

**UPPER MOHAWK VALLEY MEMORIAL
AUDITORIUM AUTHORITY**

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Financial Statements and
Other Financial Information

**UPPER MOHAWK VALLEY MEMORIAL
AUDITORIUM AUTHORITY**

December 31, 2013 and 2012

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BARONE, HOWARD & Co., CPAs, PC
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Authority Members of
Upper Mohawk Valley Memorial Auditorium Authority
400 Oriskany Street West
Utica, New York 13502

Report on Financial Statements

We have audited the accompanying financial statements of Upper Mohawk Valley Memorial Auditorium Authority, which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, except for the effect of not capitalizing the cost of its building and all of its equipment, as described in the following paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of Upper Mohawk Valley Memorial Auditorium Authority as of December 31, 2013 and 2012, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1 Upper Mohawk Valley Memorial Auditorium Authority's financial statements do not reflect all the cost of its building and all of its equipment. Generally accepted accounting principles require these assets to be capitalized and depreciated over the assets' useful lives.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and the other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 18, 2014, on our consideration of Upper Mohawk Valley Memorial Auditorium Authority's internal control over financial reporting and 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 do not provide an opinion on internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Upper Mohawk Valley Memorial Auditorium Authority's internal control over financial reporting and compliance.

Barone, Howard + Co., CPAs, P.C.

BARONE, HOWARD & Co., CPAs, P.C.
New Hartford, New York

April 18, 2014

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the years ended December 31, 2013 and 2012

This section of Upper Mohawk Valley Memorial Auditorium Authority's (the Authority) financial statements presents management's overview and analysis of the Authority's financial performance for the years ended December 31, 2013 and 2012. This section should be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

The change in net position for 2013 was \$2,871,096. It was \$179,214 for 2012. The change from the prior year was due to \$2,000,000 in grant funding from the New York State Urban Development Corporation, DBA Empire State Development and \$1,000,000 in grant funding from Empire State Development. The PILOT payment was the same as 2012. Expenses were consistent except for professional and consulting fees, utilities and depreciation.

In 2013, major improvement and renovation projects included new locker rooms, concession stands, a broadcast booth, kitchen equipment, a state of the art scoreboard, sound system and wireless internet system. The Authority continued design work on the facade project and plans an additional parking lot.

Future operating results depends upon how much success the Authority has in attracting events to use the facility. In addition to these activities the Authority is expected to continue to need operating subsidies from the Mohawk Valley Water Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Activities presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will result in cash flows in future periods.

The financial statements can be found on pages 7 to 9 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within these financial statements. The notes to the financial statements can be found on pages 10 to 16 of this report.

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Management's Discussion and Analysis (Unaudited) – continued
For the years ended December 31, 2013 and 2012

FINANCIAL ANALYSIS

This section summarizes information and data as related to the Statements of Net Position as of December 31, 2013 and 2012, and the Statements of Activities for those years then ended.

Statements of Net Position

Table I reports all of the assets and liabilities of the Authority and is presented on the accrual basis. Total net position increased \$2,871,096 from the prior year due to the operating gain for the year ending December 31, 2013. See the Financial Highlights section for some of the details relating to this gain.

Table I
Net Position

	2013	2012
Current assets	\$ 917,023	\$ 336,547
Capital and other assets	<u>4,940,387</u>	<u>2,684,604</u>
Total Assets	<u>\$ 5,857,410</u>	<u>\$ 3,021,151</u>
Current liabilities	\$ 159,469	\$ 147,763
Long-term liabilities	<u>174,789</u>	<u>221,332</u>
Total Liabilities	<u>\$ 334,258</u>	<u>\$ 369,095</u>
Total Net Position	<u>\$ 5,523,152</u>	<u>\$ 2,652,056</u>

Statements of Activities

Table 2 summarizes the revenue and operating expenses of the Authority and is also presented on the accrual basis. Revenues for 2013 increased \$2,866,668 over 2012. Operating expenses for 2013 increased \$174,786 over 2012. These changes are more fully described in the Financial Highlights section.

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Management's Discussion and Analysis (Unaudited) – continued
For the years ended December 31, 2013 and 2012

Statements of Activities – continued

Table 2
Changes in Net Position

	2013	2012
Revenues		
Oneida County PILOT payments	\$ 665,500	\$ 665,500
Grant income	3,000,000	-
Event income	104,030	157,852
Concessions income	47,250	92,690
Ice rentals	83,923	119,318
Other income	726	67,072
Interest income	1,401	4,633
Capitalization fund income	91,944	21,041
	<u>\$ 3,994,774</u>	<u>\$ 1,128,106</u>
Operating Expenses		
Operations	\$ 908,710	\$ 814,397
Interest	8,746	8,991
Depreciation	205,661	124,943
Amortization	561	561
	<u>\$ 1,123,678</u>	<u>\$ 948,892</u>
Changes in net position	\$ 2,871,096	\$ 179,214

CAPITAL ASSETS AND DEBT ADMINISTRATION

This section includes a description of significant capital assets and long-term debt activity during the year.

