Albany CONVENTION CENTER Authority

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014

ALBANY CONVENTION CENTER AUTHORITY

TABLE OF CONTENTS

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Albany Convention Center Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Albany Convention Center Authority (the "Authority"), a component unit of the State of New York, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Albany Convention Center Authority, as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–6 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 which considers 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 inquiries 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 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016 on our consideration of the Albany Convention Center Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Albany Convention Center Authority's internal control over financial reporting and compliance.

UHY LLP

Albany, New York
March 24, 2016

The following is a discussion and analysis of the Albany Convention Center Authority, and its financial statements that reflect the financial activity that took place during the year ended December 31, 2015.

Authority Background

The Albany Convention Center Authority (ACCA) was created on September 21, 2004 by the enactment of Title 28-BB of the Public Authorities Law (Chapter 468 of the Laws of 2004). The general purpose of the ACCA is to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and maintain a convention facility located in the City of Albany (the Project).

The Authority Board consists of nine members, three appointed by the Governor of New York State, one appointed by the Temporary President of the Senate, one appointed by the Speaker of the Assembly, two appointed by the Mayor of the City of Albany, with the advice and consent of the Common Council and two appointed by the Albany County Executive, with the advice and consent of the County Legislature. All members of the board shall serve at the pleasure of their appointing authority.

Significant activities during 2015 were as follows:

The Albany Capital Center:

During 2015, construction documents for the convention center project were completed and during this time period, '***The Albany Capital Center***' became the official name for the facility. Based on the completed construction documents, public bids for general trades, mechanical, electrical, plumbing, fire protection, elevators, roofing and finishes were obtained, awarded and approved via Board resolutions to the low bidders. As a result, as of December 31, 2015, 85% of the cost of construction has been issued in contracts.

The contract process was observed by the Dormitory Authority of the State of New York (DASNY) as engaged by the ACCA to provide Minority and Women-owned Business Enterprises (MWBE) and Equal Employment Opportunity (EEO) monitoring. Each low bidder was required to submit a Utilization Plan to DASNY following the bid and no contracts were executed by the ACCA until the Utilization Plan was accepted by DASNY. The project MWBE Goals are 22.75% and were exceeded as the current level of MWBE participation is 27%.

Construction of the Albany Capital Center began in 2015.

Under the direction of Gilbane Building Company in its capacity as construction manager advisor, the project has proceeded in accordance with the schedule with an expected completion date in early March of 2017.

Overview of the Financial Statements

The financial statements provide summary information about the ACCA's 2015 and 2014 operations including net position. The notes provide explanation and additional details about the financial statements.

The ACCA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and Government Accounting Standards Board (GASB). Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Net Position 2015

	December 31, 2015	December 31, 2014	$ Change
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 3,558,866	$ 3,831,685	$ (272,819)
Due from New York State	1,072,049	567,807	504,242
Due from Albany County (Occupancy Tax)	450,705	438,709	11,996
Prepaid expenses and other	411,420	86,804	324,616
Total current assets	5,493,040	4,925,005	568,035
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	29,500,659	16,582,598	12,918,061
Total assets	34,993,699	21,507,603	13,486,096
DEFERRED OUTFLOWS OF RESOURCES	46,672	-	46,672
Total assets and deferred outflows of resources	$ 35,040,371	$ 21,507,603	$ 13,532,768
LIABILITIES			
Accounts payable and accrued expenses	$ 103,611	$ 32,411	$ 71,200
Construction in progress and retainage payable	1,565,106	573,657	991,449
Accrued wages and employee benefits	18,666	14,458	4,208
Total current liabilities	1,687,383	620,526	1,066,857
NONCURRENT LIABILITIES			
Net pension liability	15,233	-	15,233
Rent escalation liability	317,355	267,789	49,566
Total liabilities	2,019,971	888,315	1,131,656
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION	33,020,400	20,619,288	12,401,112
Total liabilities, deferred inflows of resources and net position	$ 35,040,371	$ 21,507,603	$ 13,532,768

Significant Changes to Net Position

- Both Due from New York State and Accounts Payable and Accrued Expenses increased substantially in 2015 over 2014 due to larger and more numerous contractor applications submitted to NYS's Office of General Services (OGS) for construction work at the Albany Capital Center. In addition, Prepaid Expenses and Other increased $324,616 in 2015 over 2014 due to increased insurance premiums for Builders Risk and other project specific insurance requirements. Due to the shift to construction from planning and engineering during 2015, Capital Assets are approximately $13 million higher than in 2014.
- Expenses on operating leases are recognized on a straight-line basis. Accordingly, the rent escalation liability increased from $267,789 in 2014 to $317,355 in 2015. This represents the difference between actual lease payments made and the expense recorded on a straight line basis for the leases.

