Authority OPEB Trust (A Component Unit of the Albany County Airport Authority) Financial Statements for the Short Period Ended December 31, 2009 - Unaudited

Mr. O'Reilly reviewed the Albany County Airport Authority OPEB Trust (A Component Unit of the Albany County Airport Authority) Financial Statements for the Short Period Ended December 31, 2009. He stated that this report has not been audited due to the fact that the trust had just recently been established. He also stated that he was the trustee.

Mr. Fitzgerald inquired as to whether he was the sole trustee. Mr. O'Reilly stated that he was. He stated that the trustee had very limited powers and the Authorizing Officer, who was Mr. O'Donnell, would need to approve any significant disbursements from the trust.

Mr. Fitzgerald inquired as to whether the investment policy for the trust was the same as that of the Authority. Mr. O'Reilly stated that it was not due to the fact that the trust was a separate entity and its investment goals could be different from the Authority which directs its investments toward liquidity and short-term return. Mr. Fitzgerald asked if the Investment Policy was approved by the Office of the State Comptroller. Mr. O'Reilly said it was not as even the Authority's Investment Guidelines are not subject to the approval by the State Comptroller or subject to the regulations issued by the State Comptroller covering investments. Mr. O'Reilly stated that the trust investment guidelines could be amended by the Authority. Mr. O'Reilly stated the trust was not an entity subject to regulation as a public authority.

Mr. O'Donnell inquired as to why this would not be covered by the ABO requirements particularly since the trust is a component of the Authority. Mr. O'Reilly stated that trust is not a corporate entity and is not covered by the Public Authorities Law. Mr. O'Reilly stated that investments by public authorities are covered by section 2925 of the Public Authorities Law enacted in 1983 and not a result of recent public authority reform involving the ABO. Mr. O'Reilly stated that based upon this section of law, the State Comptroller issued investment guidelines for certain public authorities in a regulation. The Airport Authority is not listed in this regulation.

Mr. Fitzgerald inquired of counsel, Mr. Stuto, as to whether he concurred. Mr. Stuto stated that he would have to study the matter and discuss further with Mr. O'Reilly in order to concur or not.

Mr. Fitzgerald requested that Mr. Stuto review the matter with Mr. O'Reilly and report back to the Authority if there was a substantial finding. Mr. Stuto agreed.

Mr. Shaw moved to refer Items 2.1 through 2.4 to the full Authority with a positive recommendation. The motion was adopted unanimously. It was noted that Item 2.5 required review only by the Committee and no action was required except referral to the Authority.

There being no further business, the meeting was adjourned at 10:35 am.