Capital Assets

The Authority owns property and equipment located in the City of Utica. The following schedule shows the investment in these properties:

Property and Equipment:	Cost
Building and improvements	\$ 4,009,069
Equipment	2,067,773
Total	6,076,842
Accumulated depreciation	1,140,378
Property and equipment, net	\$ 4,936,464

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Management's Discussion and Analysis (Unaudited) – continued
For the years ended December 31, 2013 and 2012

Long-Term Debt

The Authority has long-term debt associated with this property. Details of these debt instruments are more fully described in the footnotes to the financial statements.

ECONOMIC FACTORS AND FUTURE OUTLOOK

Major Shows

The Upper Mohawk Valley Memorial Auditorium Authority expects to continue hosting many annual shows, including The Harlem Globetrotters, WWE Wrestling, Monster Trucks, and The Shrine Circus, as well as athletic competitions and other events. In 2013, professional hockey returned with the Utica Comets of the American Hockey League. In 2013, there were 55 events with attendance totaling 126,542. In 2012, there were a total of 59 events with attendance totaling 94,489.

Major Planned Capital Expenditures

The Authority is planning to repair and upgrade the façade on the building. Improvements are planned for club box seating and additional amenities for patrons.

Change in PILOT Payment Amount

The Auditorium PILOT payment, paid in monthly installments from the Mohawk Valley Water Authority, totaled \$665,500 in 2013 and 2012, respectively. This amount will be \$665,500 each year through 2016. From 2017 through 2021, the PILOT will increase by 10% to \$732,050 to be paid each year.

Other Factors

Interest income for 2013 decreased \$3,231 from 2012. The Auditorium financed some capital improvements in 2013 using savings. Lower interest rates continued, resulting in less interest income.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information and other information.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. As of December 31, 2013, assets exceed liabilities by \$5,523,152.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances for all those who have an interest in this Authority's finances. Questions concerning any of the information presented in this report, or requests for additional financial information, should be addressed to the Upper Mohawk Valley Memorial Auditorium Authority, 400 Oriskany Street West, Utica, New York 13502.

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Statements of Net Position
December 31, 2013 and 2012

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents	\$ 222,100	\$ 294,755
Accounts receivable	62,535	39,157
Grants receivable	611,702	-
Prepaid expenses	20,686	2,635
Total current assets	<u>917,023</u>	<u>336,547</u>
Property and equipment, at cost:		
Building and improvements	4,009,069	2,398,518
Equipment and machinery	2,067,773	1,216,319
	<u>6,076,842</u>	<u>3,614,837</u>
Less: accumulated depreciation	1,140,378	934,717
Property and equipment, net	<u>4,936,464</u>	<u>2,680,120</u>
Other assets:		
Bond issuance costs, net of accumulated amortization	3,923	4,484
Total Assets	\$ 5,857,410	\$ 3,021,151
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 42,403	\$ 22,148
Accrued liabilities	15,061	13,299
Debt payable - current portion	46,543	46,577
Deferred revenue	55,462	65,739
Total current liabilities	<u>159,469</u>	<u>147,763</u>
Noncurrent liabilities:		
Debt payable, net of current portion	174,789	221,332
Net position:		
Investment in capital assets	4,715,132	2,412,211
Restricted	231,978	140,034
Unrestricted	576,042	99,811
Total net position	<u>5,523,152</u>	<u>2,652,056</u>
Total Liabilities and Net Position	\$ 5,857,410	\$ 3,021,151