Revenue and Expenses 2015

	Year Ended 2015	Year Ended 2014	$ Change
Revenues	$ -	$ -	$ -
Expenses			
Salary and wages	205,646	204,589	1,057
Fringe benefits	57,902	75,690	(17,788)
Office expense	58,535	39,516	19,019
Occupancy costs	22,810	58,146	(35,336)
Professional fees	79,042	104,996	(25,954)
Other property held costs	40,607	85,870	(45,263)
Capital Center pre-opening expenses	277,754	38,199	239,555
Depreciation expense	5,127	-	5,127
Total expenses	747,423	607,006	140,417
Operating loss	(747,423)	(607,006)	(140,417)
Appropriations and other revenues (losses)			
State appropriations	11,950,983	7,728,988	4,221,995
Hotel-Motel Occupancy Tax	1,405,475	1,374,913	30,562
Rental loss, net	(208,599)	(219,599)	11,000
Interest income	676	837	(161)
Total appropriations and other revenues (losses)	13,148,535	8,885,139	4,263,396
Change in net position	12,401,112	8,278,133	4,122,979
Total net position beginning of year	20,619,288	12,341,155	8,278,133
Total net position end of year	$ 33,020,400	$ 20,619,288	$ 12,401,112

Significant Changes to Appropriations and Other Revenues (Losses) and Expenses

- 2015 State appropriations increased from approximately $7.729 million in 2014 to $11.951 million in 2015 primarily due to the reimbursement of expenses related to construction in progress costs.
- Hotel/Motel Occupancy Tax (HOT) increased approximately $31,000 in 2015 over 2014. This was due to a more stable hospitality industry occupancy in Albany County.
- Occupancy costs were reduced during 2015 from 2014 as a result of sharing space with the construction manager.
- Other property held costs, which relate to properties obtained at the original convention site were reduced in 2015 as savings were achieved when the properties were taken to a full vacancy state and as such, no utilities or interior maintenance costs are incurred.
- Capital Center pre-opening expenses increased approximately $239,000, a result of marketing efforts related to marketing toward the Capital Center’s opening in 2017.

Project Status

Whether control of the property originally obtained to house a convention center immediately off Broadway in Albany will be conveyed to OGS as has been discussed with NYS representatives since 2014 is unknown at this time. The ACCA will continue to pay the annual lease costs, bear the costs to maintain and insure the structures as vacant buildings, continue to contract with a parking operations management organization for daily, monthly and event parking on two parking lots, continue to rent a parking lot to Holiday Inn Express and a lot to the Times Union Center for event parking, and keep secured those lots and structures not in use.

The Albany Capital Center accomplishments for 2015 include:

- Shift from planning to construction occurred in March 2015 with expected completion in March of 2017.
- The ACCA Board awarded all major contracts for building construction in 2015, representing approximately 85% of the overall project costs.
- Pile Foundations were completed in fall 2015.
- Structural Steel placement started in December 2015 and is expected to continue until approximately May 2016.
- Under a contract with SMG, a sales director and marketing staff were hired in summer and fall of 2015. These individuals are marketing events for March 2017 and beyond. To assist with the sales and marketing efforts, a marketing video was developed in fall of 2015.

It is anticipated that subject to currently known construction conditions the following key events will take place during 2016:

- Contracts for furniture, fixtures & equipment, audio/visual equipment, kitchen equipment, and exterior sign are being awarded in spring 2016.
- Construction of Empire State Plaza Walkway is to commence in spring 2016.
- The Albany Capital Center structure will be enclosed during summer 2016.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 3,558,866**	$ 3,831,685
Due from New York State	**1,072,049**	567,807
Due from County of Albany, New York	**450,705**	438,709
Prepaid expenses and other	**411,420**	86,804
Total current assets	**5,493,040**	4,925,005
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	**29,500,659**	16,582,598
Total assets	**34,993,699**	21,507,603
DEFERRED OUTFLOWS OF RESOURCES	**46,672**	-
Total assets and deferred outflows of resources	**$ 35,040,371**	$ 21,507,603
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 103,611**	$ 32,411
Construction in progress and retainage payable	**1,565,106**	573,657
Accrued wages and employee benefits	**18,666**	14,458
Total current liabilities	**1,687,383**	620,526
NONCURRENT LIABILITIES		
Net Pension liability	**15,233**	-
Rent escalation liability	**317,355**	267,789
Total liabilities	**2,019,971**	888,315
DEFERRED INFLOWS OF RESOURCES	**-**	-
NET POSITION		
Net investment in capital assets	**27,935,553**	16,008,941
Unrestricted	**5,084,847**	4,610,347
Total net position	**33,020,400**	20,619,288
Total liabilities, deferred inflows of resources and net position	**$ 35,040,371**	$ 21,507,603

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2015 and 2014

	2015	2014
Revenues	**$ -**	$ -
Expenses		
Salaries and wages	**205,646**	204,589
Fringe benefits	**57,902**	75,690
Office expense	**58,535**	39,516
Occupancy costs	**22,810**	58,146
Professional fees	**79,042**	104,996
Other property held costs	**40,607**	85,870
Capital Center pre-opening expenses	**277,754**	38,199
Depreciation	**5,127**	-
Total expenses	**747,423**	607,006
Operating loss before grants and other revenues	**(747,423)**	(607,006)
Appropriations and other revenues (losses)		
State appropriations	**11,950,983**	7,728,988
Hotel-Motel Occupancy Tax	**1,405,475**	1,374,913
Rental loss, net	**(208,599)**	(219,599)
Interest income	**676**	837
Total appropriations and other revenues (losses)	**13,148,535**	8,885,139
Change in net position	**12,401,112**	8,278,133
Total net position, beginning of year	**20,619,288**	12,341,155
Total net position, end of year	**$ 33,020,400**	$ 20,619,288

See notes to financial statements.

ALBANY CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Personal service payments	**$ (290,779)**	$ (279,603)
Cash payments to vendors, contractors and other professionals	**(891,197)**	(499,517)
Net cash used in operating activities	**(1,181,976)**	(779,120)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received for interest	**676**	837
Cash received on accounts receivable	**11,446,741**	7,161,181
Cash received from County of Albany	**1,393,479**	1,334,983
Net cash provided by non-capital financing activities	**12,840,896**	8,497,001
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	**(11,931,739)**	(7,259,573)
Net cash used in non-capital financing activities	**(11,931,739)**	(7,259,573)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(272,819)**	458,308
CASH AND CASH EQUIVALENTS, Beginning of year	**3,831,685**	3,373,377
CASH AND CASH EQUIVALENTS, End of year	**$ 3,558,866**	$ 3,831,685
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss before grants and other revenues (losses)	**$ (747,423)**	$ (607,006)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**5,127**	-
Rental loss	**(208,599)**	(219,599)
Net changes in assets and liabilities:		
Prepaid expenses and other	**(324,616)**	(12,764)
Change in deferred outflows and net pension liability	**(31,439)**	-
Accounts payable and accrued expenses	**120,766**	59,573
Accrued wages and employee benefits	**4,208**	676
Net cash used in operating activities	**$ (1,181,976)**	$ (779,120)
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets included in construction in progress and retainage payable	**$ 1,565,106**	**$ 573,657**

See notes to financial statements.

NOTE 1 — FINANCIAL REPORTING ENTITY

The Albany Convention Center Authority (Authority) is a Public Benefit Corporation created by the State of New York (State) Legislature in 2004 to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage and maintain a convention center facility (Project) to be located in the City of Albany, New York (City). Operations began with the creation of the Authority's Board in February 2006. The Authority's Board consists of nine members: three members appointed by the Governor of the State, one member each appointed by the Temporary President of the State Senate and the Speaker of the State Assembly, respectively, two members appointed by the Mayor of the City of Albany with the advice and consent of the City's Common Council, and two members appointed by the County of Albany, New York (County) Executive with the consent and advice of the County Legislature.