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Statements of Activities
For the years ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Municipal subsidies and grants	\$ 665,500	\$ 665,500
Grant revenues	3,000,000	-
Special events	104,030	157,852
Ice rentals	83,923	119,318
Concessions income	47,250	92,690
Capitalization fund income	91,944	21,041
Advertising income	725	67,072
Investment earnings	1,402	4,633
Total revenues	<u>3,994,774</u>	<u>1,128,106</u>
Operating expenses:		
Salaries and wages	381,885	382,970
Payroll taxes	41,055	41,504
Employee benefits	31,587	36,089
Utilities	163,950	130,862
Insurance	55,216	53,688
Repairs and maintenance	57,009	61,998
Contracted building maintenance	25,441	18,820
Management fees	26,098	32,220
Trash and snow removal	12,282	14,419
Professional services contracts	78,512	15,676
Telephone	6,582	3,644
Supplies	15,345	13,354
Office supplies	2,341	2,169
Web site	1,109	1,169
Membership dues	588	1,639
Advertising	843	3,552
Bank charges	136	147
Miscellaneous	8,731	477
Interest and other financing charges	8,746	8,991
Amortization	561	561
Depreciation	205,661	124,943
Total operating expenses	<u>1,123,678</u>	<u>948,892</u>
Change in net position	2,871,096	179,214
Net position, beginning of year	<u>2,652,056</u>	<u>2,472,842</u>
Net position, end of year	<u><u>\$ 5,523,152</u></u>	<u><u>\$ 2,652,056</u></u>

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Changes in net position	<u>\$ 2,871,096</u>	<u>\$ 179,214</u>
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:		
Depreciation	205,661	124,943
Amortization	561	561
(Increase) decrease in:		
Accounts receivable	(23,378)	(25,676)
Grants receivable	(611,702)	-
Prepaid expenses	(18,051)	6,152
Increase (decrease) in:		
Accounts payable	20,255	(62,972)
Accrued liabilities	1,762	5,549
Deferred revenue	(10,277)	(19,867)
Total adjustments	<u>(435,169)</u>	<u>28,690</u>
Net cash provided by operating activities	<u>2,435,927</u>	<u>207,904</u>
Cash flows from investing activities		
Cash payments for the purchase of property	<u>(2,462,005)</u>	<u>(1,088,752)</u>
Net cash used by investing activities	<u>(2,462,005)</u>	<u>(1,088,752)</u>
Cash flows from capital related financing:		
Principal payments on long-term debt	<u>(46,577)</u>	<u>(61,683)</u>
Net cash used by capital related financing	<u>(46,577)</u>	<u>(61,683)</u>
Net decrease in cash and cash equivalents	(72,655)	(942,531)
Cash and cash equivalents, beginning of year	<u>294,755</u>	<u>1,237,286</u>
Cash and cash equivalents, end of year	<u>\$ 222,100</u>	<u>\$ 294,755</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 8,746	\$ 8,991

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2013 and 2012

Note 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

The Upper Mohawk Valley Memorial Auditorium Authority (the Authority) was established in 1996 as a public benefit corporation under New York State law to own and manage the activities of the former City of Utica's Memorial Auditorium. On December 19, 1996, the City of Utica sold the entire facility and its contents to the Authority for one dollar. At that same time all of the operations of the auditorium facility became the responsibility of the Authority. The Authority has a seven-member board, which is responsible for the overall direction of the Auditorium. An outside firm manages the day-to-day operations. The Auditorium is a 3,847-seat arena. It hosts a variety of events, ranging from college and professional ice hockey, basketball tournaments, cheerleading and wrestling competitions, to concerts and trade shows.

Basis of Accounting

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The activities of the Authority are similar to those found in the private sector. The measurement focus is upon determination of net position, change in net position and cash flows. The Authority uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The Authority grants credit to businesses, organizations and individuals in the Central New York region. The Authority generally requires no collateral from its customers.

Property and Equipment

Prior to 1998, the Authority recorded equipment acquisitions and major building improvements as expenditures in the current period. Generally accepted accounting principles require these assets to be capitalized and depreciated over the assets' useful lives. Effective in 1998, the Authority capitalized equipment and building improvements at cost and recorded depreciation using the straight-line method based upon estimated useful lives of the assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Notes to Financial Statements – continued
For the years ended December 31, 2013 and 2012

Note 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position

The Governmental Accounting Standards Board (GASB) Statement No. 63 defines the net position as the difference between all other elements in a statement of financial position. It should be displayed in three components – net investment in capital assets, restricted, and unrestricted.

- 1) The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets and Budgetary Accounting

The Authority follows these procedures in establishing the annual budgetary data:

- 1) The Authority Treasurer submits estimates of required resources for the next fiscal year to the Authority not more than ninety days and not less than sixty days before the commencement of the fiscal year.
- 2) The Authority approves the budget. The Authority must approve subsequent revisions that materially alter appropriations.

Advertising Costs

Advertising costs are expensed as incurred.

Adoption of New Accounting Pronouncements

During the year ended December 31, 2013, the Authority implemented GASB Statement No. 60, Accounting and Reporting for Service Concession Arrangements. It requires governments to account for and disclose any service concession arrangements (“SCA”). An SCA is a type of public-private or public-public partnership between a transferor (a government) and an operator (governmental or nongovernmental entity). GASB 60 did not have a material impact on the Authority’s financial position or results from operations.