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the State of New York's basic financial statements based on the State's responsibility for the appointment of a majority of the Authority members, and their approval of certain debt issuances. As a component unit, the Authority's financial statements may be discretely presented in the State of New York's basic financial statements. The accompanying financial statements present the financial position and the changes in net position and cash flows of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

The Authority is constructing a convention center costing approximately $66 million. It is expected that assets accumulated for the predecessor project will be transferred to the State for other development purposes. In 2014, the remaining $62,903,000 of the original State commitment of $75 million for the project was re-appropriated and is being administered through the New York State Office of General Services (OGS). The remaining cost of the project will be funded by the Authority's unrestricted net position.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of GASB Statement No. 20, as amended, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The more significant accounting policies are described below:

Basis of Accounting

The Authority's activities are accounted for similar to those often found in the private sector, using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. These deposits are fully collateralized by federal deposit insurance or secured under a collateral pledge and control agreement.

The Authority manages its investments pursuant to Section 98(a) of the State Finance Law. Permitted investments are defined as obligations in which the State Comptroller may invest which include obligations of the United States and its Federal agencies, collateralized time deposits, commercial paper, bankers acceptances and repurchase agreements.

Due from New York State

Due from New York State consists of amounts due from an operating agreement administered through the New York State Office of General Services for certain costs allowed under the agreement (Note 4). Receivables are recorded and revenue is recognized as the Authority incurs the allowable costs. No allowance has been established at either December 31, 2015 and 2014 for estimated uncollectible accounts receivable as these amounts are considered fully collectible.

Due from the County of Albany, New York

During 2006, enabling legislation authorized a portion of Hotel-Motel Occupancy Tax (HOT) revenue collected and remitted to the treasury of the County of Albany be set aside for use by the Authority (Note 5). The HOT revenue is recognized when earned based on management's estimates using budgeted and historical collection data adjusted each quarter based on actual amounts collected and deposited into an account designated by the Authority. Due from County of Albany, New York consists of the Authority's share of hotel taxes collected on behalf of the Authority. No allowance has been established at either December 31, 2015 and 2014 for estimated uncollectible amounts due from Albany County as these amounts are considered fully collectible.

Income Taxes

The Authority is a public benefit corporation of the State of New York. As such, income earned in the exercise of its essential government functions is exempt from state and federal income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reporting of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New GASB Accounting Standards

Effective January 1, 2015, the Authority adopted GASB 68, Accounting and Financial Reporting for Pensions (GASB 68). This statement addresses accounting and financial reporting for pensions provided to Authority employees that are administered by the New York State and Local Employees' Retirement System. This statement also require various note disclosures and required supplementary information. However due to the overall immaterial impact of this pension accounting on the statements of revenues, expenses, and changes in net position such note disclosures and supplementary information have not been included. The effect of this change in accounting principle on the prior period was an increase of deferred outflows of resources of approximately $22,000 and decrease of net pension liability of approximately $20,000. The net decrease in 2014 pension expense of approximately $2,000 has been recorded to 2015 pension expense and included in fringe benefits on the accompanying statements of revenues, expenses, and changes in net position.

NOTE 3 — CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents are categorized in accordance with criteria established by the GASB to give an indication of the level of risk assumed. Cash and cash equivalents as of December 31, are reflected below.

	2015		2014	
	Carrying Value	**Bank Balance**	**Carrying Value**	**Bank Balance**
Cash and cash equivalents	$3,558,866	$3,897,556	$3,831,685	$3,867,557
	$3,558,866	$3,897,556	$3,831,685	$3,867,557

The cash and cash equivalents are fully collateralized by federal deposit insurance or secured under depository collateral agreements as follows at December 31, 2015:

FDIC insurance	$ 500,000
Collateral held by pledging bank	3,980,930
	$ 4,480,930

NOTE 4 — NEW YORK STATE APPROPRIATIONS

In October 2006, as the result of a Grant Disbursement Agreement, the Empire State Development Corporation (ESDC) approved the first advance of $2,097,000 appropriated for predevelopment and project costs. The final appropriation was made in 2008.

In March 2009, ESDC approved an additional $10,000,000 grant (Capital Project #V767) to be used for the cost of pre-construction and site planning, land acquisition, environmental remediation, archeology, and history conservation, as part of a plan to build the convention center. The final appropriation under this grant was recognized as revenue in 2012.

NOTE 4 — NEW YORK STATE APPROPRIATIONS (Continued)

In May 2014, as the result of an Agreement, an additional $62,903,000 was approved and is being administered through New York State Office of General Services for the development of the convention center, at a second and final site, now known as the Albany Capital Center. Approximately $11,951,000 and $7,729,000 was recognized as revenue for qualified expenditures for the years ended December 31, 2015 and 2014, respectively, of which approximately $1,072,000 and $568,000 was included in Due from New York State for amounts expended but not reimbursed as of December 31, 2015 and 2014, respectively.

NOTE 5 — DUE FROM THE COUNTY OF ALBANY, NEW YORK

During 2006, legislation was amended which authorizes the County of Albany to impose and collect taxes from occupants of hotel-motel rooms in the County. Among other amendments, this legislation authorized a portion of hotel and motel occupancy taxes collected and remitted to the treasury of the County be deposited into a fund held separate and for the benefit of the Authority. Funds in excess of expenses and outstanding applications for withdrawals submitted by the Authority may be invested in accordance with certain provisions of law. Investment income earned is retained by the fund and made available to the Authority along with all other moneys of the fund. The County transfers money to the Authority's operating account on a quarterly basis which is to be used by the Authority for the development of the convention center project. This tax was originally subject to a sunset provision and ended in December 2008. This tax was re-enacted during 2009 with the tax imposed for the period from November 1, 2009 through December 31, 2010. The provisions of the legislation have been further extended through December 31, 2016. The Hotel-Motel Occupancy Tax revenues for the years ended December 31, 2015 and 2014 was $1,405,475 and $1,374,913, respectively.

NOTE 6 — CAPITAL ASSETS

The following schedule summarizes the capital assets of the Authority and related changes for the years ended December 31, 2015 and 2014:

	January 1, 2015	Additions	Deletions	Transfers	December 31, 2015
Construction in Progress - Capital Center project costs (A)	$ 7,819,898	$ 12,916,520	$ -	$ -	$ 20,736,418
Other property held (B)	8,749,368	-	-	-	8,749,368
Furniture, equipment and other	30,735	6,668	-	-	37,403
Total	16,600,001	12,923,188	-	-	29,523,189
Less: accumulated depreciation	(17,403)	(5,127)	-	-	(22,530)
Capital assets, net	$ 16,582,598	$ 12,918,061	$ -	$ -	$ 29,500,659

	January 1, 2014	Additions	Deletions	Transfers	December 31, 2014
Construction in Progress - Capital Center project costs (A)	$ -	$ 7,819,898	$ -	$ -	$ 7,819,898
Other property held (B)	8,749,368	-	-	-	8,749,368
Furniture, equipment and other	17,403	13,332	-	-	30,735
Total	8,766,771	7,833,230	-	-	16,600,001
Less: accumulated depreciation	(17,403)	-	-	-	(17,403)
Capital assets, net	$ 8,749,368	$ 7,833,230	$ -	$ -	$ 16,582,598

NOTE 6 — CAPITAL ASSETS *(Continued)*

(A) Capital Center project costs consist principally of construction costs, land costs, legal, other professional fees and other pre-construction costs incurred which are directly related to the Capital Center located at 55 Eagle Street in Albany, New York. These assets are not being depreciated as they are not in service as of December 31, 2015.

(B) Other property held consist principally of land costs and other acquisition costs incurred which are directly related to the Authority's original project location. These assets are not being depreciated. The remaining balance at December 31, 2015 and 2014 represents costs directly related to property that is expected to be transferred to New York State Office of General Services.

In connection with health and safety provisions for the other property held, costs of approximately $40,600 and $85,900 are included in the financial statement line other property held costs in the statements of revenues, expenses, and changes in net position for the years ended December 31, 2015 and 2014, respectively.