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Notes to Financial Statements – continued
For the years ended December 31, 2013 and 2012

Note 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Adoption of New Accounting Pronouncements – continued

During the year ended December 31, 2013, the Authority implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. This statement amends the net asset reporting requirements in GASB No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB 63 did not have a material impact on the Authority’s financial position or results from operations.

Reclassifications

Certain accounts in the 2012 financial statements have been reclassified to conform to the current year’s presentation.

Note 2 OPERATING CONSIDERATION

The Authority is assisted with its financial activities by receiving an annual payment from the Mohawk Valley Water Authority. The payment increases by 10% every 6th year. The payment, which is a payment in lieu of taxes, is provided for under New York State Public Authorities Law Section 1226-r (3) (c). The payment is intended to provide the necessary funding to assist the Upper Mohawk Valley Memorial Auditorium Authority in meeting its operating expenses.

The payments are as follows for each year:

1997 - 2001	\$ 500,000
2002 - 2006	550,000
2007 - 2011	605,000
2012 - 2016	665,500
2017 - 2021	732,050
2022 - 2026	805,225
2027 - 2031	885,781
2032 - 2036	974,359

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Notes to Financial Statements – continued
For the years ended December 31, 2013 and 2012

Note 3 CASH AND CASH EQUIVALENTS

Authority monies must be deposited in FDIC insured commercial banks or trust companies located within New York State. Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. The Authority's cash and cash equivalents were comprised of the following at December 31, 2013:

	Fair Value at December 31, 2013
Deposits with financial institutions:	
Checking accounts	\$ 151,013
Savings accounts	118,339
Total	<u>\$ 269,352</u>

The Authority has an agreement with the Bank of Utica which provides additional collateral to protect the funds held by the bank. As of December 31, 2013, all of the Authority's cash and cash equivalents were fully collateralized by municipal notes as follows:

Par	Issuer	Maturity	Market
780,000	Oyster Bay, Town	10/1/2015	\$ 798,268
805,000	Oyster Bay, Town	10/1/2016	818,492
			<u>\$ 1,616,760</u>

Note 4 PROPERTY AND EQUIPMENT

Property and equipment and the related accumulation of depreciation consisted of the following as of December 31, 2013:

	Cost	Accumulated Depreciation	Depreciation Expense
Building and improvements	\$ 4,009,069	\$ 860,225	\$ 127,316
Equipment	2,067,773	280,153	78,345
Total	<u>\$ 6,076,842</u>	<u>\$ 1,140,378</u>	<u>\$ 205,661</u>

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Notes to Financial Statements – continued
For the years ended December 31, 2013 and 2012

Note 5 BOND ISSUANCE COSTS

Costs associated with issuance of the bond were \$5,605. Amortization expense of \$561 was charged to operations for 2013 and 2012.

Note 6 DEFERRED INFLOW OF RESOURCES

The Authority received payments at year-end that pertain to next year's activities. These amounts are shown as deferred revenue at year-end.

Note 7 RESTRICTED NET POSITION

The Authority has established a restricted account whereby collections from events held at the auditorium are internally reserved as a restricted net position and used to keep the auditorium facility in good working order. The balance in the restricted account was \$231,978 and \$140,034 at December 31, 2013 and 2012, respectively. The 2013 balance includes an accounts receivable balance of \$62,535 for collections received but not paid to the Authority as of December 31, 2013.

Note 8 MANAGEMENT CONTRACTS

Venue Services, Inc. managed the day-to-day operations of the auditorium facility until October 17, 2013. Venue Services, Inc. was the employer of the staff that operated the auditorium until this time. The Authority reimbursed Venue Services, Inc. for the operating costs of the auditorium. Additionally, the Authority paid Venue Services, Inc. a management fee, pursuant to an agreement from 2010 to 2012 and extended for part of 2013. The management fee paid to Venue Services, Inc. was \$26,098 and \$32,220 for the years ended December 31, 2013 and 2012, respectively.

On October 18, 2013 Garden Entertainment, LLC was contracted with to operate the auditorium facility. The agreement is effective from October 18, 2013 to June 14, 2019. Garden Entertainment will utilize the subsidy from the Mohawk Valley Water Authority to pay debt service and operating expenses of the facility. All operating expenses beyond this are the responsibility of Garden entertainment, LLC. The Authority retains the responsibility for capital improvements, and for capital repairs and maintenance to the facility.