Furniture, equipment and other assets are capitalized and depreciated over a period consistent with the underlying estimated useful life when placed in service. Depreciation expense related to furniture, equipment and other assets was approximately $5,100 for the year ended December 31, 2015 (none in 2014).

NOTE 7 — RENTAL LOSS

As a result of the 2010 acquisitions of land, buildings and surface parking lots (Notes 10), the Authority commenced rental activities, utilizing management agents, relating to these properties. For the years ended December 31, 2015 and 2014, net rental losses on these properties approximated $209,000 and $220,000, respectively. Rental loss consisted primarily of property management fees, lease expenses, utilities and maintenance costs, net of parking revenues.

NOTE 8 — RETIREMENT AND POST RETIREMENT BENEFITS

The two employees of the Authority participate in the New York State and Local Employees' Retirement System ("System" or "ERS").

The System is a cost-sharing multiple-employer defined benefit plan administered by the State Comptroller. Plan benefits, including retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed under the State Constitution. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors. The System issues a financial report that includes financial statements and other information for the System which is available to the public. The financial report may be obtained from the New York State and Local Employees' Retirement System at www.osc.state.ny.us/retire.

NOTE 8 — RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

No employee contribution is required for those hired prior to July 1976. The System requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined the System from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership in the System. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Commission to the pension accumulation fund. For 2015, the rate was 18.6% for the Commission's active employees. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

The Authority recognized net pension expense of approximately $14,800 and $33,600 for the years ended December 31, 2015 and 2014, respectively which is included in fringe benefits in the statements of revenue, expenses and changes in net position.

At December 31, 2015 the Authority reported deferred outflows of resources of approximately $10,000 and a liability of approximately $15,200 for its proportionate share of the ERS deferred outflows of resources and net pension liability, respectively. The ERS net pension liability was measured as of March 31, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014, with updated procedures used to roll forward the total pension liability to March 31, 2015. The Authority's proportion was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2015 measurement date, the Authority's proportion was .0004509%.

The Authority has reported an additional deferred outflow of resource of approximately $37,000 as of December 31, 2015 for employer contributions made subsequent to the measurement date of March 31, 2015.

NOTE 9 — LINE OF CREDIT

The Authority has available a revolving demand line of credit totaling $300,000 with a bank. Borrowings under the line are collateralized by a lien and security interest in any and all deposits of the Authority held by the bank and or its affiliates and bear interest at the Wall Street Journal's Prime Rate plus 1.65%, adjusted annually (5.15% at December 31, 2015 and 2014). Interest on outstanding borrowings is due monthly. There were no borrowings outstanding at either December 31, 2015 or 2014.

NOTE 10 — CONTINGENCIES AND COMMITMENTS

Operating Leases

Office lease:

The Authority has an operating lease for office space located in the City of Albany, New York through June 2016. Rental expense paid by the Authority and included with occupancy costs in the statements of revenues, expenses, and changes in net position approximated $15,800 and $43,600 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 — CONTINGENCIES AND COMMITMENTS *(Continued)*

Ground leases:

As a result of the purchase of buildings and land made on August 24, 2010, the Authority was assigned ground leases relating to surface parking areas which contain development rights. These parcels are part of the area designated for the building of the convention center. Assignment of these ground leases allows for the Authority to take the existing leases over from the original lessee with the same terms in place. The ground leases are accounted for as operating leases. The leases include a purchase option for two of the three properties during the final five years of the lease term (2036 – 2040). The surface parking areas to which these leases relate are being rented on a daily, monthly and event basis utilizing management agents.

Future minimum lease payments under these land leases are as follows:

Year Ending December 31,	
2016	$ 362,900
2017	298,800
2018	302,800
2019	310,800
2020	310,800
2021 - 2025	1,636,000
2026 - 2030	1,756,000
2031 - 2035	1,875,000
2036 - 2040	1,323,000
	$ 8,176,100

Lease expense recorded by the Authority and included in rental loss in the statement of revenues, expenses, and changes in net position approximated $336,400 for each of the years ended December 31, 2015 and 2014. These leases include escalation amounts and have been recorded on a straight-line basis. Accordingly, a liability of approximately $317,400 and $267,800 is included in Rent Escalation Liability in the Statement of Net Position at December 31, 2015 and 2014, respectively. This liability represents the difference between actual lease payments made and the expense recorded on a straight line basis for the leases.