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Notes to Financial Statements – continued
For the years ended December 31, 2013 and 2012

Note 9 COMMITMENTS

The Authority entered into a ground lease with Utica College in May 2001 for the college's construction of a locker room. The lease is for 20 years ending May 31, 2021 and calls for an annual rental of \$10 payable annually on each anniversary of the commencement of the lease. Utica College has financed all the construction costs. Utica College may renew this ground lease for four additional terms of five years each subject to the mutual agreement of both parties. Simultaneously, the Authority entered into a facility lease with Utica College for 10 years ending September 30, 2011. The lease was extended for an additional 5 year period.

Utica College will rent the auditorium ice for agreed upon rates and times. Utica College has the option to renew this lease under the same terms and conditions for two additional terms of five years each. Subsequently, Utica College may renew this facility lease for four additional periods of five years each, subject to re-negotiation.

In the event that Utica College does not elect to renew the facility lease at the end of ten years, the Authority will pay Utica College 25% of the cost of construction of the locker room not to exceed total construction costs of \$800,000. Hence, maximum liability for the Authority would be \$200,000. If Utica College fails to renew the facility lease at the end of fifteen years, the Authority will pay Utica College 12.5% of the cost of construction not to exceed total construction costs of \$800,000. Hence, maximum liability after fifteen years would then be \$100,000.

Note 10 NEW YORK POWER AUTHORITY ENERGY SERVICES AGREEMENT

On August 22, 2003, Oneida County entered into an energy saving services agreement with the New York Power Authority (NYPA). As part of this agreement, the auditorium facility received upgrades to their lighting, heating, ventilation and air conditioning equipment. The cost of these improvements was initially paid by Oneida County. The Authority agreed to repay Oneida County \$287,086 at a variable interest rate over 120 months. Payments began in 2005. Remaining future principal loan repayment requirements are as follows:

2014	\$ 26,543
2015	19,789
Total	\$ 46,332

UPPER MOHAWK VALLEY MEMORIAL AUDITORIUM AUTHORITY
Notes to Financial Statements – continued
For the years ended December 31, 2013 and 2012

Note 11 BOND PAYABLE

On September 15, 2010, the Authority issued a tax exempt \$238,000 bond for the chiller project. Interest rates range from 3.75% to 4% over the life of the bond. Future principal loan repayment requirements are as follows:

2014		\$ 20,000
2015		25,000
2016		25,000
2017		25,000
2018		25,000
2019		25,000
2020		30,000
Total		\$ 175,000

Note 12 GRANT INCOME AND CAPITAL PROJECTS

Oneida County previously advanced \$2 million in funding for the renovations to the auditorium that the New York State Urban Development Corporation, DBA Empire State Development will be reimbursing later. The first phase of the renovation project was the demolition work. The second phase included building a new locker room and state of the art scoreboard and sound system, improvements to the concessions and facilities for the Utica Comets of the American Hockey League team.

On November 27, 2013, the Oneida County Board of Legislators approved a grant agreement between Oneida County and New York State Urban Development Corporation, DBA Empire State Development for funds in the amount of \$1,000,000 for ongoing renovations at the Upper Mohawk Valley Memorial Auditorium. The term of the agreement is from September 1, 2013 to January 31, 2015. These funds were granted to the Upper Mohawk Valley Memorial Auditorium to continue the renovations.

In December 2013, the Oneida County Board of Legislators approved \$500,000 in funding to build a 275 spot parking lot across from the Utica Memorial Auditorium. The parking lot is expected to be completed by the fall of 2014.

Note 13 SUBSEQUENT EVENTS

Management evaluated the activity of the Authority through April 18, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or that should be discussed in the notes to the financial statements.

SUPPLEMENTAL INFORMATION



BARONE, HOWARD & Co., CPAs, PC
Certified Public Accountants and Consultants

**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**

To the Authority Members of
Upper Mohawk Valley Memorial Auditorium Authority
400 Oriskany Street West
Utica, New York 13502

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Upper Mohawk Valley Memorial Auditorium Authority, as of and for the year ended December 31, 2013, and the related notes to the financial statements collectively comprise the Upper Mohawk Valley Memorial Auditorium Authority's basic financial statements and have issued our report thereon dated April 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements Management of Upper Mohawk Valley Memorial Auditorium Authority, is responsible for establishing and maintaining effective internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Mohawk Valley Memorial Auditorium Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Mohawk Valley Memorial Auditorium Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Mohawk Valley Memorial Auditorium 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barone, Howard & Co., CPAs, P.C.

BARONE, HOWARD & Co., CPAs, P.C.
New Hartford, New York

April 18, 2014