Management and Licensing Fee Commitments:

Property:

During 2009, the Authority acquired property in the form of a surface parking lot from GLI Inc. (GLI), doing business as Greyhound Lines. Coincidental with the closing, the Authority entered into a license agreement with GLI whereby for an annual fee of $10 GLI may use the property for the parking of its busses and employee cars consistent with the use prior to purchase. The license agreement is renewed annually and includes a right of termination by the Authority at any time as needed.

***NOTE 10 — CONTINGENCIES AND COMMITMENTS** (Continued)*

Management and Licensing Fee Commitments: (Continued)

Property: (Continued)

During 2009, the Authority acquired property in the form of surface parking lots from the County. Coincidental with the closing, the Authority entered into a license agreement with the County whereby for an annual fee of $10 the County may use the property for parking of Albany County owned vehicles and those of County employees consistent with the use prior to purchase. The license agreement is renewed annually and includes a right of termination by the Authority at any time as needed for the convention center project to proceed.

In April 2010, the Authority acquired certain land utilized as a surface parking lot from Capitalize Albany Corporation. As part of the purchase, the Authority received an assignment of a lease whereby Capitalize Albany Corporation leased the parking lot to 41 State Street for the lessee's annual use of the property with the address of 10 Dallius Street, Albany, NY. The parking lot is currently being leased for approximately $3,700 monthly through December 2019. The Authority entered into a license agreement with Capitalize Albany Corporation as part of the purchase of the parking lot whereby Capitalize Albany Corporation continues to collect the annual lease fee from 41 State Street in exchange for a fee equal to 30% of the revenue collected. The 30% fee represents payment for Capitalize Albany Corporation to manage the lease, oversee the use of the property and collect and account for the fees. The license agreement is renewed annually and the Authority retains the right to terminate the agreement at any time as needed in order for the convention center project to proceed.

During August 2010, the Authority purchased land, buildings and ground leases with existing rental operations. With respect to the surface parking lots, the Authority continues to rent the lots for daily, monthly and event purposes. The Authority entered into a management agreement for the management of the lots. The agreement calls for a monthly management fee of $650 and incentive fee equal to 20% of the increase, if any, in net operating income for each agreement year over the annualized net operating income generated in the first three months of the term. The agreement continues on a month to month basis.

Capital Center:

During September 2014, the Authority entered into a management agreement for pre-opening consulting services and to promote, operate and manage the Albany Capital Center facility through December 2020. The agreement include a pre-opening fee of $4,000 per month through commencement of the management term. The management term begins one month prior to the first public event held at the facility and requires a base management fee of $100,000 annually adjusted by CPI and allows for additional incentive fees based on operating revenues and qualitative factors. Fees expensed under this agreement were approximately $193,000 and $12,000 for the years ended December 31, 2015 and 2014, respectively and included in Capital Center pre-opening expenses in the statement of revenues, expenses, and changes in net position.

During October 2014, the Authority entered into an agreement with the Albany County Convention and Visitors Bureau for the marketing the Capital Center through December 31, 2015 and subsequently extended through December 31, 2016. Marketing related expenses under this agreement approximated $84,000 and $25,000 for the years ended December 31, 2015 and 2014, respectively and included in Capital Center pre-opening expenses in the statement of revenues, expenses, and changes in net position.

NOTE 10 — CONTINGENCIES AND COMMITMENTS (Continued)

Management and Licensing Fee Commitments: (Continued)

Capital Center: (Continued)

As of December 31, 2015, the Authority has open commitments of approximately $37,778,000 to the construction management company and other contractors for construction related work being performed on the Capital Center.

NOTE 11 — SUBSEQUENT EVENTS

During January 2016, the Authority entered into an additional commitment of approximately $1,955,000 million relating to certain construction related costs for the Albany Capital Center.

INDEPENDENT AUDITOR'S 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*

Members of the Board
Albany Convention Center Authority

We have audited, 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 Controller General of the United States, the financial statements of the Albany Convention Center Authority (the Authority), as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated March 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

UHY LLP Certified Public Accountants

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* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 an 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.

UHY LLP

Albany, New York
March 24, 2016